

Amplify DE&I Strategy Through Supplier Partnerships

By Michael Daher

Understanding the impact of diversity, equity, and inclusion (DE&I) on talent is a growing priority in American boardrooms. As boards oversee DE&I strategies, consideration should be given to monitoring how DE&I is amplified in the broader ecosystem of external stakeholders, such as suppliers. This involves understanding how the organization engages with not only diverse suppliers, including enterprises that are at least 51 percent owned and operated by small businesses, minorities, women, and other groups such as LGBTQ+, veterans, and people with disabilities, but also all suppliers on their DE&I agendas. Diverse suppliers are particularly important given their potential multiplier effect, as these enterprises typically employ a diverse workforce. Here are five questions directors can ask management to clarify how DE&I priorities are amplified through supplier partnerships and to identify opportunities to enhance current practices.

1. How are we building diverse supplier knowledge to better serve our organization? Many companies provide diverse suppliers with coaching on business strategy, internal organization, future needs, and effective service. Some companies offer customized training to diverse suppliers that lost bids in the past to help provide a better chance of winning in the future. They also invest in diverse suppliers' general business capabilities, such as finance or human resources, to help them more broadly scale their business. Companies may partner with nonprofits or universities to offer suppliers free leadership development programs.

2. Do we provide line of sight to volume potential and access to capital? To help diverse suppliers plan investments to scale their business, many companies provide line of sight to volume potential or volume commitments. While some companies have been extending their payment terms to, for example, 90-day cycles to better manage working capital, doing so can have a major impact on suppliers, especially during the pandemic. Companies are revisiting these payment term policies for smaller suppliers, including diverse ones. Some companies are engaging third parties to provide access to capital to diverse

suppliers, helping them scale their business. Others are pairing diverse suppliers with complementary suppliers to buttress capabilities to serve their company.

3. Are there synergies between our DE&I strategy and that of our suppliers? Some companies consider a supplier's DE&I investments as part of their supplier selection criteria, which means understanding a supplier's DE&I strategy and areas of collaboration. They also seek to understand the diversity of a supplier's board, employee population, and efforts to build a more inclusive workforce, and seek to understand investments in DE&I by their second-tier suppliers.

4. How do we encourage suppliers to provide a living wage for their diverse workforces? For labor-intensive businesses (e.g., temporary labor, janitorial services) that often employ underserved populations, standard bidding processes can lead to a race to the bottom on cost. While labor standards risk is generally focused on overseas operations, providing a living wage and medical benefits is still relevant in the United States. Some companies set wage, benefits, and overall employee welfare standards for suppliers, and establish audit mechanisms to ensure supplier requirements are being met.

5. How do executive leaders make DE&I a priority with their team? Support from senior executives is critical to achieving results. Procurement professionals are often incentivized with a focus on cost savings and cost avoidance. Balancing DE&I and financial impact requires a more nuanced perspective when considering suppliers. Gain insight into how effectively your management activates your organization's DE&I vision and priorities with your supply partners and how they are being incentivized to do so. [D](#)



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