

# Commitment to racial equity takes all of us.

WHO WE ARE: The CEO Action for Racial Equity Fellowship brings together top talent to advance public policies and corporate engagement strategies that will address systemic racism, social injustice, and improve societal well-being. The Fellowship is a first-of-its-kind, business- led initiative that uses the power and speed of CEO Action for Diversity & Inclusion™ signatory organizations to help forge equitable pathways for the more than 47 million Black Americans.

**OUR SOCIAL CONTRACTS:** Leveraging the resources of corporate America, we are focused on three areas that disproportionately affect Black Americans where our companies can have direct impact: forging prioritized collaborative relationships with HBCUs, **advancing equity through diversity in corporate contracting and procurement**, and destigmatizing reentry through support for Fair Chance Hiring.

### **EXECUTIVE SUMMARY**

# **Business Diversity | February 2022**

Embracing new approaches to strengthen the supplier diversity pipeline

Business leaders recognize that supplier diversity programs are not yielding the desired results for many buying organizations and Black-owned businesses. Our business diversity approach aims to overcome many of the traditional supplier diversity challenges by meeting companies where they are, amplifying the importance of including professional services as part of a company's business diversity strategy, and by establishing a connected ecosystem for buyers, sellers, agencies, and capital resources to collectively increase access and visibility to opportunities, mentorship, and capital.

# THE ISSUE

# The Business Gap

Fortune 500 companies spend roughly 2% annually on minority-owned suppliers, well short of the 10% to 15% spending goals many corporations set last year,\* leading to significant improvement opportunities for traditional supplier diversity approaches.

\*Source: Chicago-based Ariel Investments launches 'Project Black,' Chicago Tribune. Feb 17, 2021: <u>Ariel Investments' 'Project Black' to invest in minority-owned suppliers - Chicago Tribune</u>

# **Traditional Supplier Diversity Challenges**

- Locating and engaging with minority-owned suppliers.
- Accessing, compiling, and reporting supplier diversity data.
- Culturally transforming supplier diversity from a "program" to a way of doing business.
- Cumbersome, siloed, and expensive certification processes.
- Obtaining capital and visibility to opportunities for minorityowned businesses.
- Insufficient minority-owned business development and scaling support.

# Take Action < Expand beyond supplier diversity into a business diversity ecosystem

Business diversity is the intentional practice of cultivating and supporting diverse and disadvantaged business owners by advancing collaborative relationships across a broad range of suppliers, including professional services.

The goal of our business diversity solution is to advance a sustainable ecosystem of companies, suppliers, capital resources, and agencies to increase equity, access, and growth for Black-owned businesses. To achieve our goal, we ask companies to join our ecosystem and commit to the fair inclusion of Black suppliers in their procurement activities by:

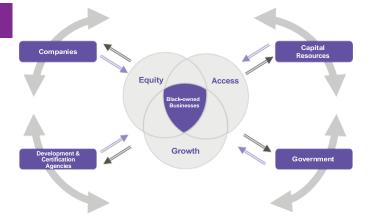
- Increasing equity for Black suppliers across all services.
- Creating more access to capital and networks for Black suppliers.
- Developing growth and scale opportunities for Black suppliers.
- Sharing data, resources, leading practices, and insights regarding progress.

## **Build the Ecosystem**

The current state of supplier diversity often puts the burden on the Black-owned business to navigate the various stakeholders in the system. This state results in lack of visibility, access, and transparency, as well as added expense for both Black-owned businesses and buying corporations. Conversely, the business diversity ecosystem connects these key stakeholders to collectively and systemically overcome the traditional supplier diversity challenges, and work together to increase equity, access, and growth for Black-owned businesses.

Furthermore, the ecosystem:

- Improves collaboration, access, visibility, and accountability among the essential ecosystem players.
- Puts the Black-owned business at the center of the experience instead of placing it at the center of the burden.
- Focuses on building & scaling suppliers through mentorship and greater access to capital.
- Leverages the power of the collective companies to share leading practices and help drive increased stakeholder accountability through data visibility and disaggregation.



Our ecosystem approach creates a network of companies, capital resources, development agencies, and government entities to improve access to opportunities, capital, and mentorship. Together, this integrated network can increase equity, access, and growth for Black-owned businesses.

# The Maturity Continuum

Corporations can consider these leading practices as they forge a path forward.

### Characterized by:

- The absence of a Business Diversity sourcing strategy,
- The beginning of a Business Diversity strategy without a dedicated leader and/or budget

# **DEVELOPER**



### The Path to Success:

- < Secure buy-in from top management and board, and set measurable goals.
- < Establish disaggregated baseline spend by race in support of developing a supplier database.
- < Collaborate with certifying organizations to connect with diverse businesses.

### Characterized by:

- A formal program exists, baseline spending has been established, and data disaggregated by race to illuminate gaps.
- Business Diversity strategy is often aligned with current procurement structure or is a result of compliance requirements.

# INTERMEDIATE

# The Path to Success:

- < Dedicated time spent on business diversity by individuals with procurement and/or DEI experience.
- < Implement/procure a system for tracking and reporting spend at the disaggregated level.
- < Create a Business Diversity scorecard to evaluate distinct lines of business.
- < Internal supplier diversity reporting up to a steering committee/council/senior leadership on key performance indicators.

### Characterized by:

- The move from a "program" to a way of doing business.
- High connection to the business strategy.Encompasses professional services across the business.
- The extension to Tier 2 suppliers.
- Supplier mentorship & development programs in place.

# **ADVANCED**

#### The Path to Success:

- < Tie Business Diversity goals to compensation at the executive level
- Remove barriers to certification
- < Establish and track Tier 2 supplier reporting goals and outcomes
- < Establish programs to facilitate access to capital and support business development.
- < Provide 1 on 1 mentorship and educational opportunities for signatory companies and Black-owned businesses
- < Discuss and share leading practices and progress with other CEOARE signatories.
- < Create diverse sourcing strategies inclusive of professional services (legal, HR, IT, marketing, etc.).
- Meet corporations where they are
- Provide a progressive path to greater maturity through leading practices
- Allow for maturity to continuously evolve

The maturity continuum provides a framework of leading practices from our signatory pilot community for corporations to consider as they advance business diversity.

## Have an Impact

A robust and sustainable business diversity ecosystem yields substantial benefits to companies, Blackowned businesses, communities, and the overall economy.

### Companies

- Better innovation and ability to serve customers
- Improved collaboration
- Increased access to supplier talent/skills
- Better supplier competition
- Strengthened brand reputation and community goodwill
- Higher internal talent attraction/retention
- Alignment with Diversity, Equity and Inclusion (DEI) values and efforts
- Ability to attract, build, and scale supplier businesses

### Black-owned Businesses

- Improved access to capital
- Greater access to and awareness of business opportunities
- Opportunities to create and build wealth
- Ability to build and scale talent
- Higher growth and scalability

Robust Business Diversity practices can help grow Black-owned businesses, ultimately helping to increase wealth for Black Americans and expand the economy overall. If existing Black-owned private businesses reached the same average revenue as their white-owned counterparts, the result would be an additional \$200 billian in annual direct revenues, which could equal about \$190 billion in additional

### Communities

- Higher job creation Improved local economies
- Better attractiveness for additional businesses and residents

<sup>\*</sup>Building Supportive Ecosystems for Black-Owned US Businesses McKinsey & Co. October 29, 2020

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