
Ten things you need to know about Supplier Diversity

1. What it is

Supplier diversity is about opening up business opportunities for small and medium sized businesses (SMEs) and helping large purchasing organisations (LPOs) to reap the benefits of having an open, fair and effective procurement system.

Supplier diversity helps LPOs to effectively target SMEs and, within these, diverse groups, in order to gain business benefits including increased market share. Diverse businesses include, but are not limited to, women, people with a disability, people belonging to an ethnic minority group or with an immigrant background, lesbians, gays, bisexuals or trans-gender (LGBT) people.

The aim is for any supplier to have a free and fair opportunity to compete for business based on their own merits.

2. What it is not

Supplier diversity is not about positive discrimination, political correctness or taking action in favour of one group rather than another. It does not involve extra bureaucracy or making things over complex.

It provides a platform of opportunity in the supply chain in which suppliers compete and win or lose based on merit, while providing significant business benefits for LPOs.

3. Who we are

Supplier Diversity Europe is a ground breaking project that is concerned with fostering co-operation among multi-nationals, large companies, public organisations, SMEs and diverse and under-represented businesses to establish best in class procurement and supply chain development programmes in Europe.

It currently operates in the UK, France, Sweden, Germany and the Netherlands.

4. Why SMEs are a priority

SMEs¹ are the starting point of the Supplier Diversity Europe programme. SMEs form a substantial proportion of European businesses: for example, they employ over 75 million people across Europe and contribute over 50% of EU GDP. In the UK they generate 37% of private sector turnover.

¹ The European Commission definition of an SME is less than 250 headcount or turnover of up to €50m (usually much less than this in practice)

They are a vital part of the economy as creators of wealth and employment. SMEs are often innovative, especially in niche markets that demand high flexibility and customised products.

SMEs are seen by Governments across Europe as a key factor in helping to rebuild economies at a time of retrenchment and Government financial re-organisation. In the UK, small businesses are considered to be central to the UK economic recovery and tackling unemployment.

The Supplier Diversity Europe programme is geared to helping LPOs to work more effectively with SMEs.

5. Why diversity is important

The face of Europe is changing. For example, in relation to age, people are living longer: this also impacts on the numbers of people with disabilities, which are increasing. Patterns of settlement among the ethnic minority population and immigrants are growing and also changing, reflecting in part the nature of the global economy. Society is also more tolerant, and this is reflected in equality legislation. Gay and lesbian people, for example, can now be more confident and open about who they are, what they want, and what they aspire to.

This impacts on the nature of the market place, and the needs and preferences of customers and consumers in relation to the goods and services they buy and need.

LPOs need to respond to this changing external environment, and obtain the best strategic fit. They need to produce products and services that are appropriate to an increasingly diverse market place, and be able to find the best suppliers from a diverse supplier base. Suppliers themselves reflect the changing demographics. They can potentially help LPOs to reach a diversity of communities.

Failure to respond in this changing world may lead to strategic drift, loss of competitive advantage, as well as market share. It may also lead to poorly targeted services being provided. Supplier diversity can help LPOs to stay aligned with the changing market place.

6. How diverse (underrepresented) suppliers form part of the equation

The European SME community is becoming increasingly diverse. For example, ethnic minority and immigrant businesses are a significant and growing section of the business community. Ethnic minority businesses have tended initially to provide goods and services first for their own communities, but as they become more established, they offer products, employment and wealth creation opportunities for the wider society.

The number of women owned businesses is steadily increasing. There is little data on the number of businesses owned by disabled people and people from LBGT groups, but they are likely to be growing.

Relevant also is the value of diverse markets. For example, the annual after tax income of London's ethnic minority communities is over £16 billion. In the UK, lesbian, gay and bi-sexual people have an estimated £70 billion spending power. In Germany, women contributed or greatly influenced 79% of expenditure on tourism and travel. Women make 80% of buying decisions in all homes.

Making this link to the nature of diverse markets and accessing the widest possible pool of potential suppliers is an important part of the supply chain equation. Supplier diversity can help in contextualising and developing this area.

7. Challenges to SMEs and diverse businesses

Considerable barriers remain for SMEs in seeking to win contracts. This is a particular issue in the public sector. For example, tendering processes need to be simpler, more open and transparent. There continues to be excessive bureaucracy and unnecessary documentation, and more needs to be done to encourage SMEs, including diverse (under-represented) businesses, to tender for contracts.

To address some of these problems, the Coalition Government in the UK is aiming to increase the delivery 25% of government research and procurement contracts through SMEs, in part by cutting the administrative costs of bidding.

Supplier diversity activity will help SME suppliers in this area, especially diverse (under-represented) suppliers, to access new markets and supply chain opportunities not currently offered to them.

8. Social benefits

Working with SMEs and diverse suppliers in particular can have spin-off effects in speeding up the integration of marginalised groups, helping to regenerate communities and encourage new entrepreneurs.

The 'social economy' may also be important: social enterprises, voluntary and community organisations, often operating in hard to reach areas and sectors, may be well placed to deliver specialised contracts such as services to deprived sections of the community.

9. The opportunities

There are great opportunities for LPOs to work with SMEs and diverse businesses in their procurement arrangements. This applies to all sectors. A supplier diversity approach can impact positively on both revenue earning activity, as well as the quality of services being provided. It includes winning customers by delivering products and services that are appropriate to a rapidly diversifying market place; finding the best possible suppliers amongst the supply base that is itself becoming more diverse;

improving knowledge of diverse markets; and accessing public sector contracts where supplier diversity considerations are increasingly included in tenders and contracts.

The supplier diversity approach can help focus on the benefits and develop a programme of work to deliver them in practice.

10. What we can do for you

The Supplier Diversity Europe programme contains a number of elements. It includes:

- Operating pilot programmes in the UK, France and Sweden which address strategic tactical and political challenges in the procurement area.
- Providing customised and tailored support to companies in developing and implementing supply chain development programmes in respect of working with SMEs and diverse businesses.
- Linking large companies with diverse potential suppliers by the utilisation of databases and tailored programmes.
- Raising awareness and building support for supplier diversity throughout Europe and across all sectors through a range of activities and events.
- Helping to form relationships with other not-for-profit and public organisations to progress supply chain development.
- Providing cutting edge research and management tools, including a management hand-book on supplier diversity and case studies that bench mark and guide companies on managing their own programmes.

To find out more: please refer to www.supplierdiversityeurope.eu or email Beth Ginsburg bginsburg@migpolgroup.com for more information.