



# 2021 Supplier Diversity Study Results

April 2021

PROCUREMENT EXECUTIVE ADVISORY

 **The Hackett Group**<sup>®</sup>  
World Class Defined and Enabled





“Supplier diversity needs to be important to everyone, not just the supplier diversity department.”

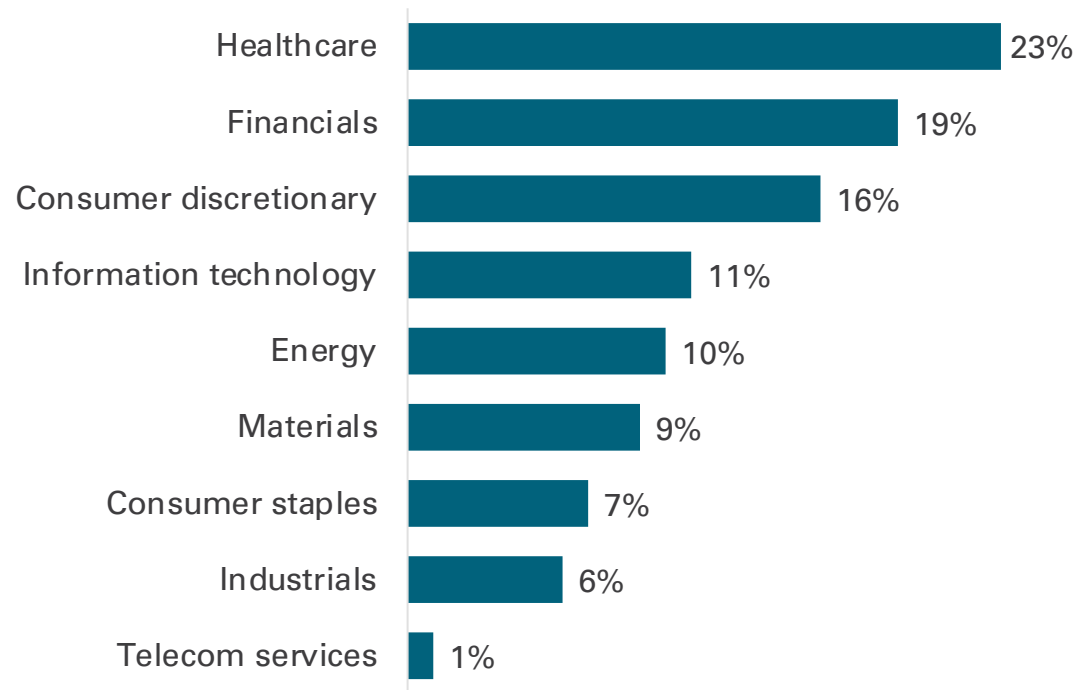
-US automobile company



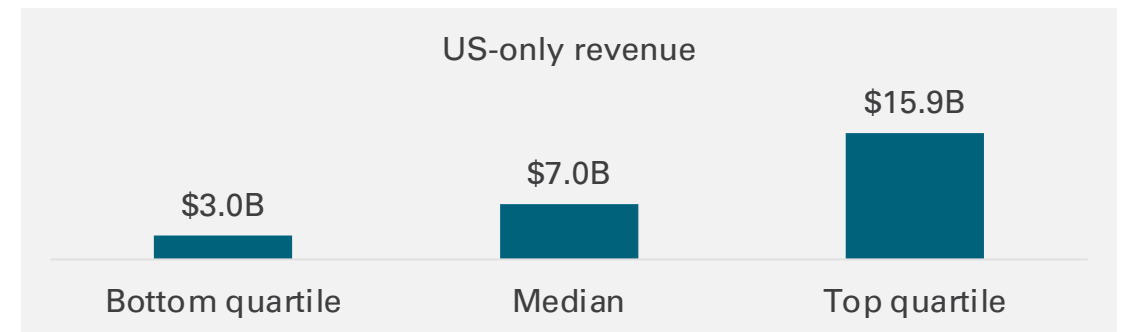
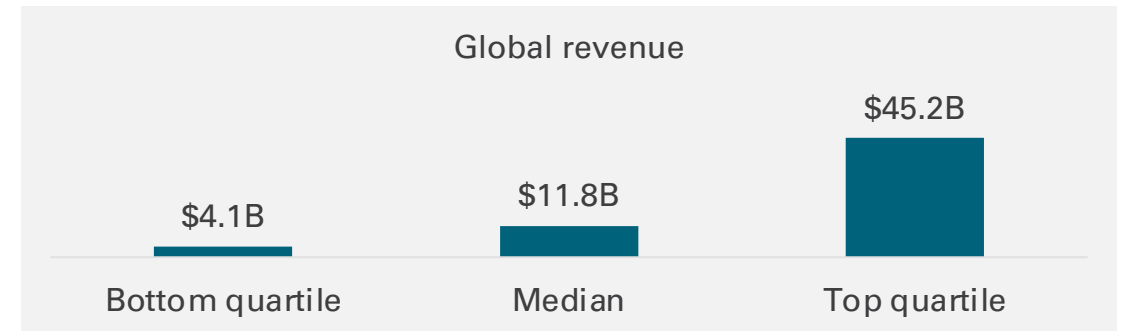
# Study overview

The Hackett Group surveyed over 100 large global and US-based companies regarding their supplier diversity programs and strategies across a variety of industries including healthcare, financial and consumer industries. Average company revenue was \$7B generated in the US and \$11.8B globally.

## INDUSTRIES



## COMPANY SIZE





# Study overview

In response to increasingly visible social and economic factors, supplier diversity has become a critical business function that procurement organizations must design, support and drive to success. In many cases, supplier diversity has even become a board-level topic, significantly impacting its prioritization and program funding as well as compelling more companies to pursue global program expansions.

SUPPLIER  
DIVERSITY  
PROGRAMS MAKE  
A BIG IMPACT



**\$72M**

Spend with diverse-owned business per US\$ billion of total US spend

**8%**

Median 2021 spend goal for diversity spend as a percentage of total spend

ENTERPRISE  
SUPPORT AND  
ALIGNMENT ARE  
CRITICAL



**#1**

Supporting diversity and social responsibility corporate culture is the top objective for supplier diversity programs

**92%**

Percentage of organizations that allocate funds toward supplier diversity

SUPPLIER  
DIVERSITY  
PROGRAMS ARE  
GROWING



**77%**

Percentage of organizations planning an increase in spend with black-owned businesses

**83%**

Percentage of organizations that already have or plan to dedicate funds for supplier development activities

SUPPLIER  
DIVERSITY IS A  
GLOBAL  
INITIATIVE



**69%**

Percentage of organizations that have a global supplier diversity program or are planning to expand globally by 2023

**#1**

Woman-owned businesses are the top diverse category in all regions



# Contents

## BACKGROUND

### Study objectives

- Identify the critical enterprise objectives that supplier diversity programs support and the key elements of successful program design.
- Understand how program activity is evolving in response to recent social reforms, regulatory change, market dynamics, etc.
- Understand how organizations are measuring the ROI of their supplier diversity programs.
- Gain insight into how organizations are developing and investing in diverse suppliers
- Understand the globalization of supplier diversity programs and how program scope is defined across different regions.

### Supplier diversity defined:

Diverse suppliers include minority and women-owned businesses, veteran-owned, LGBTQ-owned, etc. Spend with small and medium businesses that do not also qualify for one of the other established diversity groups is not included unless otherwise specified.

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# 1 PROGRAM OBJECTIVES

## Importance of supplier diversity objectives

Compliance with regulatory requirements remain the top objective, but strategic benefits are growing in importance. In fact, 99% of organizations consider supporting the corporate culture around diversity and inclusion to be an important objective. Notably, attracting and retaining talent jumped 11% as a very important objective when compared to The Hackett Group's 2019 Supplier Diversity Study.

### CRITICAL PROGRAM OBJECTIVES



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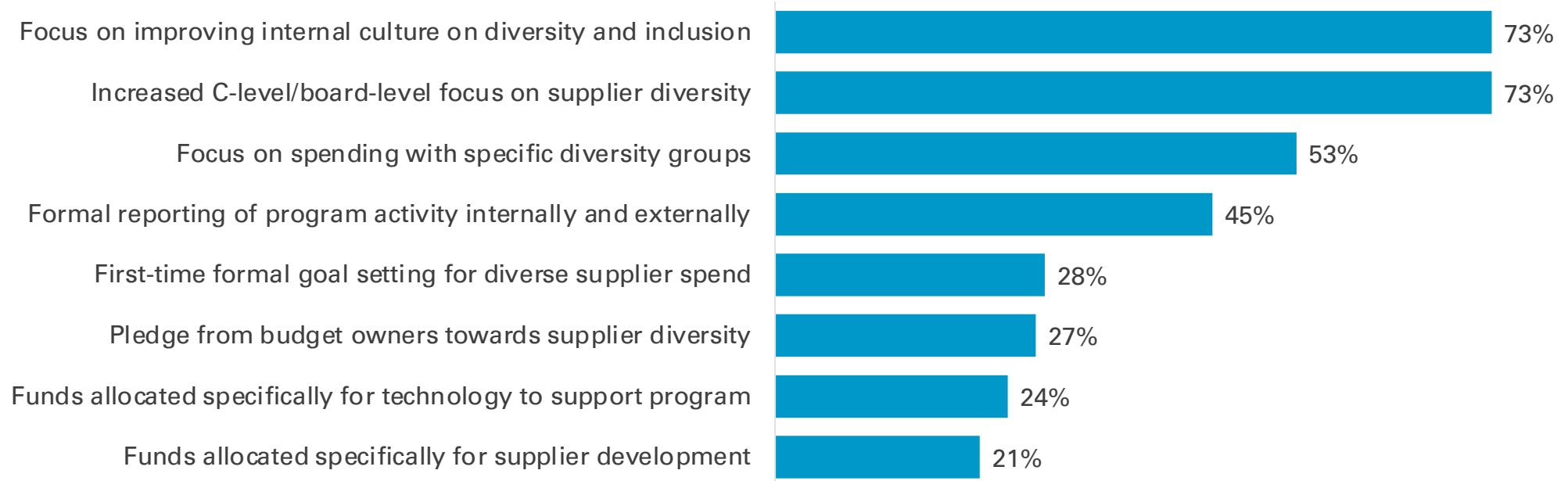
Please identify the importance that your organization places on each of the following supplier diversity objectives.



# Social reform impact

Calls for social reform were widespread around the world (and particularly within the US) in 2020. Companies are seeing direct calls to action from consumers and employees to invest in areas of environmental, social and corporate governance (ESG). It is important for supplier diversity organizations to collaborate and coordinate on program strategies to ensure adequate alignment of goals and resources.

## CHANGES TO SUPPLIER DIVERSITY PROGRAMS ARISING FROM 2020'S SOCIAL REFORM MOVEMENT



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Indicate which supplier diversity program activities have been initiated or altered as a result of social reform and racial inequality activities that occurred in 2020.

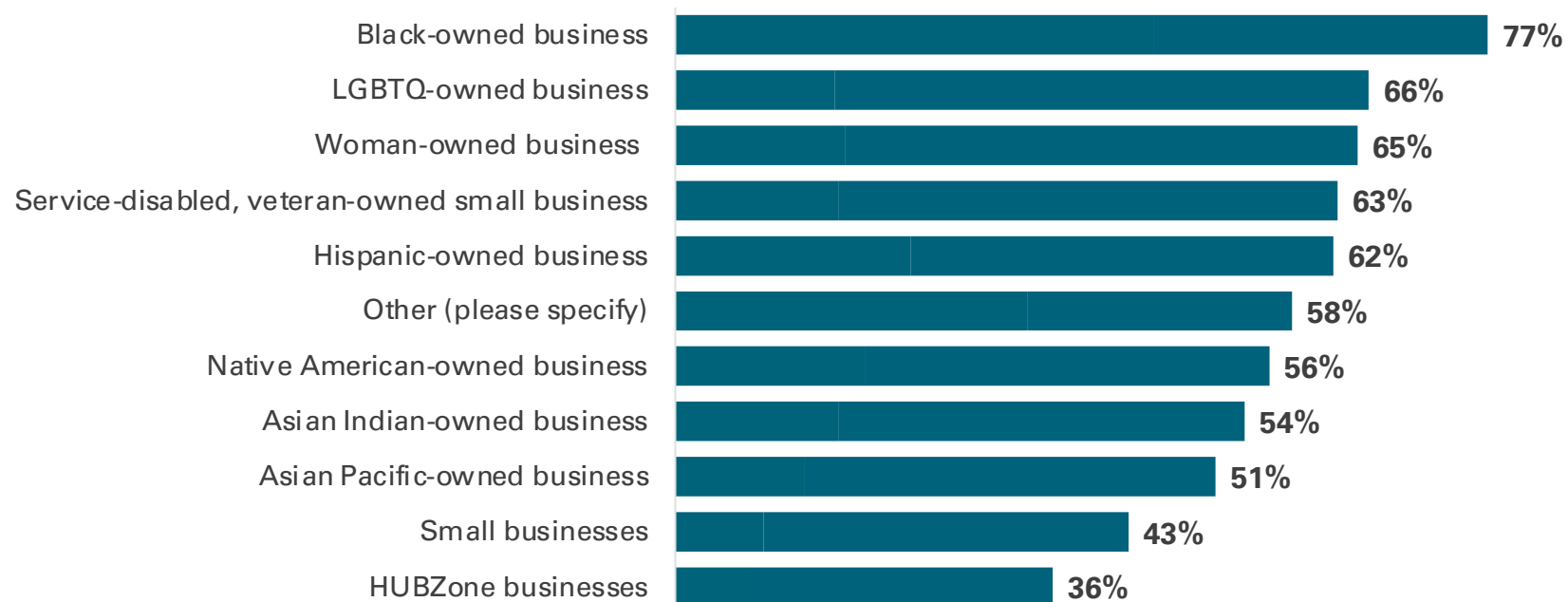


## 2 PROGRAM SIZE AND PERFORMANCE

### Increase in program spend

Diverse spend programs are overwhelmingly expected to increase over the next five years. The largest spend increase is expected with black-owned businesses, amid a tense social and political climate in the US around race and equity. Moderate increases are also expected across the board among and more so among woman-owned, minority-owned and LGBTQ-owned businesses.

#### ORGANIZATIONS EXPECTING AN INCREASE IN DIVERSITY SPEND



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Indicate whether the focus of your company's supplier diversity program is expected to shift more or less to any one group in the next 5 years.

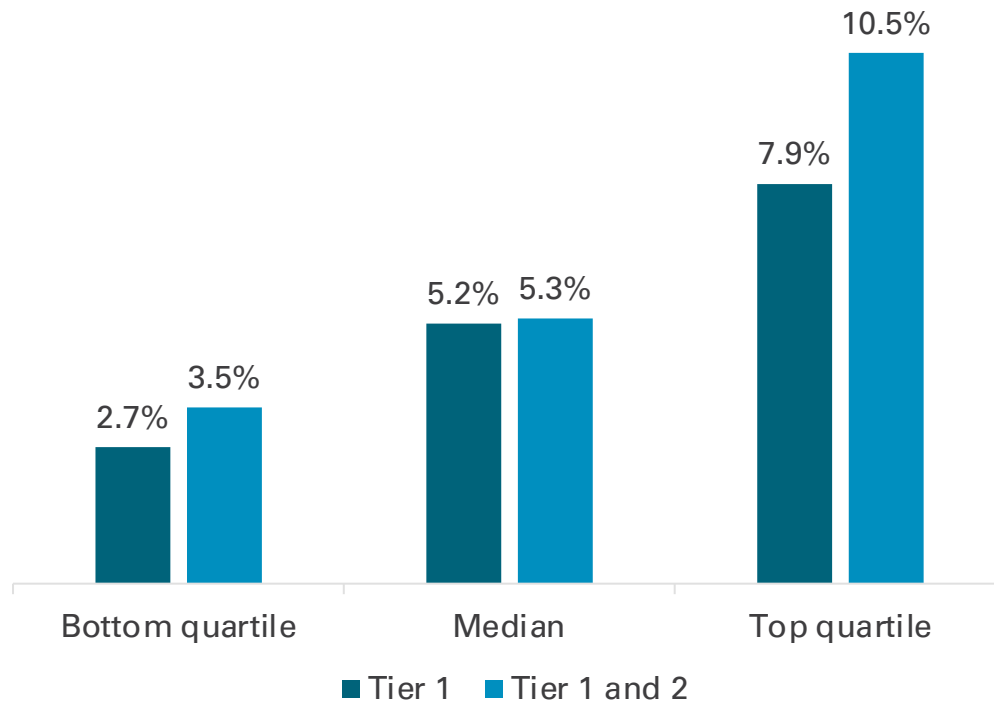
\* Other: A significant number of respondents cited plans to significantly increase spend with businesses owned by persons with disabilities.



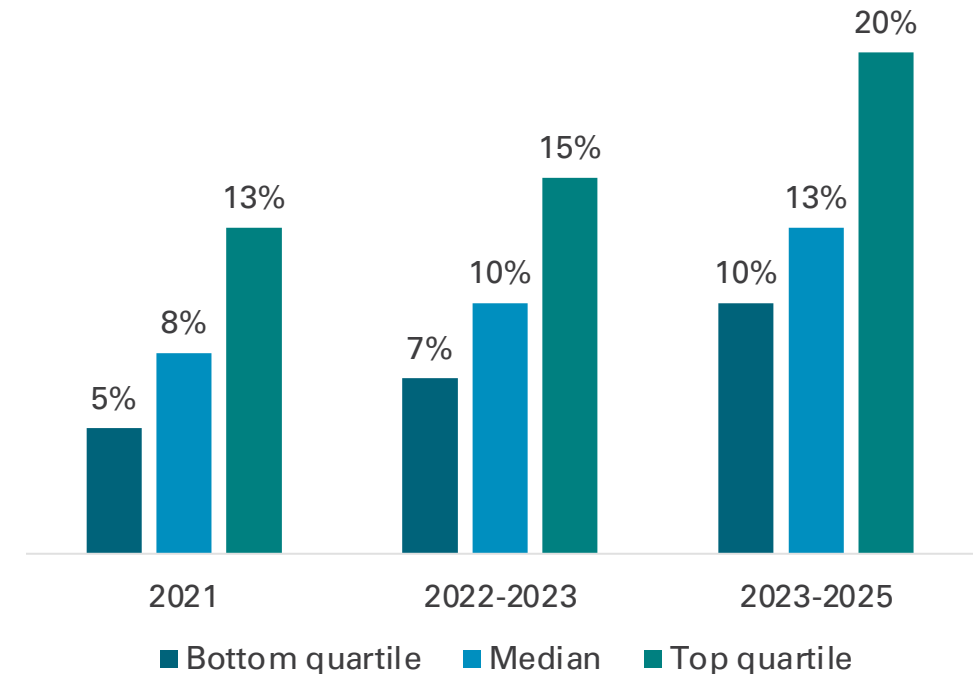
# Program size and scope

Diverse spend as a percentage of total procurement spend is the most common metric reported on for supplier diversity programs. While many organizations currently have an average of 7.2% diversity spend, the targets for this metric are often well above 10% of total spend and even more so when looking out a few years. High spend targets are an encouraging statistic for program objectives and diverse-owned businesses, indicating high growth for years to come.

## DIVERSITY SPEND PER TOTAL SPEND (US-ONLY)



## DIVERSITY SPEND GOALS



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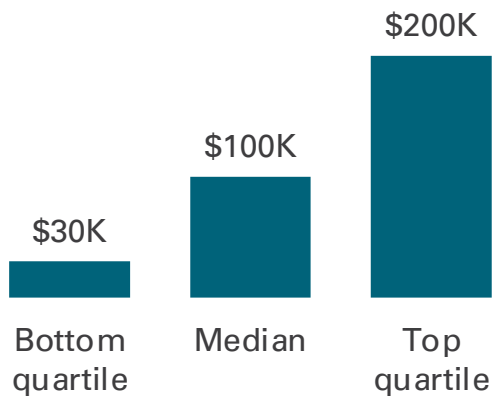
What goals has your organization established for diversity spend as a percentage of total spend?



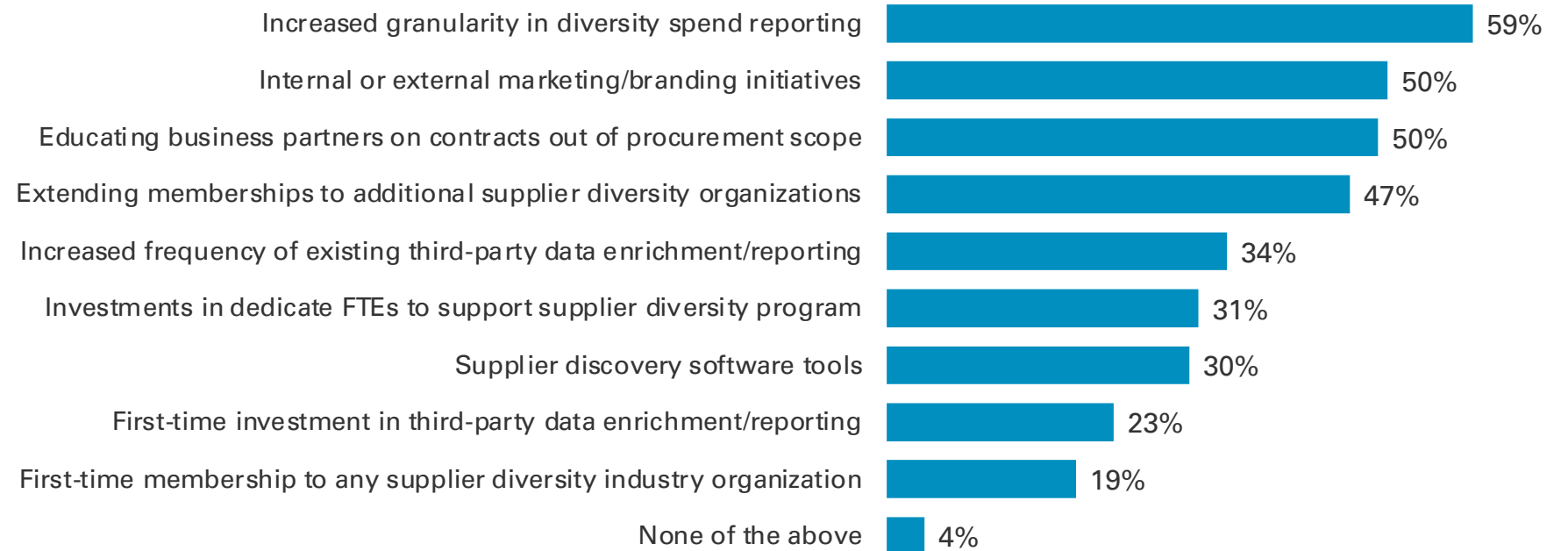
# Program investment

In order to grow supplier diversity programs, financial investment is necessary. The median annual program investment for supplier diversity is \$100K, allowing diversity programs to fund activities like reporting, marketing and membership to supplier diversity programs. Investments are expected to grow as companies increase use of external resources, third-party enrichment services, supplier discovery tools, and more to drive program efforts.

## ANNUAL PROGRAM INVESTMENT\*



## SUPPLIER DIVERSITY INVESTMENT PLANS



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Which investments are planned by your organization this year to advance program activity?

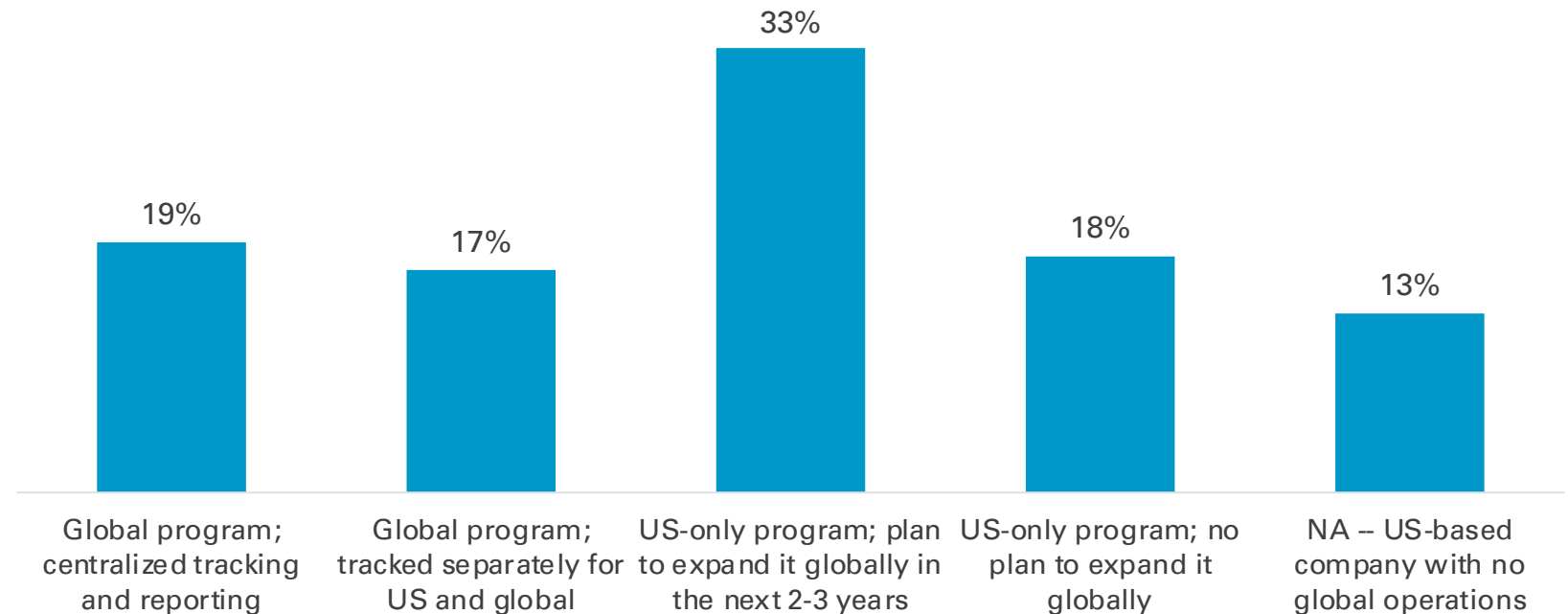


# 3 PROGRAM GLOBALIZATION

## Global structure

One-third of survey respondents have a US-based program and are planning to expand the supplier diversity program globally in the next 2-3 years, a significant shift in the scope and prioritization of ESG activities. But, many struggle with how to expand the program and understanding where to start and how to do it.

### GLOBAL SCOPE OF SUPPLIER DIVERSITY PROGRAMS



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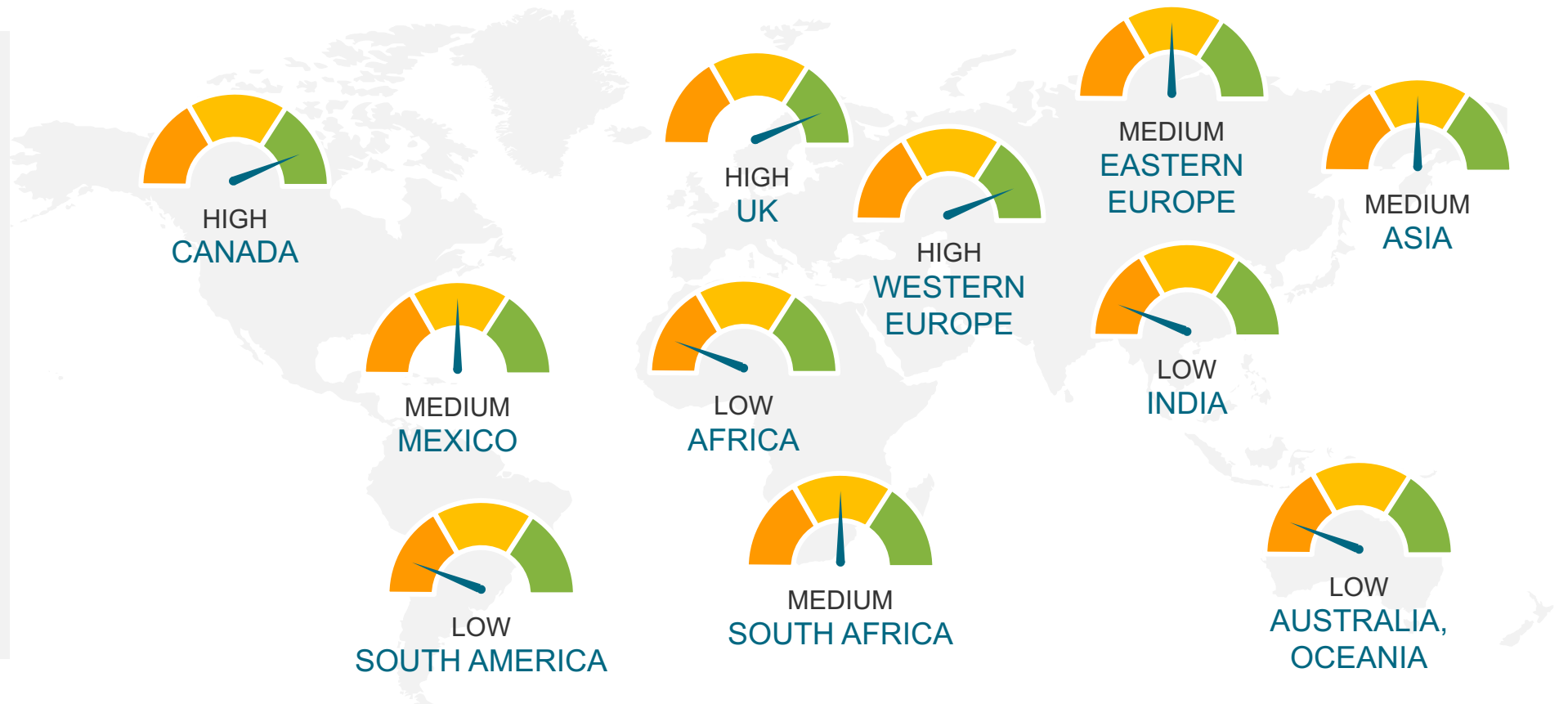
Please select the response that best describes the global scope of your organization's supplier diversity program.



# Geographical expansion

Among supplier diversity organizations that plan to expand globally in the next few years, Canada, U.K. and western Europe are the most common targets for the next stage of expansion.

Working with third-party certification organizations like WEConnect International, NMSDC and WBENC was cited as the most important factor when deciding to expand globally.



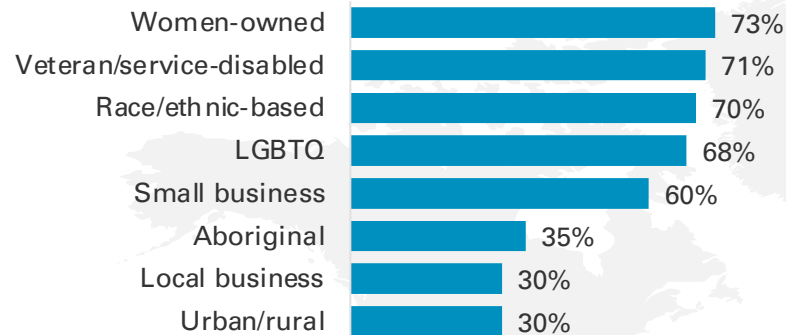
Q

Please indicate the specific countries or regions that are planned to be part of your supplier diversity program scope in 2-3 years.

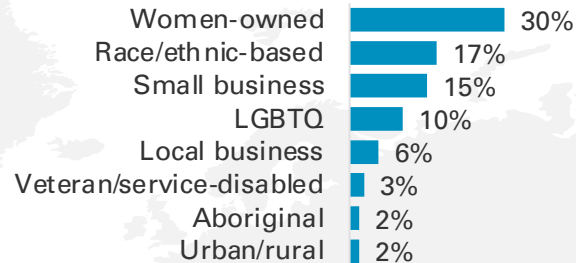


# Geographical scope

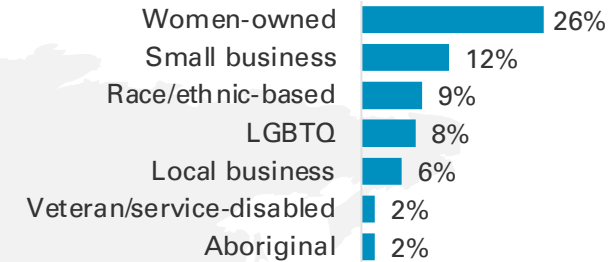
## North America



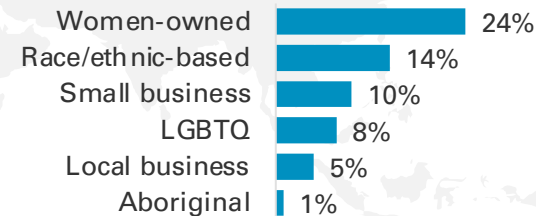
## Western Europe



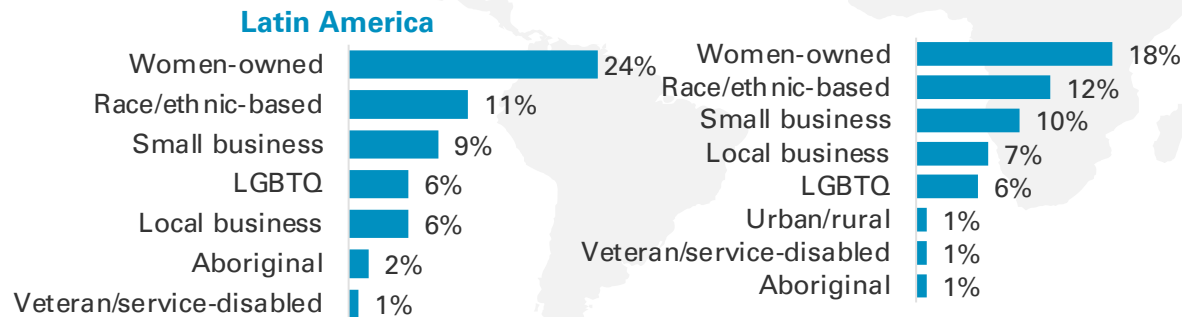
## Asia



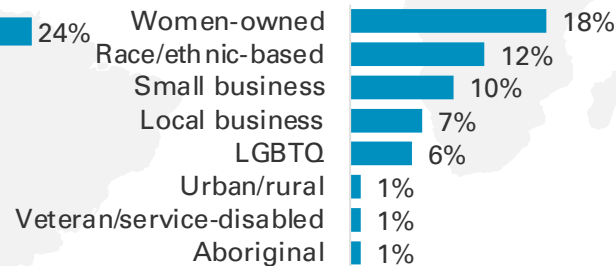
## Eastern Europe



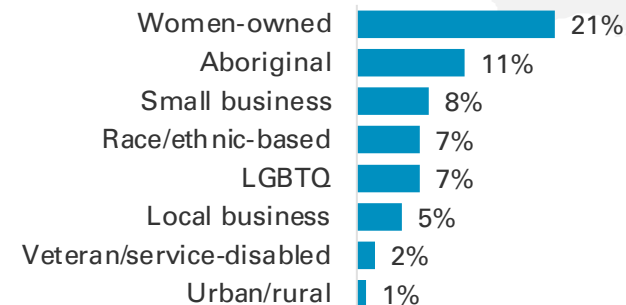
## Africa



## Latin America



## Australia, Oceania



Understanding which diverse categories to target initially is important. Women-owned businesses are most frequently included in supplier diversity plans, but only by a small margin in the US; the margin is larger in other areas of the world.

Outside the US, the focus is primarily on women-owned, race-based and small businesses. In Australia, high importance is placed on spend with aboriginal-owned businesses relative to other categories.



Select the diversity groups that are part of the scope of your supplier diversity program for each region.

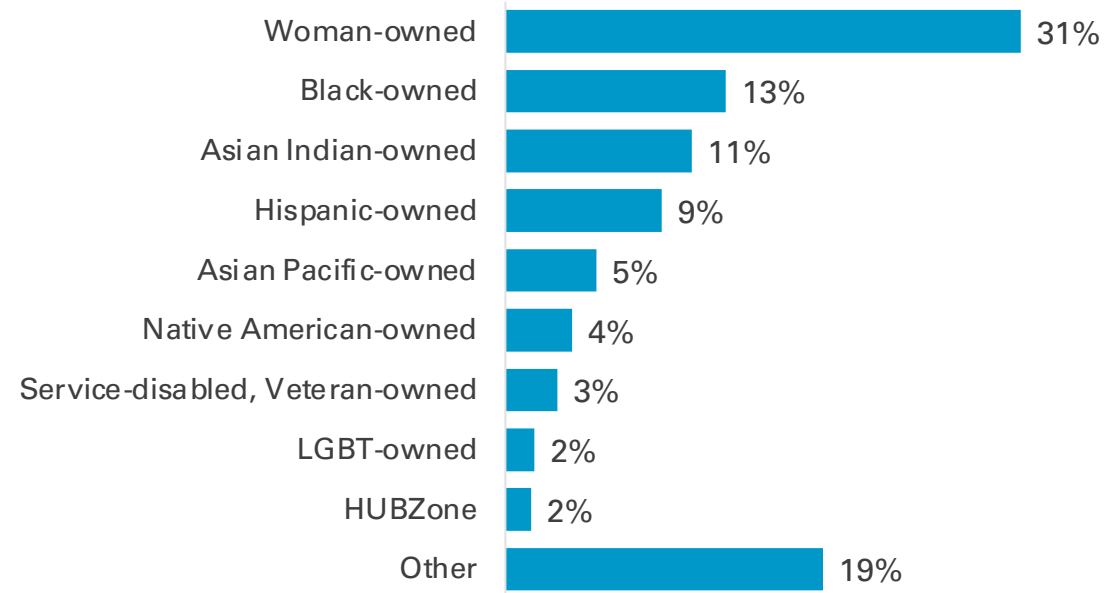


# 4 MEASUREMENT AND REPORTING

## Program spend distribution

Women-owned businesses make up nearly one-third of US-based supplier diversity programs. Minority-owned businesses also make up a large percentage of spend, with black-owned business being the most common. In prior years, data at this level of detail has been hard to come by. The increase in companies that are now able to report spend at the category level is a signal that supplier diversity programs are growing.

### TIER-1 DIVERSITY SPEND BY CATEGORY



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Estimate the percentage of your US-based annual diversity spend (\$USD) associated with each of the diversity groups for Tier-1 and Tier-2 suppliers.

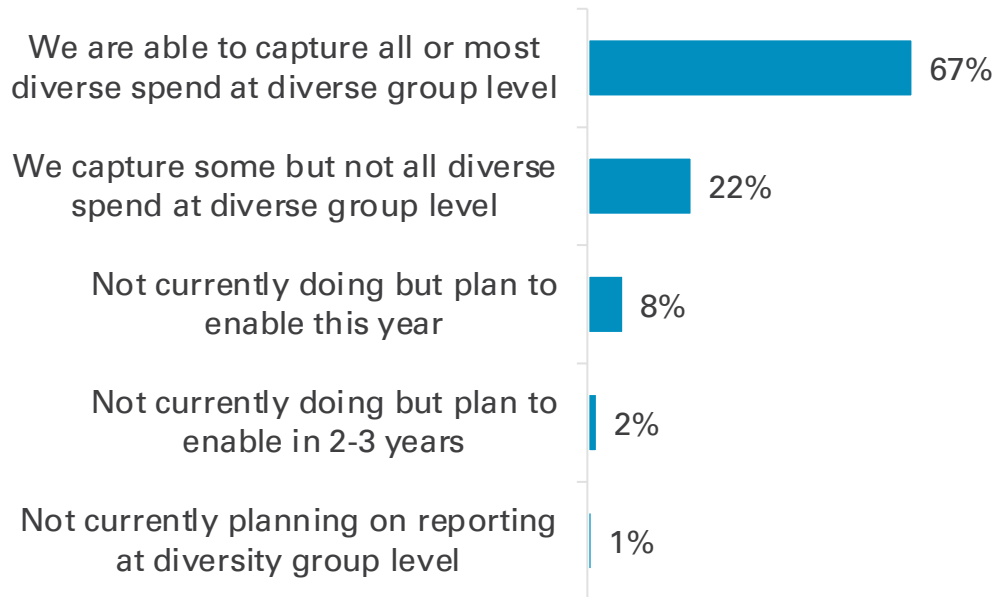
\* Other: Primarily includes general minority-owned, veteran-owned and small businesses.



# Level of visibility

Eighty-nine percent of organizations capture some or all diverse spend at the diverse group level (e.g., women-owned, black-owned). However, 57% of supplier diversity programs do not require a valid and current certificate verifying diversity status, i.e., self-certification is accepted for suppliers. This presents a significant area of opportunity for diversity programs to increase spend-data integrity.

## ABILITY TO REPORT ON SPEND BY SPECIFIC DIVERSITY GROUP



Q

Which statement best describes your ability to report diversity spend by specific diversity groups (e.g., women-owned, black-owned, Asian-owned).

## METHOD OF DIVERSE SUPPLIER VALIDATION

43%

Only suppliers with a valid and current certificate verifying diversity status

57%

Suppliers classified as diverse with or without an accompanying certificate (i.e., self-reported or via a third-party data provider)

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Which suppliers do you count as diverse in your reporting?

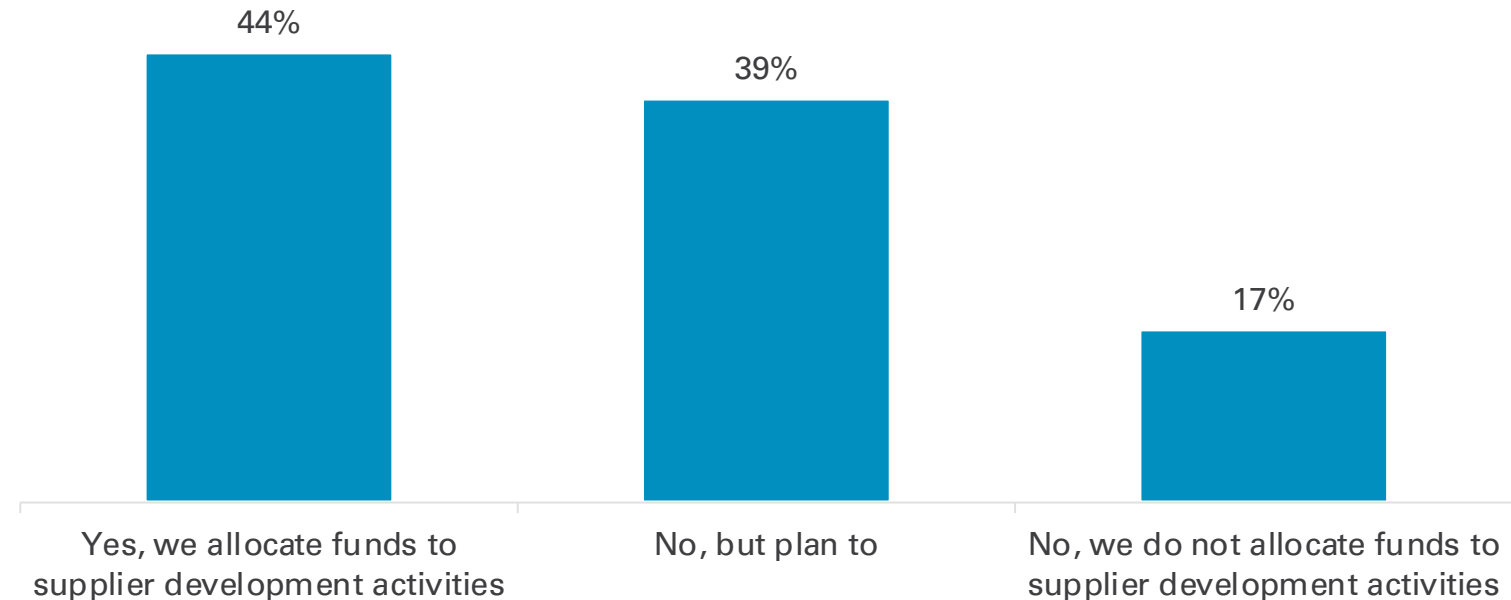


# 5 SUPPLIER DEVELOPMENT

## Developing diverse suppliers

Diverse supplier development is an often overlooked and poorly funded component of supplier diversity. Currently, only 44% of supplier diversity programs have dedicated funds for supplier development, although 39% are planning to commit funds to this area to invest in valuable suppliers and, ultimately, improve the quality and performance of diverse suppliers.

### FUNDS FOR SUPPLIER DEVELOPMENT ACTIVITIES



Q

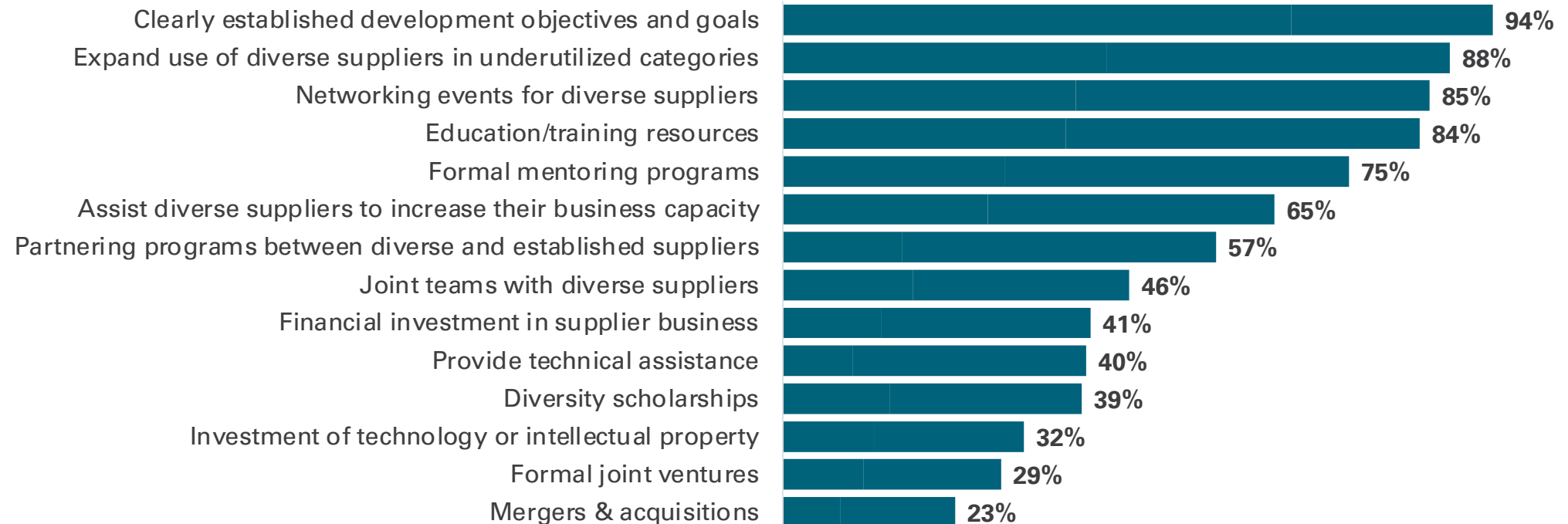
Has your organization allocated funds specifically for supplier development activities? If yes, how much?



# Supplier development activities

The approach to diverse supplier development can come in a variety of forms, depending on the preferences and resources of each procurement organization. Clearly established goals and expanded use of suppliers from underutilized categories are most common, but areas like mentorship, training and other support areas can be particularly impactful.

## SUPPLIER DEVELOPMENT ACTIVITIES THAT ARE MOST EFFECTIVE



Q

Select the degree of effectiveness for each activity.



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# Key takeaways

Starting, growing or improving an established supplier diversity program is top of mind for many procurement programs around the world. While developing the program, it is important to set the right scope for program activity and ensure it has an adequate level of support. These are seven areas in which to consider for your supplier diversity program:

- Ensure enterprise alignment by collaboration or coordination with enterprise environmental, social and corporate governance (ESG) activities and strategies.
- Invest in the supplier diversity program both with a budget and dedicated headcount.
- Join supplier diversity organizations for access to diverse supplier certifications, exposure to new suppliers and other areas of support, particularly when entering new geographies.
- Invest in the development of diverse suppliers with activities like performance management, supplier mentorship and training. Securing budget specific to supplier development is also important.
- Ensure high-quality data and reporting are used to measure program performance. Diverse spend should be captured for each category (e.g., women-owned, black-owned).
- Measure program ROI by going beyond diverse spend totals and capturing metrics like brand enhancement, economic impact and supplier innovation.
- Create policies to encourage the success of the supplier diversity program, like mandating inclusion of at least one diverse supplier in every sourcing event or tying compensation to program performance.