SUPPLIER DIVERSITY PLAYBOOK

GUIDELINES TO ESTABLISHING A SUCCESSFUL SUPPLIER DIVERSITY PROCESS

CANADIAN ABORIGINAL and MINORITY SUPPLIER COUNCIL
LEADING CORPORATIONS ARE LEVERAGING SUPPLIER DIVERSITY IN CANADA
# CONTENT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>4</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>5</td>
</tr>
<tr>
<td>SUPPLIER DIVERSITY PLAYBOOK FRAMEWORK</td>
<td>6</td>
</tr>
<tr>
<td>BUSINESS CASE AND EXECUTIVE SUPPORT</td>
<td>7</td>
</tr>
<tr>
<td>The Business Case for Supplier Diversity at TELUS</td>
<td>8</td>
</tr>
<tr>
<td>Legal Environment for Supplier Diversity in Canada; Q&amp;A with Fasken Martineau</td>
<td>12</td>
</tr>
<tr>
<td>OPPORTUNITY IDENTIFICATION</td>
<td>13</td>
</tr>
<tr>
<td>Leveraging An Internal Spend Analysis</td>
<td>14</td>
</tr>
<tr>
<td>SUPPORTING PROCESSES</td>
<td>17</td>
</tr>
<tr>
<td>MEASURING AND REPORTING</td>
<td>20</td>
</tr>
<tr>
<td>Sample Supplier Diversity Reporting Scorecard</td>
<td>22</td>
</tr>
<tr>
<td>BUILDING AND IMPROVING THE PLAN</td>
<td>24</td>
</tr>
<tr>
<td>APPENDIX 1: POLICY STATEMENT WITH EXECUTIVE SIGN-OFF</td>
<td>26</td>
</tr>
</tbody>
</table>
CAMSC wishes to express its gratitude, and acknowledge the work of its Playbook working group members for their contributions to this document. Each corporate contributor not only provided practical examples from their corporate experience implementing supplier diversity, but also provided input to drafts as well as valuable tips for success.

Working group members:

- Melanie Handy, BlackBerry
- Nancy Minchillo and Pascale Legros, HP
- Carlos Cabrero, TELUS
- Katherine Pollock, Fasken Martineau

CAMSC would also like to express its sincere thanks to Mayank Shah, Executive Director of Minority Supplier Development UK (MSDUK) for his willingness to share their Supplier Diversity toolkit, as well as Natalie Walker, past CEO of Supply Nation (Australia) for sharing “The First Step” presentation. These resources provided valuable input to the Playbook.

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Supplier Diversity is a strategic business process aimed at providing companies owned and managed by Aboriginal peoples, visible minorities and other underrepresented groups an equal opportunity to become suppliers to major corporations across Canada and the US.

CAMSC corporate members are embracing an inclusive and diverse supply chain to provide equality of opportunity to qualified suppliers, and to gain competitive advantage by accessing the innovation and competitiveness that diverse suppliers may offer. Corporations also recognize that diverse supplier businesses are important to the economic prosperity of the communities that they do business in.

Supplier diversity’s relevance to the Canadian marketplace will continue to grow as Canada’s demographic landscape shifts. By 2031, more than 1 in 3 Canadians will be Aboriginal or minority. Today, Toronto and Vancouver are comprised of approximately 50% minority and Aboriginal peoples. Minority and Aboriginal consumers are an important economic force and strategic corporations recognize that their future success is tied to the economic success of minority and Aboriginal communities. Successful Aboriginal and minority businesses create employment in their communities, expand the tax base, and boost competitiveness.

CAMSC is a leading business organization in Canada dedicated to the economic empowerment of Aboriginal and minority companies through the promotion and facilitation of supplier diversity, business development and capacity building.

CAMSC facilitates linkages between corporate Canada and certified Aboriginal and minority-owned suppliers across Canada. Corporate membership provides companies with a range of tools and resources to develop and grow their supplier diversity programs, and thereby derive business benefits from inclusion of diverse suppliers.

The CAMSC Supplier Diversity Playbook aims to guide companies through the first few years of their supplier diversity journey, and highlights key elements that are critical to laying the groundwork for a successful supplier diversity initiative.
Supplier diversity is a well-established business practice that has been refined over the past 40 years, thanks to the leadership of the National Minority Supplier Diversity Council (NMSDC) and leading corporations in the US.

As Canadian companies establish supplier diversity initiatives within their organization, the CAMSC Supplier Diversity Playbook provides guidance to companies starting on the first few years of their supplier diversity journey. The Playbook outlines five elements of a robust supplier diversity process that is aligned with and integrated into a company’s strategic objectives. Each element in the Playbook also references relevant sections of CAMSC’s Best Practices in Supplier Diversity, to direct readers towards additional resources that support the development of a leading Supplier diversity process.

In particular, the Playbook identifies that building a culture of inclusion for diverse suppliers within large corporations’ broader operating practices is an iterative process that typically develops in cycles. This process suggests that companies initially develop some core elements, and demonstrate targeted successes, in order to continuously strengthen executive support and lay the necessary foundation for a robust supplier diversity initiative. This model also reflects the realities of corporate budgeting cycles, and the potential need to cycle back to earlier elements when major executive or strategic changes occur.

Additionally, we have highlighted key factors that are critical to laying the groundwork for a successful supplier diversity initiative. While broader business strategies as well as corporate culture will influence the implementation timing of certain elements, implementing the fundamentals as outlined in this Playbook will guide companies towards a robust supplier diversity process that delivers business value.
RATIONALE

When establishing a supplier diversity (SD) initiative, it is essential that organizations develop and continually strengthen a business case that is clearly linked to their company’s broader business strategies. Corporate leaders in supplier diversity have demonstrated within their organizations that a robust process supports supply chain excellence, strengthens brand and reputation, supports business growth, delivers local employment and wealth creation, and many other benefits.

A business case aligned with the company’s business objectives creates the validation for executive support. For an external perspective, TELUS shared their original business case which rapidly secured support from the Chief Purchasing Officer and the CEO when they began their program in 2011 (see insert, pg 8).

Once executive support has been secured, a corporate policy statement becomes the foundational tool that provides guidance and direction to implement supplier diversity across the entire organization. With a policy statement, demonstrating executive support, conveying a call-to-action across the company becomes achievable.

CORE ELEMENTS

» Develop a Business Case

The business case will help you build support (internally and externally) for supplier diversity. It will provide the context for and support the provision of resources to develop and implement supplier diversity across the organization.

The business case should define the value proposition; identify the current state (industry benchmarking); strategy alignment; and outcomes to be achieved. Table 1 identifies some of the key drivers for supplier diversity across North America. Companies should take advantage of the multi-faceted value proposition to derive full value from a diverse and inclusive supply chain.

Figure 2 – Elements of building a business case and securing executive support

TIPS FOR SUCCESS

“Will we have to pay more to use diverse suppliers?” is a common question supplier diversity leaders will face in establishing their program. Supplier Diversity is focused on proactively offering the opportunity to participate in sourcing activities, with awards based on business criteria. At times, developing diverse suppliers, in preparation for doing business with large corporations, helps companies leverage the innovative offerings that smaller suppliers often offer.
In 2012 TELUS launched a corporate-wide supplier diversity program led by the Procurement and Supply Chain Management team to support the company’s business strategies and values.

VISION

At TELUS, we recognize that a diverse and inclusive environment facilitates a broader exchange of perspectives and better reflects the true makeup of society. Choosing to do business with companies who share TELUS’ values and building a portfolio of viable, competitive and diverse suppliers will allow us to help create healthier communities and differentiate ourselves in the hearts and minds of consumers.

MISSION

Enable TELUS to deliver an improved customer experience and innovation by proactively providing equal access to a supply base that reflects the diversity where we live, work and serve.

BUSINESS CASE

1. Deliver a valuable customer experience and support strong business performance
   • TELUS’ number one corporate priority is to put customers first. With a strong commitment to supplier diversity and a supply base that more closely mirrors our customer base, we will be able to listen to our customers better and leverage new business opportunities with a solid understanding of the diversity of our clients’ needs. By delivering value to our customers and communities through supplier diversity, we will also create shareholder value.
   • In addition to proactively meeting the needs of our customers, through a diverse supply base, TELUS can also seek to partner with leading organizations that are committed to supplier diversity and deliver value to them through TELUS’ service offerings. According to the International Trade Forum, 80% of Fortune 500 companies require supplier diversity efforts from their tier I and II suppliers – this reflects a growing awareness globally of the value of diversity in the business landscape.¹

2. Support the TELUS brand and our corporate social responsibility values
   • TELUS is one of Canada’s top brands and one of the world’s top 500 brands. TELUS is also recognized as a leader in community giving. Since 2000, TELUS, our team members and retirees have collectively volunteered almost 5 million hours of services across Canada and contributed over $300 million to community organizations. Embodying our
philosophy to ‘Give Where We Live’, TELUS aims to create positive change and strengthen our links with the communities we serve. TELUS’ support of the Canadian Aboriginal and Minority Supplier Council (CAMSC), WEConnect and the Canadian Gay & Lesbian Chamber of Commerce is an integral part of our focus on the community.

- Having a strong supplier diversity program in Canada aligns with the TELUS “give where we live” philosophy and our overall diversity and inclusiveness focus. The strong linkages of our program with TELUS’ underlying values will support our brand image and could also support recruitment and retention efforts.

- Being the first Canadian telecommunications company and an early adopter amongst Canadian organizations to launch a supplier diversity program, especially without any legislation to require it, reflects TELUS’ genuine interest in investing in the communities we serve and supporting suppliers that reflect the needs and values of our customers.

3. Optimize TELUS’ total value of ownership and support future growth

- Our supplier diversity program is a key element supporting TELUS’ Total Value of Ownership goals. Small and diverse businesses have a lot to offer, are often innovative and quick to market, and can provide a more personal focus on customers. By investing in small companies with high potential, the benefit is a close partnership that can become a source of competitive advantage in the future.

- According to a 2006 study by the Hackett Group, world-class procurement organizations that focus heavily on supplier diversity do not sacrifice procurement savings to do so. In addition, these leading procurement organizations are able to generate 133% greater return on the cost of procurement operations than average performers.²

- Supplier diversity will help TELUS’ Procurement organization in our quest to deliver Total Value of Ownership, which represents a holistic view of our business with a focus on strengthened partnerships. Additional suppliers may be added to a competitive process based on meeting our diversity criteria (and this should be viewed as a good thing, since more competition usually leads to more savings); however, each supplier must win our business on its own merit. Suppliers will not be chosen solely on the basis of their diverse status.

For more information on supplier diversity at TELUS, visit the TELUS website.

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2 – The Hackett Group: “Supplier Diversity Does Not Drive Increased Cost”; http://www.thehackettgroup.com/about/alerts/alerts_2006/alert_08172006.jsp
**VALUE PROPOSITION**

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<tr>
<th>Strengthen Supply Chain and Enhance Product Offerings →</th>
<th>Enable Cost Savings, Innovation</th>
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<th>Enhance Marketplace Social Responsibility →</th>
<th>Enhance Brand Loyalty</th>
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<tr>
<td>• Active inclusion of diverse-owned businesses has been demonstrated to deliver innovation, responsiveness, cost savings, global linkages</td>
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<tr>
<th>Enhance Customer Satisfaction →</th>
<th>Enable Revenue</th>
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<tr>
<td>• Create shared value by generating wealth and employment for underrepresented groups in the regions that your organization operates</td>
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<td>• Communicate success with diverse businesses to attract customers as well as attract diverse talent (employer of choice)</td>
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<td>• Gain competitive advantage meeting/exceeding growing government and customer requirements</td>
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<td>• Leverage diverse suppliers to capture rapidly growing minority and aboriginal consumer base</td>
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Table 1: Key Value Drivers for Supplier Diversity

» **Align Strategies**

The business case should identify how supplier diversity aligns with and supports the company’s overall strategic objectives, including (but not limited to) demonstrating that:

- Supplier diversity supports Supply Chain Excellence;
- Supplier diversity supports Corporate Social Responsibility strategies in the marketplace;
- Supplier diversity supports HR talent strategies; and
- Supplier diversity supports Business Growth strategies.

» **Executive Support**

A business case aligned to broader corporate objectives creates the conditions for executive support.

Depending on an organization’s corporate culture, recruitment of one or more champions may be essential in securing executive support. The recruitment of program champions helps to strengthen the business case for supplier diversity, in areas such as enterprise/diverse market sales, workforce diversity lead, CSR/communications lead, strategic sourcing director, etc. These may be senior management that currently steer a Diversity Committee, and/or could form the basis of a cross-functional supplier diversity steering committee.
The process of engaging and recruiting one or more champions will also identify naysayers, and help to identify and counter arguments against supplier diversity. CAMSC reached out to Fasken Martineau to ask some common questions within Canadian corporations about the legal environment for supplier diversity (see insert, pg 12).

» Supplier Diversity Policy

A simple and concise policy statement should capture the fundamental goals, objectives and benefits of a supplier diversity program. This statement must be endorsed by a senior leader within the company, for example CEO, Chairman or Managing Director, as a demonstration of commitment to supplier diversity. Without top-level support it can be very difficult to convey a call to action down through the company.

A supplier diversity policy statement should include:

• Justification for the program
• Eligibility (target beneficiaries)
• Core processes to be inclusive of diverse businesses
• Benefits to the company, its shareholders and stakeholders.

For an external perspective, Johnson Controls Inc. has shared its policy statement with executive sign-off (see Appendix 1).

KEY ELEMENTS FOR A ROBUST SUPPLIER DIVERSITY PROCESS

• Executive engagement on the business case
• Policy statement, signed by senior executive

Reach out to CAMSC for assistance with securing executive support, as CAMSC can also connect members to peer corporate mentors who may be able to provide suggestions based on their internal experience.

BEST PRACTICES

For more information, the Business Case and Executive Support section of the CAMSC Playbook aligns with the following best practices found in the CAMSC Best Practices in Supplier Diversity guidelines. These guidelines are available to CAMSC corporate members, to provide benchmarking “measures of success” that aide in the long-term design, development and implementation of a SD process.

• Goal #1 - Establish corporate policy and top corporate management support.
• Goal #2 - Develop a corporate supplier diversity plan.
As supplier diversity champions work to secure executive support for a supplier diversity policy in Canada, they may encounter questions about whether supplier diversity programs comply with human rights legislation in Canada. CAMSC reached out to Katherine Pollock, a Partner at Fasken Martineau, for her expertise around human rights legislation compliance.

» **Do Supplier Diversity initiatives comply with Canadian Human Rights legislation?**

Supplier diversity initiatives are programs offering businesses owned and managed by equity seeking groups (including but not limited to Aboriginal peoples, visible minorities, women) an equal opportunity to compete for business. The Canadian Human Rights Act, as well as Ontario and BC Human Rights Codes (to name a few) have specific sections allowing creation of programs designed to assist disadvantaged persons or groups to achieve equal opportunity, known as Special Programs. Supplier diversity programs that are established to provide equality of opportunity may be considered Special Programs and thus would likely be allowed under human rights legislation.

» **Can Canadian organizations ask suppliers questions on ownership characteristics such as ethnicity or gender?**

According to guidance provided by the BC Human Rights Tribunal and the Ontario Human Rights Commission, organizations that establish a Special program are encouraged to monitor and evaluate whether the program is achieving its goal of equality of opportunity to identified equity-seeking groups. In the case of supplier diversity, asking suppliers to identify their ownership characteristics enables organizations to monitor whether they are being inclusive of diverse-owned businesses in their bidding processes. It should be noted, however, that these questions should be voluntary. A number of CAMSC and WeConnect Canada corporate members and other organizations, such as the City of Toronto, ask suppliers voluntary ownership questions in their vendor registration portals or bidding processes.

» **Where can I find more information?**

CAMSC provides a useful summary presentation on the legal environment for supplier diversity in Canada. For guidelines on Special programs, visit the websites of the BC Human Rights Tribunal and the Ontario Human Rights Commission, as well as other provincial human rights associations. If your organization would like a legal opinion on a supplier diversity policy statement or special program plan’s compliance with the relevant provincial or federal jurisdiction, Fasken Martineau would be pleased to assist you.
RATIONALE

To build a robust supplier diversity process which delivers tangible business value, sourcing organizations leverage a range of strategies and tactics to identify and grow opportunities for diverse suppliers.

CORE ELEMENTS

» Supplier Analysis

A supplier analysis, both internal and external, is valuable in identifying which commodities may initially deliver the greatest possibility for successful matching of diverse suppliers to spend opportunities. From an external perspective, BlackBerry shared their process for analyzing spend early in their program’s development (see insert, pg 14).

» Supplier Engagement

Active outreach and ongoing engagement is essential to developing a strong pipeline of diverse suppliers. CAMSC corporate members have access to the Diversity Business Marketplace, a national database of certified suppliers. This tool can be used to identify and engage diverse suppliers. Other ways to develop a portfolio of diverse suppliers include:

• Attending networking and matchmaker events hosted by certification associations or other chambers to meet diverse suppliers
• Include voluntary self-identification questions in RFI surveys
• Develop internal advocacy and diverse supplier referral mechanism
• Create an online registration site and encourage certified diverse businesses to register

Supplier engagement and opportunity identification work hand-in-hand to increase the utilization of diverse suppliers. Ensuring supportive processes are in place for internal supplier diversity champions to identify and advocate inclusion of diverse suppliers is also vital.

Figure 3 – Strategies and tactics to identify opportunities for diverse suppliers
The BlackBerry Supplier Diversity Program was established in 2009. Our program was initially created to satisfy customer requirements, but it was also important to fully engage stakeholders and gain their support for a supplier diversity initiative. The team needed to build a business case for the program and show how supplier diversity would be a competitive advantage for our company. The Supplier Diversity Director conducted a spend analysis, as outlined in the steps below, to estimate a Return on Investment and strengthen the business case:

» **Gather and Combine Information**
  - Combine all spend data from all payment systems.
  - Cleanse data and normalize supplier information.
  - Map records to common categories.

» **Analyze Spend**
  - Determine how much we are spending by category.
  - Define how many suppliers we have in each category.
  - Verify that the composition of our supply base matches our customer base.

» **Identify Opportunities and Savings Analysis**
  - Reduce our operating expenses in certain categories by expanding our spend into new categories with competitive diverse suppliers.
  - Rationalize the supply base by reducing the number of suppliers.
  - Increase our revenues by using more diverse suppliers.

In the beginning stages of our program, we targeted opportunities in the Leverage (standardized) quadrant, representing low complexity, high value areas of spend. In order to achieve the quickest results, we chose to familiarize our supply chain with diverse suppliers that could help us to reach the targeted quadrant. We also used the savings analysis as part of our “marketing and education tools” to continue to secure buy-in from stakeholders within the organization. Each of these steps required support from other departments within the company. This exercise could take six months to one year depending on the level of internal support. For BlackBerry Supplier Diversity, it took approximately nine months to reach all internal stakeholders. We regularly conduct trainings, webinars and present in team meetings to insure that all departments have the most up-to-date information about Supplier Diversity.

At the same time, research commodity areas with concentrations of diverse suppliers, by leveraging CAMSC’s Diversity Business Marketplace tool while engaging internal resources, such as employee resource groups. Understanding internal spend opportunities alongside the diverse supplier market will initially deliver the greatest possibility for successful matching of diverse suppliers to spend opportunities.

Survey existing suppliers to develop a baseline of diverse suppliers. CAMSC’s baseline survey tool can facilitate reporting, goal setting and growth projections based on a company’s current supply base.
**LEVERAGING AN INTERNAL SPEND ANALYSIS**

**CRITICAL (SPECIALIZED)**
- High market complexity
- Low cost/value
- Constantly assess the supply market
- Reduce risk or exposure to supply disruptions

**STRATEGIC (CUSTOM)**
- High market complexity
- High cost/value
- Provides for competitive or distinctive advantage in the marketplace
- Strategic planning and partnering mentality
- Manage for value adding impact for RIM’s products and market share

**TACTICAL (OFF THE SHELF)**
- Low market complexity
- Low cost/value
- Standardized items in plentiful supply
- Resources expended should be minimized
- Increase the efficiency of the purchasing process

**LEVERAGE (STANDARDIZED)**
- Low market complexity
- High cost/value
- Truly generic goods and services
- Leverage spend with single source
- Reasonably increase the risk level to gain volume efficiencies

Figure 4 – Supplier Analysis by Complexity and Level of Spend
Opportunities

Targeted identification of opportunities often starts with niches and client requests. However, given the broad spectrum of products and services offered by diverse suppliers, organizations should quickly move to develop processes for active inclusion in their sourcing process to maximize potential opportunities and resulting successes. For example, leading corporations require scanning for qualified diverse suppliers and where identified, inclusion in every RFX.

Organizations also:

- Leverage strategic planning sessions and company-wide sourcing forecasts to reach out and engage diverse suppliers that are well-positioned to support future corporate strategies
- Establish a second tier program, requiring prime (Tier 1) suppliers to include diverse suppliers in second tier subcontracting bid opportunities.

As many global and national organizations have already moved to streamline their supply base, a comprehensive second tier program creates a multiplier effect. Encouraging the establishment of new supplier diversity processes will create significant incremental opportunities for Aboriginal and minority certified businesses. CAMSC members may access the CAMSC Guidelines for a Second Tier Initiative for more information.

Supplier Development

Development of diverse suppliers both strengthens the supplier’s value to the organization, as well as increases the likelihood of supplier growth and resulting Aboriginal and minority wealth creation. Consider contributing to CAMSC training workshops on a wide range of topics (e.g. responding to an RFP, understanding e-sourcing, etc.) to ensure that diverse suppliers are well equipped to participate effectively in your company’s sourcing events. Mentorship programs have been shown to be effective at increasing internal buy-in and commitment to supplier diversity, as well as positioning diverse suppliers for growth opportunities within a company or its Tier 1 suppliers.

KEY ELEMENTS FOR A ROBUST SUPPLIER DIVERSITY PROCESS

- Active process to identify and engage diverse suppliers for upcoming opportunities
- Ongoing identification of opportunities for inclusion of diverse suppliers in direct as well as second tier bid opportunities
- Activities to train, mentor and develop diverse suppliers

BEST PRACTICES

For more information, the Opportunity Identification section of the CAMSC Playbook aligns with the following best practices found in the CAMSC Best Practices in Supplier Diversity guidelines. These guidelines are available to CAMSC corporate members, to provide benchmarking “measures of success” that aide in the long-term design, development and implementation of a SD process.

- Goal #4 - Identify opportunities for Aboriginal and Minority Business Enterprises (AMBEs) in strategic sourcing and supply chain management.
- Goal #5 - Establish comprehensive supplier development processes.
- Goal #8 - Establish a second tier program.
RATIONALY

Organizations must develop and strengthen a range of supportive processes which enable the cultural shift that is a key component to building an inclusive supply chain.

To secure the broader commitment of the strategic sourcing unit, supplier diversity leaders should demonstrate that supplier diversity aligns with and can support supply chain excellence. Similarly, given that accountability for achieving goals must be established across the organization, it is critical to train and develop champions that recognize the business value of supplier diversity for their business unit, enhancing the collaboration needed to reach goals. Effective communication supports organizational cultural shifts, and promotes internal and external stakeholders’ support by sharing goals and successes.

CORE ELEMENTS

» Alignment

Sourcing groups are generally being asked to identify cost savings in highly competitive markets. Strategies employed often include supplier rationalization to leverage spend within categories, typically resulting in larger contracts awarded to fewer suppliers. This presents challenges in the early days of establishing a supplier diversity process, given that the majority of diverse suppliers are small and medium-sized enterprises.

In this environment, it is essential to show that supplier diversity does not conflict with, but can align with supply chain excellence and emerging trends by:

• Maintaining consistent supplier expectations for diverse and non-diverse suppliers
• Demonstrating that diverse suppliers contribute to other supply chain objectives, such as reducing geographical risk (trend to nearsourcing), sustainability (diverse suppliers offering innovative solutions), etc.
• Engaging prime (Tier 1) suppliers to ensure diverse suppliers continue to have second tier opportunities in the value chain

In addition, identifying how supplier diversity can support brand loyalty, employer of choice recogni-
SUPPORTING PROCESSES

tion, technology innovation, marketplace social responsibility etc. will assist in the recruitment of internal champions and cross functional collaboration. These champions also assist in identifying where supplier improvements are needed or opportunities exist that may offer additional opportunities for diverse suppliers.

» **Inclusive Sourcing**

Strategic sourcing groups should revise their sourcing process for active inclusion. Some ways that this is undertaken include:

- Requirements for including diverse supplier search at the market scan stage, or as early as possible in the RFX process, with goals for qualified diverse supplier inclusion in RFXs
- Share future sourcing plans with CAMSC and other certification associations for their support in identifying diverse businesses for upcoming opportunities as early as possible

In addition, supplier diversity leaders also contribute to inclusive sourcing by:

- Reviewing whether the sourcing process may be simplified so as not to deter smaller yet innovative and competitive businesses
- Facilitating access for diverse suppliers, by holding “Doing Business With” workshops, or developing a sourcing ‘resume’ or flowsheet which clarifies for diverse suppliers how sourcing decisions are made and identifies key decision makers in key commodities
- Training sourcing and business unit colleagues on a culture of inclusion, alongside the business value proposition for their unit

» **Communication**

A supplier diversity communication strategy is a valuable tool to build momentum, and should be introduced as early as possible in the process. Internal communication activities may include:

- Supplier diversity business case and leadership commitment (policy roll-out) to management
- Supplier diversity section on company intranet
- Champions in individual departments communicating supplier diversity activities in their internal meetings
- Promoting small and large supplier diversity successes

Externally the communication strategy will focus on brand building, ensuring that supplier and community stakeholders are aware of the organizational commitment made to supplier diversity, and how successes impact the company and community alike. This message should be consistent across websites, annual reports, etc.

Ultimately, the communication strategy acknowledges and reinforces executive support and supports building a culture of inclusion across the organization.
Management

An effective program manager is an essential component to supplier diversity’s success in any company. Effective program management involves the strategic and day-to-day implementation, monitoring and review of the supplier diversity process. An effective program manager is also supplier diversity’s biggest advocate after the organisation’s executive champion. The program manager should work with executive leadership to develop relevant performance management objectives and rewards that encourage organizational alignment and facilitate a cultural shift to active inclusion.

KEY ELEMENTS FOR A ROBUST SUPPLIER DIVERSITY PROCESS

- Development of inclusive sourcing process
- Program management of the supplier diversity program
- Internal and external communication strategy

These supporting processes enable and support effective implementation of supplier diversity across a large organization.

BEST PRACTICES

For more information, the Supporting Processes section of the CAMSC playbook aligns with the following best practices found in the CAMSC Best Practices in Supplier Diversity guidelines. These guidelines are available to CAMSC corporate members, to provide benchmarking “measures of success” that aide in the long-term design, development and implementation of a SD process.

- Goal #3 - Establish a comprehensive internal & external communication strategy.
RATIONAL

Establishing objectives and goals are critical to the growth of any initiative. Measuring and reporting on progress and achievements ensures accountability and recognition.

DEVELOP METRICS

- Establish key performance indicators (KPIs)
- Develop goals
- Determine tracking mechanism and tool(s)

DEVELOP REPORTING TOOLS

- Scorecard reports
- Senior management reports
- Procurement leadership reports

Figure 6 – Measuring and Reporting Core Elements

CORE ELEMENTS

» Develop Metrics

Establishing metrics to measure progress against corporate objectives is essential to the effectiveness and accountability of the supplier diversity initiative.

Examples of measurable key performance indicators (KPIs) include:

- # of diverse suppliers invited to participate in sourcing events per year
- # of diverse suppliers short listed per year
- # of contracts with diverse suppliers
- $ saved/avoided in award to diverse supplier
- % success/win rate (amount of business awarded vs. amount of business diverse suppliers invited to bid for)
- $ of diverse spend per year
- % of diverse spend per year (of total addressable spend)
- % win rate - # of RFPs asking for information about company’s supplier diversity program vs. # of contracts won

Establishing a baseline of diverse suppliers is a valuable starting point for goal setting. CAMSC offers members its supplier diversity baseline survey to facilitate setting a baseline in Canada. Leveraging spend analyses (internal and external) and if relevant, customer objectives, will assist in identifying targeted goals within business units, commodity groupings, etc.
When establishing supplier diversity programs, most organizations initially look for tracking mechanisms within their existing vendor management systems to tag suppliers as certified. Spreadsheets often supplement the vendor management system tagging to track other KPIs beyond dollars spent. A range of tracking and reporting software is also available in the market.

» **Develop Reporting Tools**

Measurement is only effective if the metrics are relevant, appropriately analyzed, timely, and reported to those who will be accountable for results. Corrective actions based on measurement of the program’s performance may improve implementation and enhance ongoing alignment and relevance of supplier diversity. Activities that may be undertaken when defining the reporting tools include:

- Determine type and level of detail of management report that may be relevant in your organization
- Determine the preferred reporting timeline – quarterly, monthly, etc.

Types of reports that could be considered

- **Senior Management Reports**
  - Should include performance against corporate objectives, policy, community programs, total diversity spend, etc. and should target management support and appropriate resourcing
  - Qualitative metrics may need to be developed to demonstrate progress on the broader business objectives, such as media exposure (brand building), innovative products/solutions implemented, etc.

- **Reports to Procurement Managers (e.g. Scorecard Reports)**
  - Should include relative procurement objectives, demonstrate success in key areas; highlight areas of opportunity by commodity, by geography, by business line, etc. This report should help provide direction on planning re-assessment and resource allocation.

A sample reporting scorecard is included (see insert, page 22), based on an established supplier diversity process in a global corporation. Any scorecard should be customized based on the organizational mandate for the supplier diversity process along with how the goals will be achieved. It will be important to align the scorecard to the business objectives of the supplier diversity program.
# Sample Supplier Diversity Reporting Scorecard

Global Supplier Diversity - Q1 ’XX Dashboard

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| OPEX Performance to Aspire [HPFY] | M | 100% | 100% | G |
| Sales Pursuit Support [# engagements; Supported Revenue] | FY | | G |
| # of Enterprise 2nd Tier M/WBE generated | GY [Dec’10] | | G |
| Enterprise 2nd Tier Reporting on time delivery | GY [Dec’10] | 100% | 100% | G |
| # of Suppliers reporting 2nd Tier spend [Note: Q1 results reported in Q2] | CY [Jan-Mar] | N/A | N/A |
| $ of Suppliers reporting 2nd Tier spend [Note: Q1 results reported in Q2] | CY [Jan-Mar] | N/A | N/A |

**G** Will meet or exceed objectives  **Y** At risk of not meeting objectives  **R** Will not meet objective
KEY ELEMENTS FOR A ROBUST SUPPLIER DIVERSITY PROCESS

- Establishing KPI’s that are measureable and relevant, both quantitative and qualitative
- Simple, yet effective reporting tools

Reporting ultimately initiates actions, improvements and changes that supports enhancements to strategic vision, direction, processes, systems and resources and invites two-way communication about plans and results.

BEST PRACTICES

For more information, the Measuring and Reporting section of the CAMSC Playbook aligns with the following best practices found in the CAMSC Best Practices in Supplier Diversity guidelines. These guidelines are available to CAMSC corporate members, to provide benchmarking “measures of success” that aide in the long-term design, development and implementation of a SD process.

- Goal #6 - Establish tracking reporting and goal setting mechanisms
RATIONALE

A robust supplier diversity process requires a clear business case and executive commitment, supported by an annual action plan to implement the commitment. Selecting relevant elements outlined in the previous sections, organizations annually develop goals, select relevant tactics, strengthen processes, and monitor progress, to build towards a robust supplier diversity process that delivers results.

Figure 7 – Elements of Building and Improving the Plan

CORE ELEMENTS

» Building the Plan

A supplier diversity annual plan should include:

- Annual goals and objectives
- Tactics to identify opportunities for diverse suppliers
- Enhancement of processes to strengthen active inclusion
- Communication strategies
- Program manager and other leader’s roles, expectations and performance incentives
- Resources required
- Tracking and reporting frequency

» Continuous Improvement

Programs continue to evolve over time and supplier diversity is no different. As noted in the introduction, supplier diversity is a well-established set of business practices that continues to be refined in the US and globally.

Continually monitoring supplier diversity best practices ensures that a company’s process is aligned with and leverages emerging practices used in a company’s industry and globally. Continuous improvement drives continued success of the program.
KEY ELEMENTS FOR A ROBUST SUPPLIER DIVERSITY PROCESS

• Annual supplier diversity plan

A thorough supplier diversity action plan assists in aligning delivery of the program across a large organization, and identifies tangible tactics and strategies to develop an inclusive and diverse supply chain.

BEST PRACTICES

For more information, the Building & Improving the Plan section of the CAMSC playbook aligns with the following best practices found in the CAMSC Best Practices in Supplier Diversity guidelines. These guidelines are available to CAMSC corporate members, to provide benchmarking “measures of success” that aide in the long-term design, development and implementation of a SD process.

• Goal #2 - Develop a corporate supplier diversity plan.
• Goal #7 - Establish a continuous improvement plan
POLICY STATEMENT

It is the policy of Johnson Controls, Inc. that diverse business concerns shall have equal opportunity to complete for contracts or subcontracts held by the corporation and its operating units. Purchases of goods and services shall be made from such concerns to the fullest extent possible, consistent with this policy and the efficient performance of our operations. In addition, Johnson Controls will assist in developing and strengthening diverse businesses. This policy supports our customers’ expectations and provides Johnson Controls with a competitive advantage that contributes to the overall growth and expansion of our business.

In carrying out this policy, operating units shall ensure that:

- Every employee, who is delegated the responsibility to directly or indirectly commit the expenditure of corporation funds for the purchase of goods and services, shall encourage meaningful participation of diverse businesses.
- Management and technical assistance is offered where appropriate to assist diverse business concerns in becoming stronger suppliers in their area of expertise.
- All Johnson Controls key suppliers are encouraged to adopt similar initiatives.

Each Vice President, Director, General Manager of each business unit has overall responsibility for carrying out this program and all departments and functions shall cooperate fully.

Overall company coordination shall be the responsibility of the Diversity Business Development Director.

A diverse business is defined as a company that is certified to be at least 51 percent owned, managed and controlled by one or more minority persons, or non-minority women, or a small business that conforms to guidelines established by the United States Small Business Administration, or a historically underutilized business based on local country definitions.

Stephan A. Roell
Chairman and Chief Executive Officer
Johnson Controls, Inc.