

BEST PRACTICES in SUPPLIER DIVERSITY



GUIDELINES

CANADIAN ABORIGINAL
and MINORITY SUPPLIER COUNCIL



CAMSC

Canadian Aboriginal and
Minority Supplier Council  Conseil canadien des fournisseurs
autochtones et de minorités visibles

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LETTER FROM THE PRESIDENT OF CAMSC

Supplier Diversity which means diversifying corporate supply chains to ensure inclusion of aboriginal minority and women owned businesses is an unfamiliar term and practice in Canada; yet this model has been wholly embraced by corporations and government in the United States for some forty years.

As the Canadian population becomes more diverse and increases its reliance on aboriginal minority and women owned businesses, the concept of Supplier Diversity is increasingly gaining traction in Canada fueled by the subsidiaries of global corporations — who are being introduced to Supplier Diversity by their US head offices — and organizations such as the Canadian Aboriginal and Minority Supplier Council.

The National Minority Supplier Development Council (NMSDC) with whom CAMSC is affiliated has developed a common set of standards; Best Practices for Supplier Diversity. With

the permission of the NMSDC, CAMSC has adapted these building blocks, tasks practices and processes that corporations report are necessary for success in introducing Supplier Diversity programs.

This publication is thus a synthesis of information shared by many corporations. It is intended to be a — How To Do It Primer — for a successful implementation of a Supplier Diversity model in the Canadian context.

The Canadian Aboriginal & Minority Supplier council is pleased to share this information with you.

Orrin Benn
President, CAMSC

For more information visit our website at
www.CAMSC.ca

ESTABLISH CORPORATE POLICY AND TOP CORPORATE MANAGEMENT SUPPORT



Rationale:

Corporate executive management defines and documents its supplier diversity policy, including annual performance goals, Accountability, and reporting of aboriginal and supplier utilization, and its commitment to increasing aboriginal and minority supplier utilization.

MEASURES OF SUCCESS:

1. The corporate governance body has established a supplier diversity program as a policy of the corporation.
2. The CEO has issued a supplier diversity policy that articulates the rationale supporting the initiative. The CEO ensures that this policy is communicated to staff and implemented.
3. The CEO has appointed appropriate full-time staff and resources to ensure a successful supplier diversity program
4. There is an executive advisory council/committee composed of key stakeholders to drive the program's progress.
5. All levels of management are accountable for supplier diversity.
6. Management directs that supplier diversity be incorporated into the business planning cycle.
7. Belongs in Procurement for most companies and business models, but in all cases it should be a part of the corporation's umbrella Diversity Strategy.
8. There is a written supplier diversity corporate policy that clearly defines executive management commitment and measures success.
9. Supplier Diversity utilization/ metrics are included in annual performance goals for the corporation and for each business unit/division of the firm.



DEVELOP A CORPORATE SUPPLIER DIVERSITY PLAN

Rationale:

The corporate supplier diversity plan acts as a means of ensuring that there is a corporate-wide commitment to supplier diversity.

This includes establishing supplier diversity improvement plans with internal customers and cross-functional organizations.

MEASURES OF SUCCESS:

1. The policy is supported by a clearly-stated supplier diversity business case based on value to the corporation.
2. Employee reviews (of stakeholders, budget holders, etc.) are tied to performance in developing supplier diversity cross-functionally.
3. Corporation has an effective, active cross-functional supplier diversity steering committee.
4. The supplier diversity program promotes the inclusion of CAMSC-certified suppliers in all aspects of corporate procurement.
5. The corporate plan is reviewed by senior executive management on a regular basis.
6. Controls, processes, materials, personnel and resources needed to achieve program performance are identified and/or acquired.
7. Plan should include methodology to identify and develop aboriginal and minority suppliers.
8. Supplier diversity is integrated into all aspects of corporate business planning and is part of the "corporate DNA."
9. Plan exists for implementation of roles and responsibilities in supplier development in business units other than procurement.
10. Input from aboriginal and minority supplier groups are included in the supplier development process.
11. Develop language/tool kit regarding supplier diversity for salespeople to use in developing and negotiating contracts.
12. Supplier diversity management has a good understanding of the company's core operations.

ESTABLISH COMPREHENSIVE INTERNAL AND EXTERNAL COMMUNICATIONS



Rationale:

The procurement staff has established and maintains methods for communications about supplier development planning, execution and accomplishments.

MEASURES OF SUCCESS:

1. Company-wide awareness of initiative is promoted via multiple vehicles, for example, annual report, brochures, newsletters, prominent Web site placements, etc.
2. Supplier diversity information is disseminated to internal stakeholders on a regular basis.
3. Supplier diversity information is included in new employee orientation.
4. On-going and specialized supplier diversity education is provided to all procurement personnel.
5. On-going and specialized supplier diversity training is provided to other business units.
6. Company encourages aboriginal and minority business enterprises to seek certification and external training.
7. Supplier selection criteria are explained to suppliers.
8. Suppliers who are not successful in winning bids are debriefed so that they can be more competitive.
9. The largest AMBE suppliers are well versed on corporate procurement goals and objectives.
10. The corporation has an effective process to respond to prospective suppliers.
11. Company representatives participate in CAMSC events and its affiliate work.
12. Articles and advertisements are placed in business media to help identify potential AMBEs
13. Participation in trade fairs, etc., including regional participation and support, with objectives and a method to measure outcomes.
14. Supplier diversity results are published in the corporate annual report and/or corporate sustainability report.



IDENTIFY OPPORTUNITIES FOR AMBEs IN STRATEGIC SOURCING AND SUPPLY CHAIN MANAGEMENT

Rationale:

Analysis of total corporate spend (by business unit/department) to determine opportunities is critical to the success of the corporate supplier diversity process. Supplier diversity staff has established and maintains methods for soliciting AMBEs and considering business units and first-tier suppliers. Supplier diversity staff has established and maintains methods for identifying, recruiting and developing AMBEs.

MEASURES OF SUCCESS:

1. Supplier diversity is formally integrated into the corporation's strategic sourcing process.
2. There is one or more strategic "big hits" with an AMBE currently in place in each planning cycle.
3. AMBEs are significantly integrated in all product/service/commodity areas of spend, including non-traditional areas of spend.
4. Process is in place to review the expiration dates of all existing contracts:
 - a. With suppliers to maintain continuity.
 - b. To find new opportunities for suppliers.
5. Supplier diversity has targeted long-term, big hit opportunity areas.
6. Corporation has a process in place, which the supplier diversity team is aware of, for setting minimum targets for as well as tracking new RFPs/RFIs/RFQs, to ensure the inclusion of aboriginal and minority businesses in the development process.
7. RFPs/RFIs/RFQs have standard language in place to identify AMBEs and the supplier selection process sets minimum targets for AMBE supplier inclusion and selection.
8. A process exists that will review the outcomes of the RFP /RFI /RFQ process, for monitoring inclusion and utilization of AMBEs.
9. Incorporate into formal procurement policy with accountability.
10. Cooperate with other corporations to share top performing suppliers via the CAMSC/NMSDC network, such as industry groups.
11. AMBEs are developed for potential utilization in underutilized product/ service commodity areas.
12. The supplier development team ensures the screening process is fair and within acceptable guidelines.
13. The supplier development team will clearly define and communicate the registration process throughout the corporate business units as well as the aboriginal and minority groups.

ESTABLISH COMPREHENSIVE SUPPLIER DEVELOPMENT PROCESS



Rationale:

Procurement has established, maintains, and continuously improves methods for preparing AMBEs for global competitiveness and sourcing trends such as supplier rationalization, through assistance in all aspects of capacity building.

MEASURES OF SUCCESS:

1. Mentor program established and active.
 - a. Relationship building for sustainability and ongoing the strengthening of mutual trust.
 - b. One-to-one coaching, executive relationships with similar functions, finance to finance, etc.
 - c. Business process improvement and redesign, using lean thinking and lean manufacturing processes.
2. Training of all types provided to AMBEs.
 - a. Supplier training on corporate objectives, culture and supply chain trends.
 - b. "Universities" or formal learning programs.
 - c. Internal training for all suppliers (Six Sigma, quality, safety, effective communications, negotiations, etc.)
 - d. Support of AMBE training at all levels.
 - e. Provide CAMSC/NMSDC/ Kellogg or other scholarships to AMBEs
3. Capacity building initiatives such as:
 - a. Establish joint ventures, and valid strategic partnerships.
 - b. Facilitate mergers and acquisitions.
 - c. Technical assistance provided, e.g., marketing, management, accounting, international



ESTABLISH TRACKING REPORTING AND GOAL SETTING MECHANISMS

Rationale:

The establishment of aggressive goals for supplier diversity spending, tracking those goals, and communicating results and goal achievement provides accountability and recognition. These payment dollars flow from Accounts Payable.

MEASURES OF SUCCESS:

1. There is an established minority supplier tracking system to enable results reporting (ability to track AMBE spend by business unit/ department, buyer, commodity, geographical area, ethnicity, gender, cost reduction dollars, etc.
2. Track AMBE cost savings/cost reduction contribution.
3. Supplier utilization records are prepared to identify current AMBEs in the supply chain.
4. There are clearly stated supplier diversity goals for example, year over year % increase, \$ and % of spend and utilization, etc. Performance results are measured against these established goals. Supplier diversity performance goals are reviewed and re-calibrated on a regular basis. There is a person responsible for reporting supplier diversity results.
5. Supplier diversity key metrics are reviewed regularly by senior corporate management team, chief executive officer, chief financial officer, etc.
6. Scorecards are created to measure performance.
7. Achievement of goal is tied to performance reviews.
8. Quality reporting systems provide accurate spending on at least a quarterly basis.
9. Tying supplier diversity spending and goal achievement to market access, revenue generation and customer and consumer satisfaction ensures continued support for the program horizontally and vertically throughout the organization.

ESTABLISH A CONTINUOUS IMPROVEMENT PLAN



Rationale:

The corporate supplier diversity program needs to be fine-tuned on a regular basis to follow changes in corporate objectives and growth (including growth by acquisition managers).

MEASURES OF SUCCESS:

1. The corporation has established and maintains documented procedures for planning and implementing internal supplier diversity audits to verify whether activities and related results comply with the plan.
2. Surveys are conducted with key stakeholders internally to ensure supplier diversity is exceeding customer expectations.
3. A process exists for ongoing communication between the corporation and AMBEs to assist and fine-tune the performance of contracts, through vehicles such as surveys conducted with AMBEs to determine areas for continuous improvement.
4. Participate in benchmarking with other corporations to identify best practices and then plan for their systematic adoption by the organization.
5. Develop overall supplier diversity strategy, including multi-year plans tied to corporation values and aligned with overall corporate strategy and functional department strategies, especially procurement strategies.
6. Participate in “next practices” exercises to envision innovative strategies well in advance of the need for those practices.



ESTABLISH A SECOND TIER PROGRAM

Rationale:

A comprehensive Second Tier program creates a significant multiplier effect, by encouraging the continual establishment of new supplier diversity programs, which in turn create incremental opportunities for aboriginal and minority businesses.

MEASURES OF SUCCESS:

1. The corporation has established a Second Tier program that includes leadership commitment, resources, contract language, goal setting, selection of initial group of First Tier suppliers and commodities, training, reporting and audit, consequences for not meeting goals, incentives for goal attainment and recognition.
2. The goals are reviewed with the first Tier suppliers.
3. There is a formal system in place to measure the performance of these suppliers against goals.
4. There are sanctions and/or remedial action plans if First Tier suppliers fall short of expectations.
5. Goals should be reasonable, challenging, tailored by industry and subject to continuous improvement.
6. There are alternative activities, such as developing an AMBE, for departments and individuals who do not meet their goals.
7. Corporate processes mirror CAMSC/NMSDC guidelines.





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