

# **Supplier Diversity: Latest Data and Insights to Define Program Success**

The Council of Supplier Diversity Professionals  
May 20, 2022  
Lindsay Azim

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# Lindsay Azim

Senior Principal, Analyst – Supply Chain Sustainability



## Biography

Lindsay Azim is a Senior Principal Analyst in Gartner's Supply Chain Practice focusing on sustainability and supplier diversity. Her cross-functional support includes sustainability strategy development, building a culture of sustainability, responsible sourcing, greenhouse gas emissions reduction, supplier diversity and sustainability reporting. Lindsay has previously supported clients on core procurement processes and strategy.

## Roles that Need My Research:

CSCO  
CPO/Head of Procurement  
CSO

**Education:** Masters in Sustainability Management, Columbia University  
B.S. Finance and International Business, University of Delaware

**Contact:** <https://www.linkedin.com/in/lindsay-azim/>

## Common Inquiries I Help Clients With:

- Supplier diversity program development & expansion
- Sustainable procurement strategy
- Measuring and reducing Scope 3 GHG emissions
- Supplier engagement and capability building

- **Current State of Supplier Diversity**
- **Benchmarking Metrics and Goals**
- **Economic Impact Reporting Case Study**

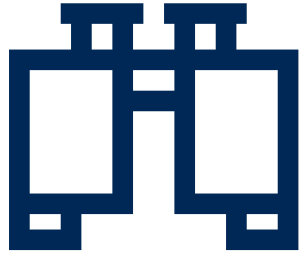


**Current State of Supplier  
Diversity**

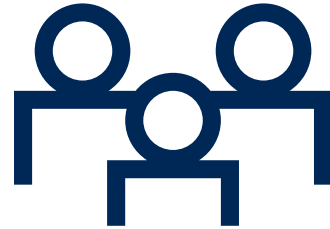
**Benchmarking Metrics  
and Goals**

**Economic Impact  
Reporting Case Study**

# Supplier Diversity Programs Need More Support



**13%** agree that they excel at **identification of diverse suppliers**



**14%** are properly **resourced for long-term success**



**25%** agree supplier diversity is **embedded into company culture**

Q = Please Indicate How Much You Agree or Disagree With the Following Statement

Source: 2020 Gartner Supplier Diversity Survey

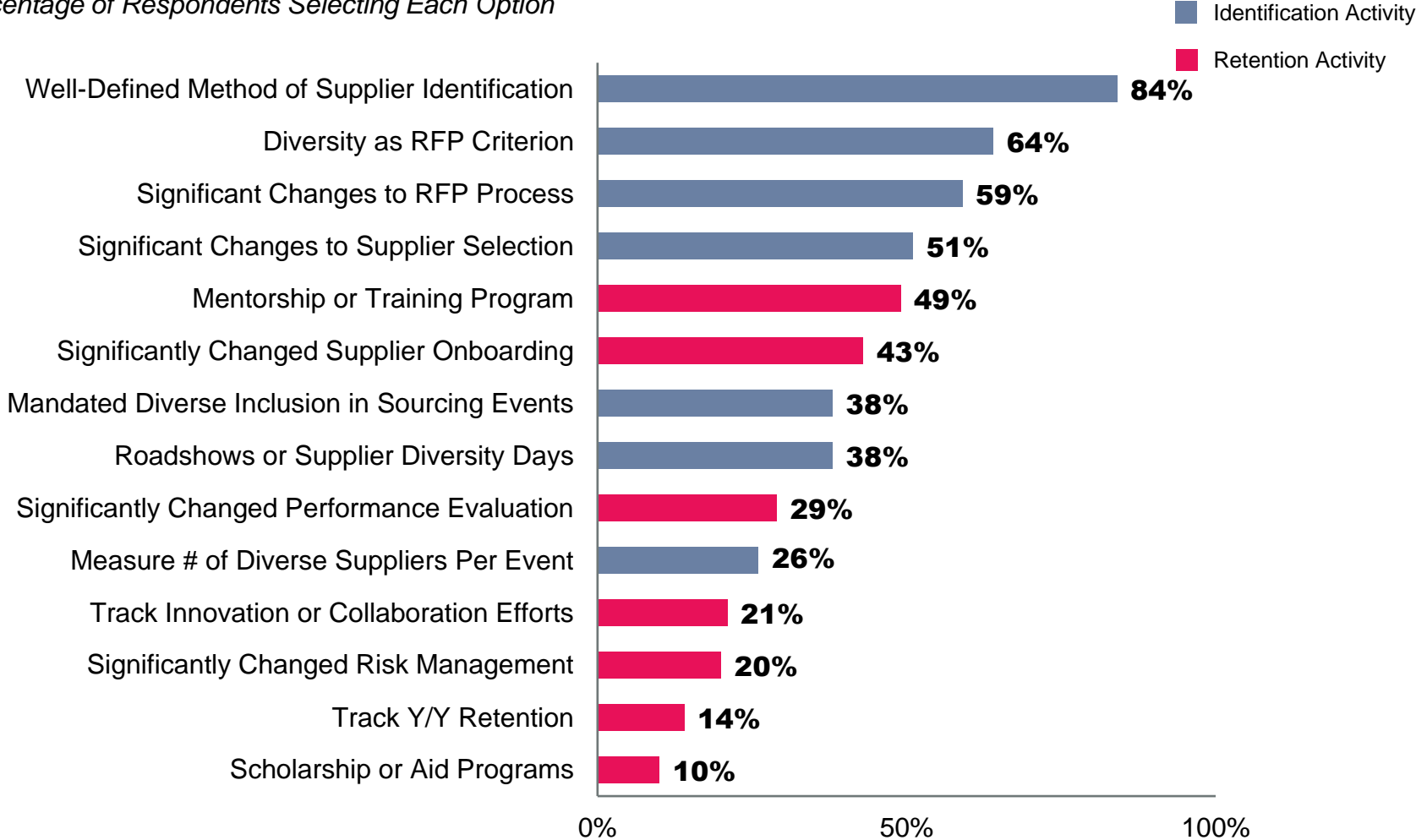
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# Most Programs Focus on Identification

Likelihood of a Programmatic Element Being in Supplier Diversity Program  
*Percentage of Respondents Selecting Each Option*



n = 80 Supplier Diversity Programs

Source: 2020 Gartner Supplier Diversity Survey

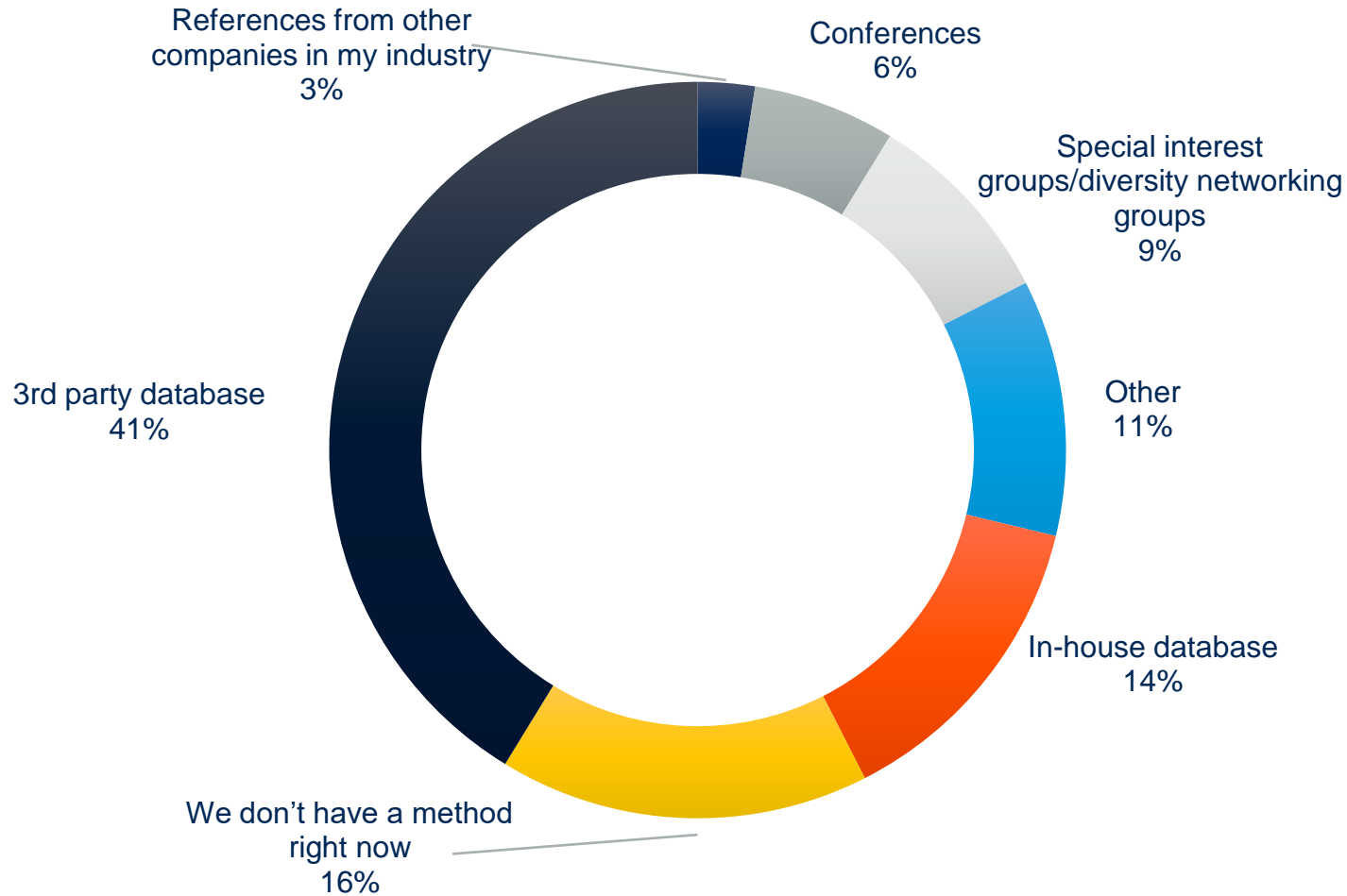
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# Main Tool For Discovery are 3<sup>rd</sup> Party Databases

## Supplier Identification

Q. What is your main method of identifying diverse suppliers?



n = 80 organizations  
Source: Gartner

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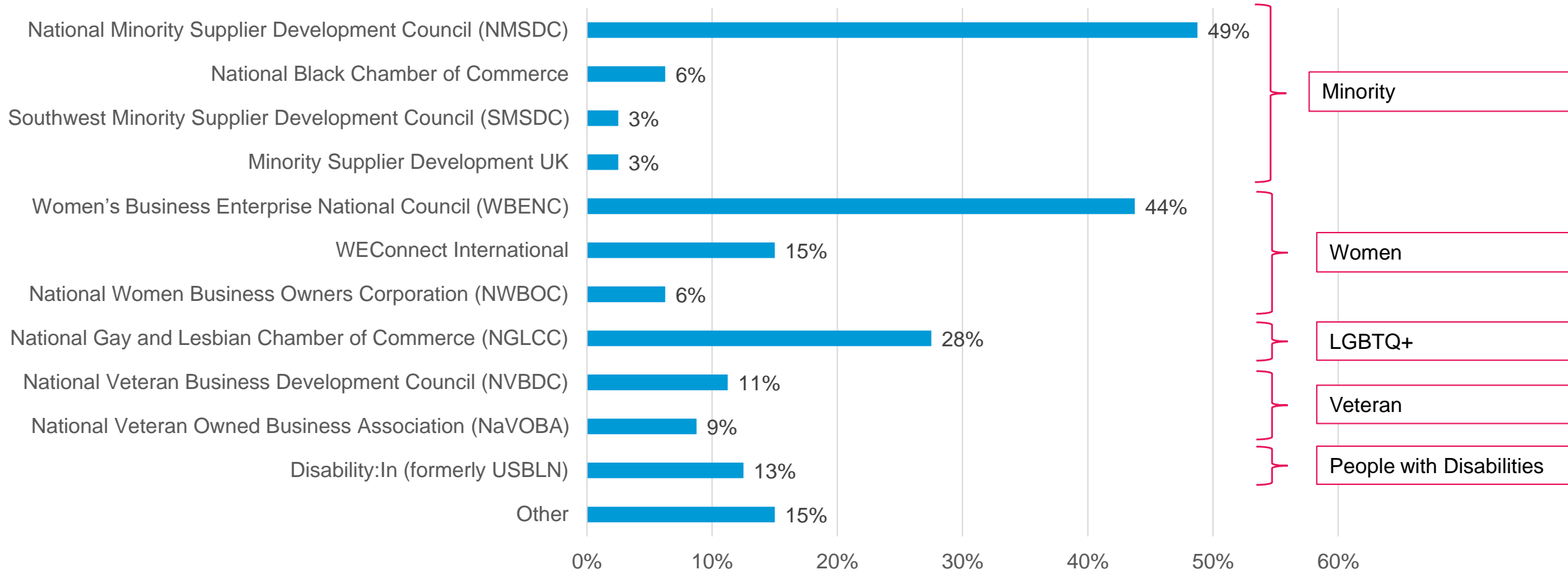
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# Most Companies Are Members

## External Collaboration

Q. Are you a member of any of the following organizations devoted to diversity-owned businesses?



n = 80 organizations  
Source: Gartner

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**34%** are not a member of any such organization

# We Improve Our Company and Our Communities...

## Benefits of Suppliers Diversity

Q. What are the top 3 benefits of having a diverse supply base for your organization?



n = 80 organizations

Source: Gartner

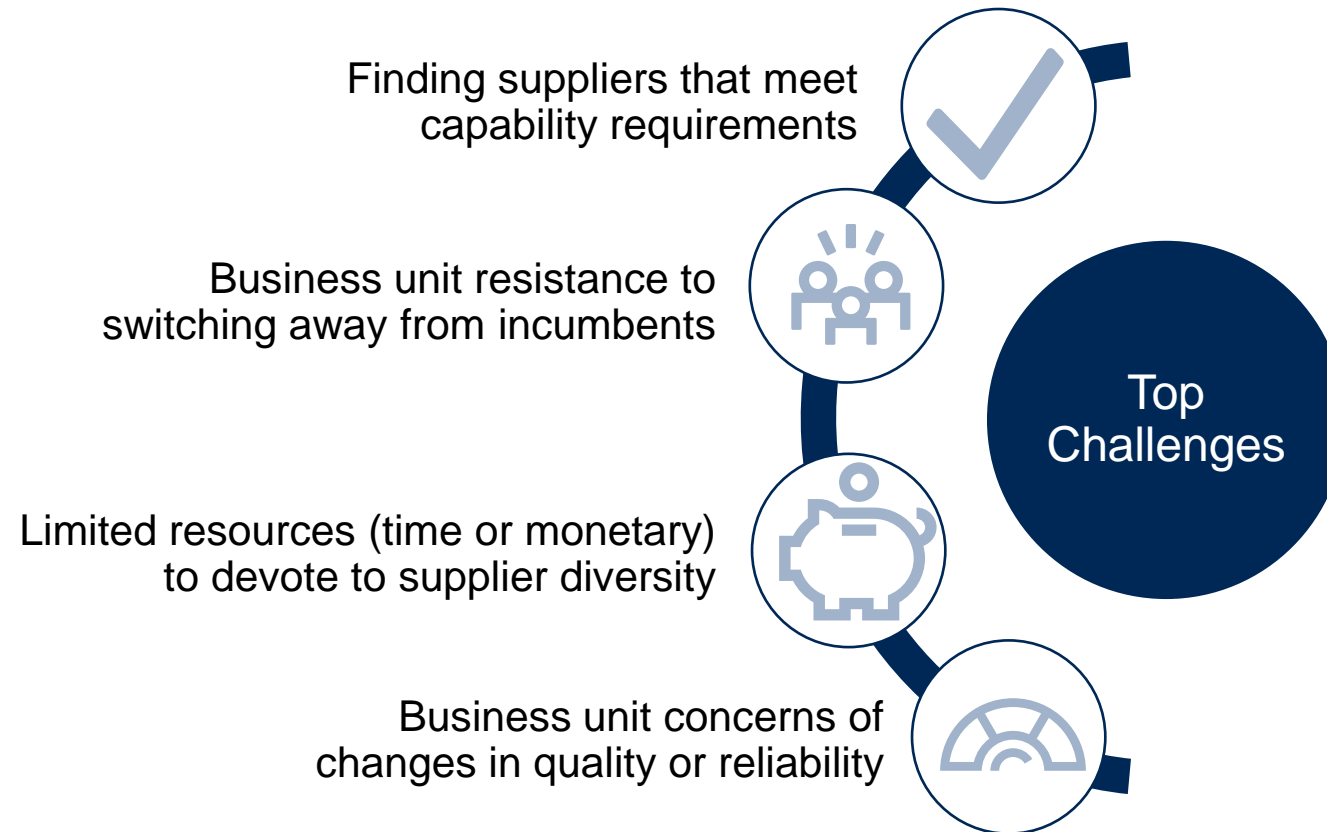
Other benefits include: Build company brand, compliance with government regulations, Explore new markets/products/services, reduce supply chain risks, increasing the organization's customer satisfaction, job creation

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# ...But It's Not Always Easy to Drive Outcomes

Challenges Limiting the Success of Supplier Diversity Initiatives

Q. What are the top 3 challenges that limit the success of your supplier diversity initiatives?



n = 80 organizations

Source: Gartner

Other challenges include: Integrating the program among different categories in the organization, measuring and reporting the value of diverse suppliers, managing increased complexity due to multi-tier supply management, lack of insight into future business plans to incorporate diversity, lack of top-level/executive support, expanding diversity in multiple regions, unconscious bias towards diverse suppliers

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Current State of Supplier Diversity

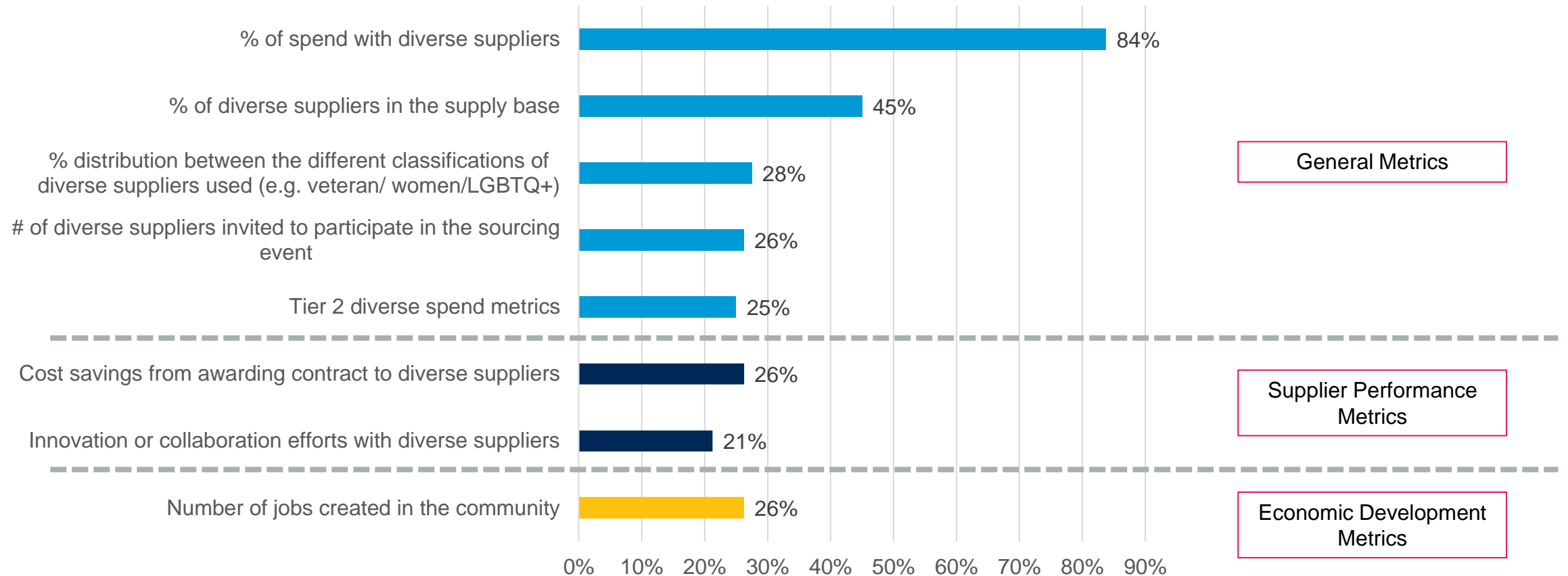
**Benchmarking Metrics and Goals**

Economic Impact Reporting Case Study

# Top Two Metrics: % of Spend / % of Suppliers

Metrics Tracked\* - General, Supplier Performance, Economic Development

Q: What metrics do you use to track the progress of your supplier diversity initiatives?



n = 80 organizations

Source: Gartner

\*Metrics tracked more than 20% of the time

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# Moving to Outcome-Oriented Metrics

## Typical Programmatic Metric



Percentage of spend with diverse suppliers



Widely accepted metric



Not outcome-based

## Outcome-Oriented Metrics



Company Outcomes (i.e., Innovation, Revenue, Cost Reduction)



Community Outcomes (i.e., Number of Jobs Created, Reduction of Poverty)



Measures true program impact



Aligns program to ESG priorities



Harder to track



Progress takes more time



Benchmarking difficult

# Tie Supplier Diversity Outcomes to ESG Metrics



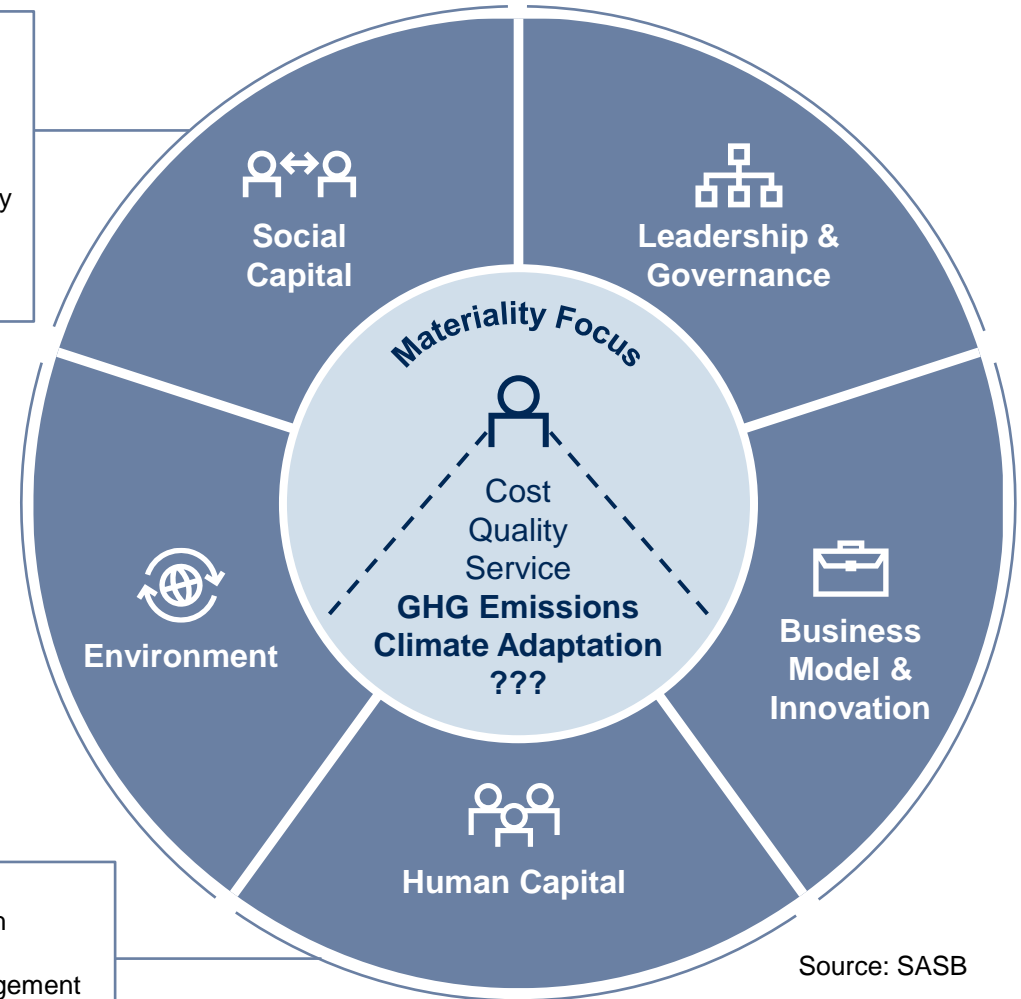
Driving equitable health outcomes



Reducing the racial wealth gap

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

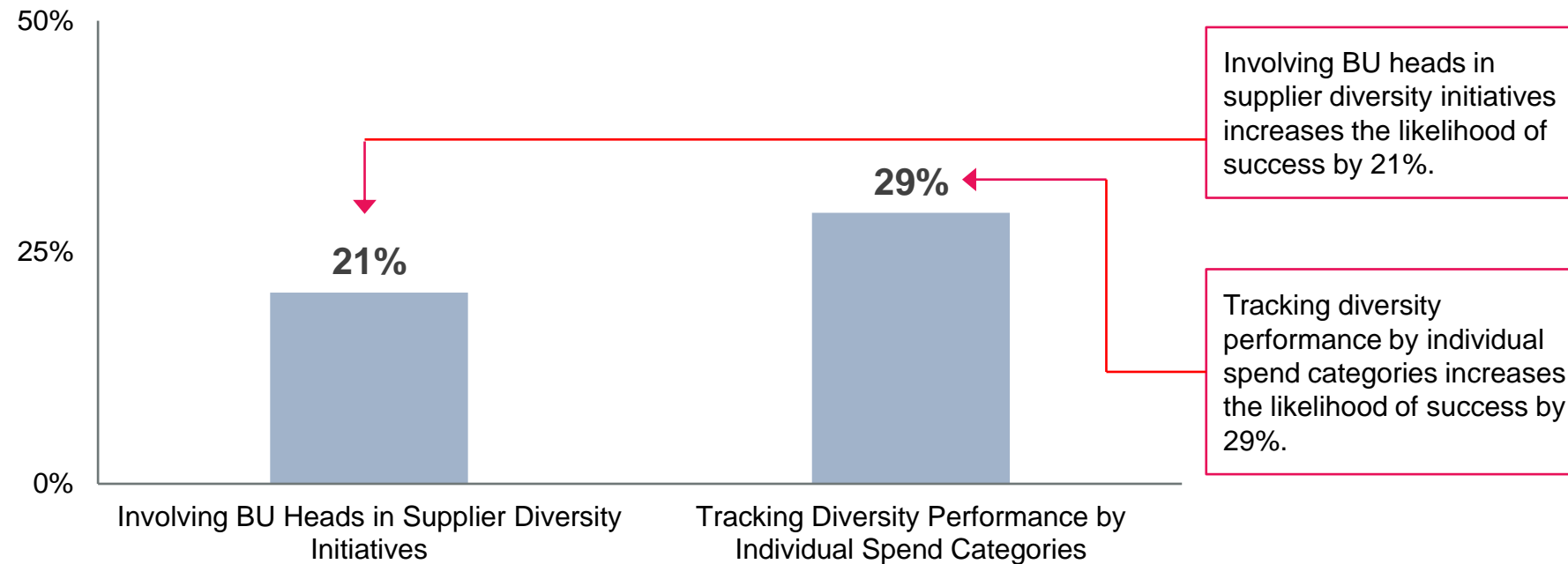
- Labor Practices
- Employee Health & Safety
- Employee Engagement
- Diversity, & Inclusion



Source: SASB

# Shared Accountability Can Improve Outcomes

Impact of Sharing Accountability with the Business on Supplier Diversity Goals  
*Correlation Between Each Activity and Likelihood of Goal Attainment*




n = 80 Supplier Diversity Programs  
Source: 2020 Gartner Supplier Diversity Survey



# Programs Don't Hold the Business Accountable

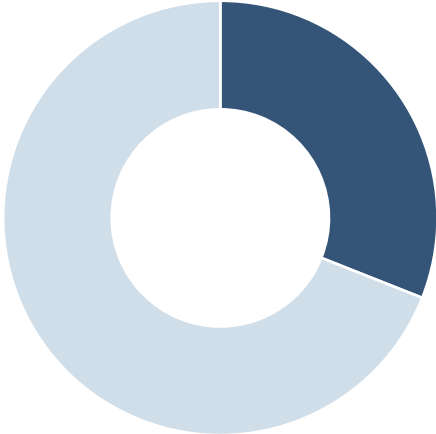
Leaders Who **Involve Business Unit (BU) Heads** in Supplier Diversity Initiatives




 **38%** organizations work with BU heads on supplier diversity initiatives

n = 80 Supplier Diversity Programs  
Source: 2020 Gartner Supplier Diversity Survey

Leaders Who Track Supplier Diversity Performance by **Individual Spend Categories**

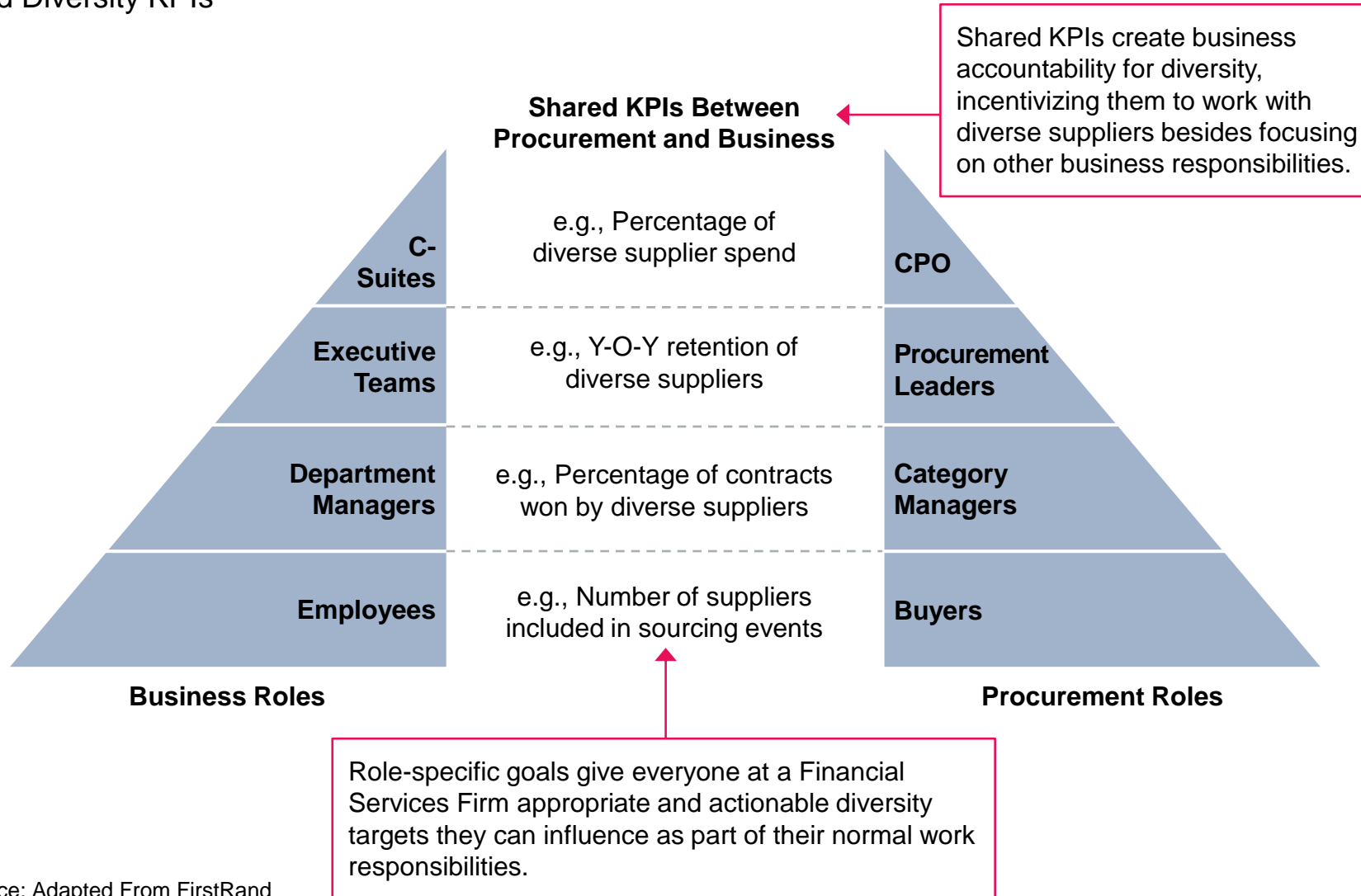


 **31%** organizations track diversity performance by individual spend categories.

n = 80 Supplier Diversity Programs  
Source: 2020 Gartner Supplier Diversity Survey

# Introduce Shared Goals to Extend Business Accountability

## Role-Oriented Shared Diversity KPIs





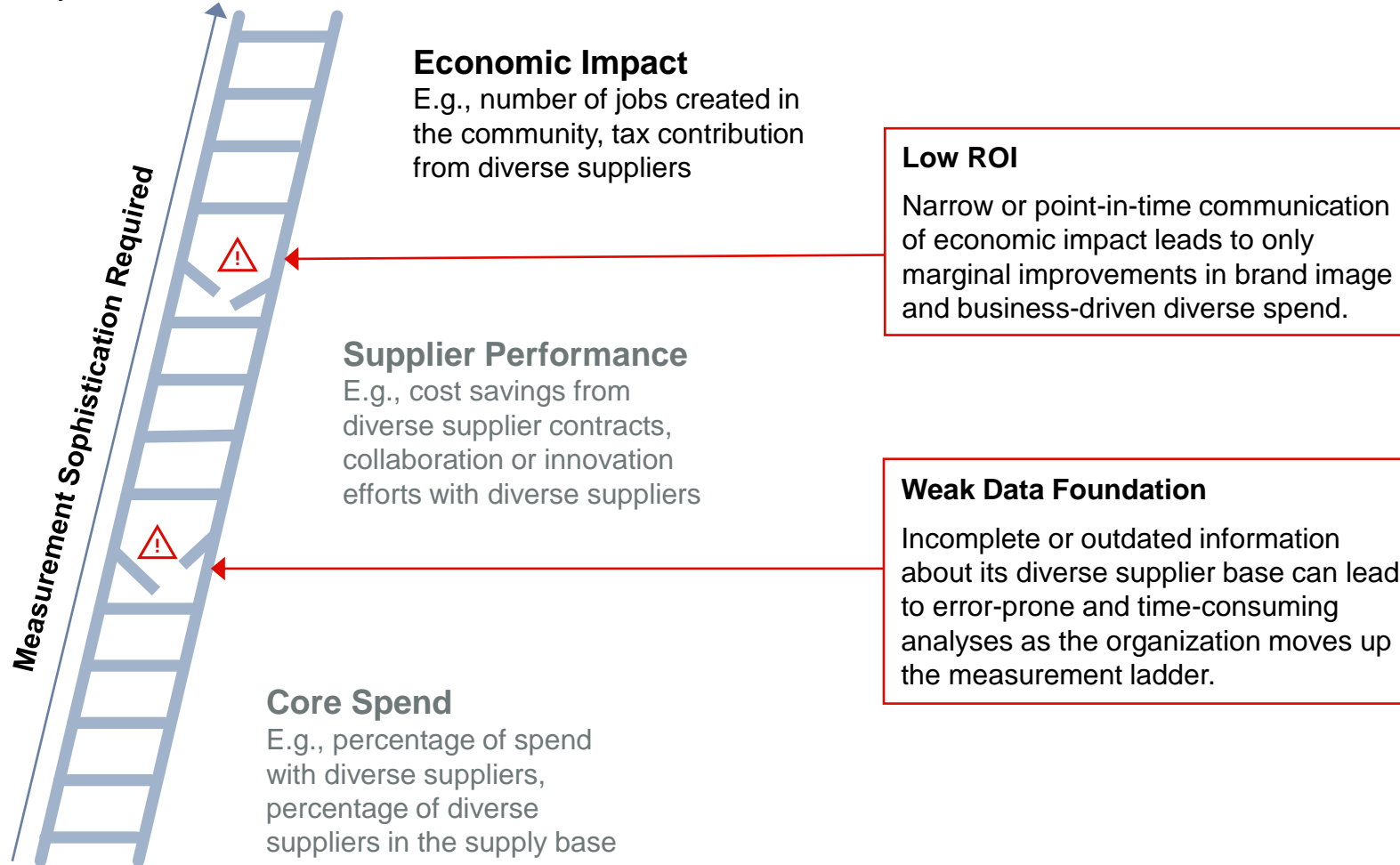
—● Current State of Supplier Diversity

—● Benchmarking Metrics and Goals

—● **Economic Impact Reporting Case Study**

# Hard to Measure Success Beyond Spend and Performance

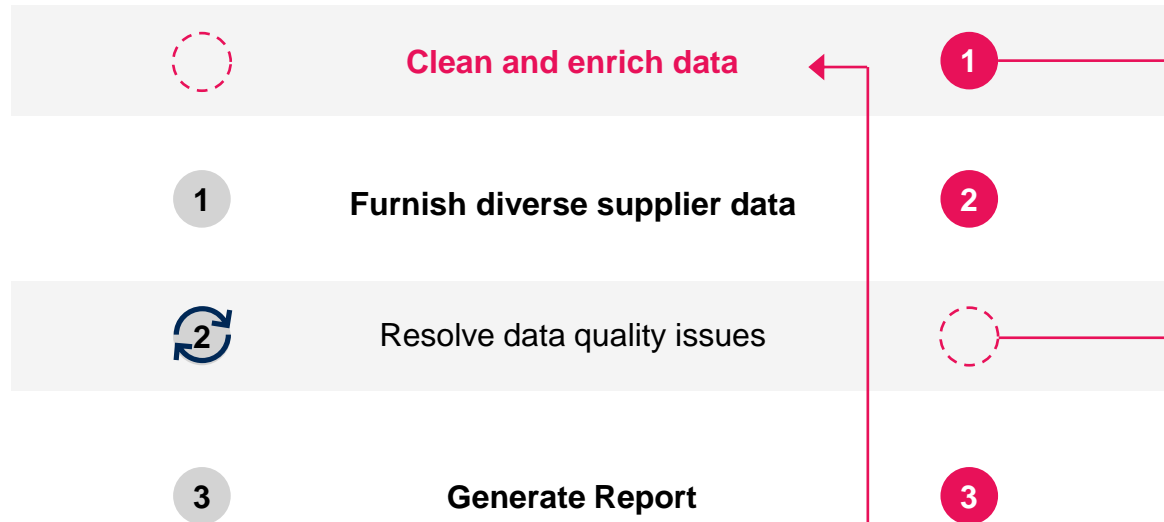
## Stages of Supplier Diversity Measurement



# Preempt Data Quality Issues That Can Derail the Analysis

South Utility Pre-Analysis Data Enrichment Step

## Typical Economic Impact Analysis Steps



**Initial Data Enrichment Step:** Procurement identifies and corrects anomalies in supplier data before providing the data to the vendor...

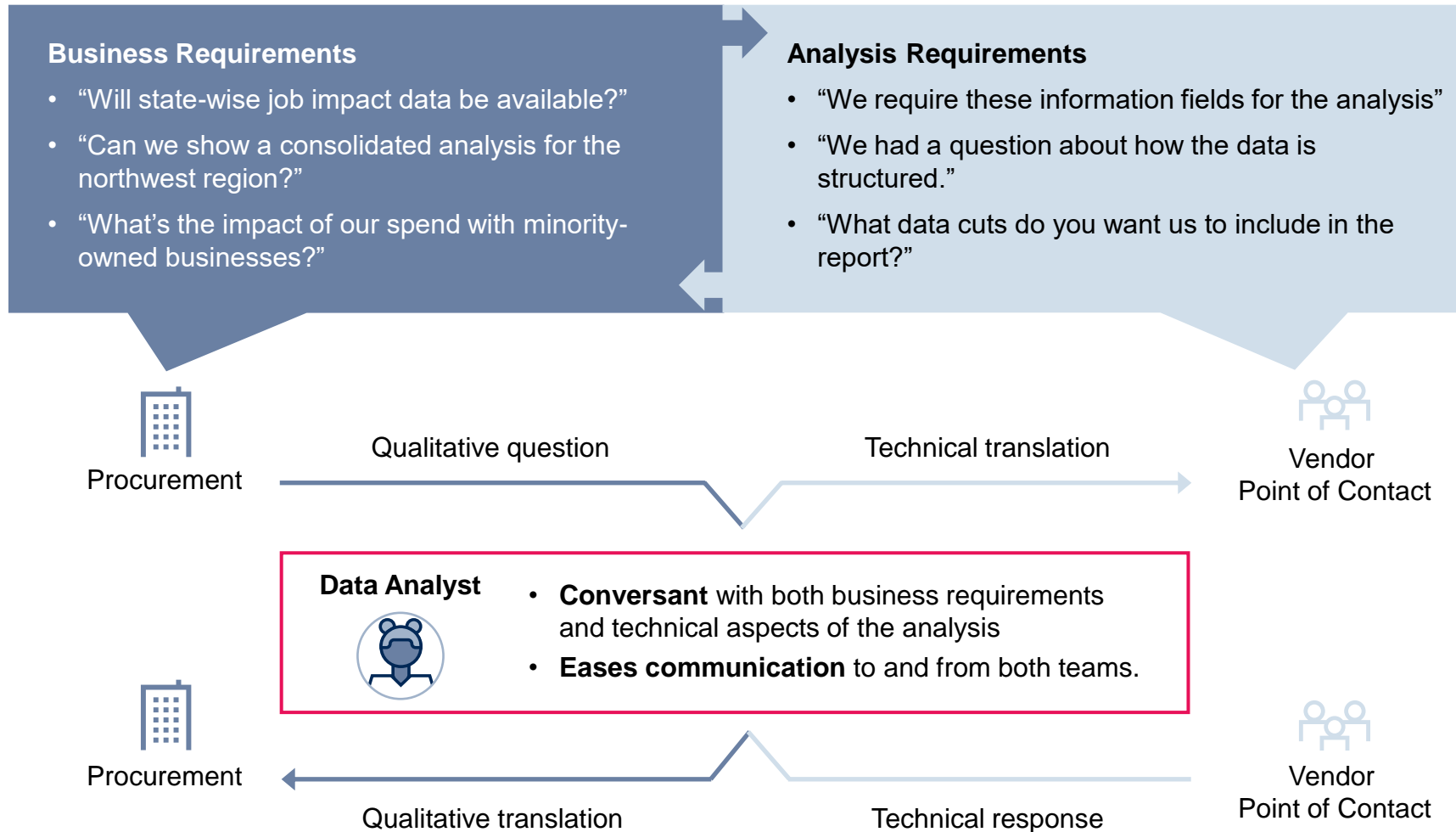
... allowing procurement to avoid time-consuming data quality issues that can delay the analysis and increase the likelihood of errors.

### Data Enrichment Checklist:

- ✓ Missing or nonstandard information fields
- ✓ Duplicate entries
- ✓ Outdates ownership info
- ✓ Incorrect certification status
- ✓ Misspelt supplier name
- ✓ Incorrect headquarter location

# Use Internal Data Expertise to Ease Back-And-Forth

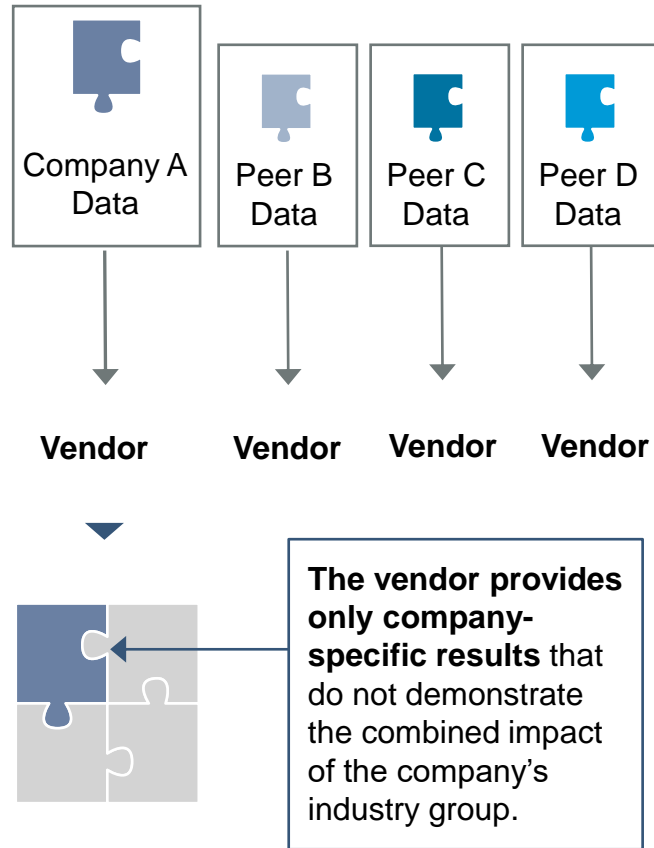
South Utilities' Data Analyst-Led Vendor Communication (Illustrative)



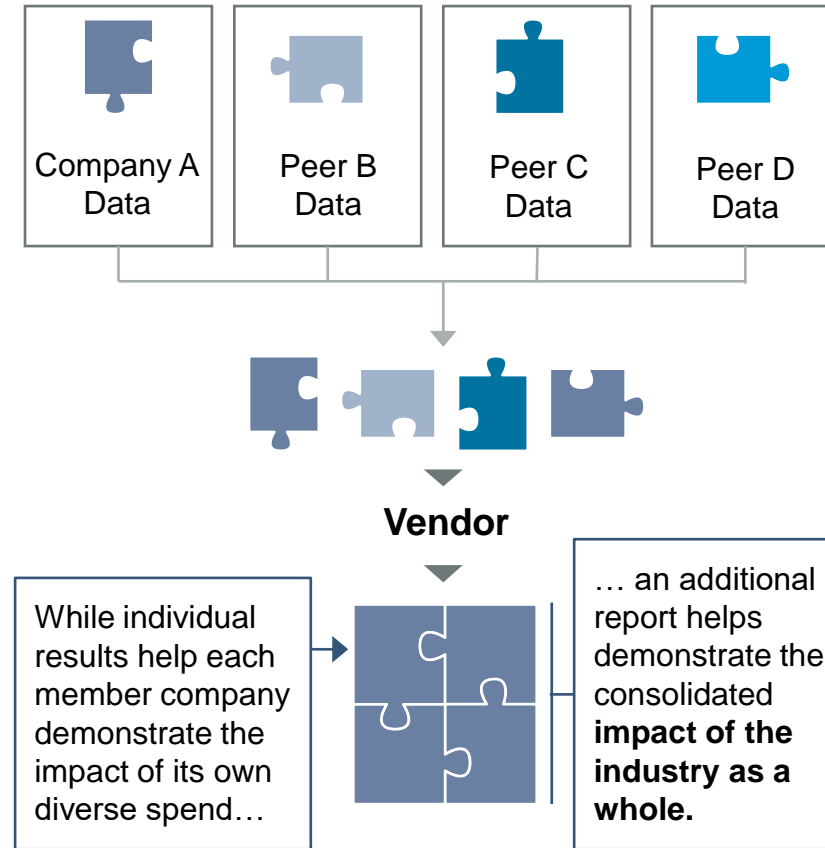
# Pool Individual Data to Tell a More Compelling Story

Comparison of Individual versus Group-Based Economic Impact Reporting

## Typical Company-Specific Approach



## South Utilities' Group-Based Approach



# Results

## Benefits of South Utilities' Approach to Conducting the Economic Impact Analysis



### Benefits to Procurement

- A quantifiable way to demonstrate the impact of supplier diversity efforts, leading to further investment.
- Better business-buy-in resulting in greater selection of diverse suppliers for future sourcing needs.



### Benefits to Business Partners

- Enhanced brand image leading to further business acquisitions.
- Better community outreach allowing business expansion to new markets and geographies.

“Buy in at the most senior levels of business leadership is very key for us, which is why data such as this is so important. It goes beyond mere spend figures or the number of diverse suppliers but allows us to show what’s the wealth being created in underserved markets.”

Director Supplier Diversity, South Utility



### Production Impact

South Utility: \$778.9M  
Utilities Group: \$41.6B



### Jobs Supported

South Utility: 4,690  
Utilities Group: 285,000



### Wages Supported

South Utility: \$275.5M  
Utilities Group: \$16.2B



### Taxes Generated

South Utility: \$245.8M  
Utilities Group: \$13.6B



# Key Takeaways

- 1 Move to defining success using **outcome-oriented metrics**
- 2 Build **shared accountability** with the business – Procurement can't do it alone.
- 3 **Joint EIA** with peers communicates a compelling story of both individual and collective impact results

# Questions?



**What is the best way to measure value?**  
**What are the outcomes you are looking to drive?**