



The Business Case for Supplier Diversity in Canada.

At a Glance

- Supplier diversity programs offer enterprises owned by women and minorities the opportunity to grow through access to new or expanding supply chains, however their growth in Canada has been slow.
- Supplier diversity is based on the concept that small- and medium-sized companies that are owned by women and minorities add value to large organizations, and the economy, by creating mutually beneficial relationships.
- This briefing aims to advance supplier diversity in Canada by developing an evidence-based business case for raising awareness of its benefits.

Executive Summary

“Businesses owned by women and minorities are vital to Canada’s economic prosperity. Diverse, well-developed supply chains can help companies reduce costs, enhance innovation, successfully integrate acquired businesses, and reach new markets.”¹

However, many women-owned and minority-owned businesses have had difficulty gaining access to the supply chains of leading Canadian businesses and government organizations. Reinforcing this challenge is the fact that the benefits of diverse supply chains are not widely known in Canada, even though they create a win-win opportunity for both the supplier and the producer. Supplier diversity initiatives have been common in the United States for more than 55 years, but they are not widespread in either the Canadian private or public sectors.

There is a strong business case for leveraging businesses owned by women and minorities in larger organizational supply chains. Beyond corporate social responsibility, diverse supply chains may help corporations to:

- better represent a corporation’s diverse customer base, thereby increasing customer satisfaction and revenues;
- better reflect the diverse backgrounds of employees, thereby increasing their job satisfaction and retention;
- build more robust supply chains by identifying a wide range of qualified suppliers and reducing the risk associated with streamlined supplier pipelines;
- open new markets (e.g., in the United States), which can lead to economic development for the corporation and the local economy.

1 Whitfield and Farrell, “Diversity in Supply Chains,” 31.

Some large Canadian organizations are leading the way by creating supplier diversity initiatives and programs.

Why aren't supplier diversity programs more common? Potential reasons include:

- lack of understanding of the benefits of diversifying a supply chain and the positive impact it has on an organization;
- little or no commitment among leadership to a supplier diversity program or vision;
- a shortage of financial or human resources;
- internal resistance to change;
- lack of awareness among senior leaders, individual departments, and procurement officers;
- difficulties identifying and qualifying diverse suppliers;
- concerns related to the capacity of diverse suppliers to fulfill contract requirements, especially for national corporations;
- lack of legislative regulatory requirements.^{2,3}

By raising awareness of the benefits that supplier diversity creates for businesses and the economy, this briefing aims to help remove or mitigate many of the barriers to its growth in Canada.

Introduction

Businesses owned by women and minorities are a dynamic component of the Canadian economy. To promote the growth of women- and minority-owned businesses and forge links to potential new markets for their products, some large Canadian organizations are leading the way by creating supplier diversity initiatives and programs—and reaping the benefits. Supplier diversity practices have been popular in the United States since the 1960s, yet their growth in Canada has been slow.⁴ This may be partly due to the lack of regulatory requirements for supplier diversity in Canada.

2 Adobor and McMullen, "Supplier Diversity and Supply Chain Management," 219–29.

3 Slaven and Esquivel, *Supplier Diversity Best Practices*, 10–11.

4 RGMA, *History of Supplier Diversity*.

Based on an in-depth literature review, supplemented by insights gained through interviews with 12 key informants, this briefing aims to advance supplier diversity in Canada by developing an evidence-based business case that can be used to raise awareness of the issue. For a list of the key informants interviewed, see Appendix B.

What Is Supplier Diversity?

Supplier diversity is based on the concept that small- and medium-sized companies owned by women and minorities add value to large organizations and the national economy by creating mutually beneficial relationships. For the purposes of this research, a small- or medium-sized business is any company that employs fewer than 500 people, on average, in a given year.⁵ Supplier diversity programs offer women- or minority-owned enterprises the opportunity to grow through access to new or expanding supply chains. These programs also enable corporations to build robust supply chains and increase their competitiveness.

What Is a Diverse Supplier?

For the purposes of this research, a diverse supplier is a business that is at least 51 per cent owned, operated, and controlled by either women, members of an Indigenous community (e.g., First Nations, Inuit, or Metis people), members of a visible minority group or members of the lesbian, gay, bisexual and transgender (LGBT) community.⁶

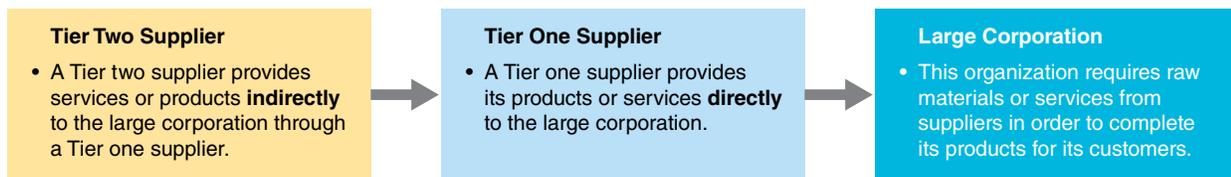
An organization's supply chain includes all activities and processes related to providing goods or services to its customers, including:

- 5 Innovation, Science and Economic Development Canada, *Canadian Industry Statistics, Glossary of Terms*.
- 6 Larson, *Supplier Diversity in the GTA*, 8.

- providing raw materials to a manufacturer;
- manufacturing;
- using a network of distributors and retailers to deliver finished products to a customer.

As shown in Exhibit 1, a corporation will have a large network of suppliers that provide it with direct or indirect services or products, enabling the corporation to provide its own products to its customers. Suppliers that directly provide their products or services to the large corporation are in tier one. The supply chain can be further divided into sub-tier suppliers (e.g., tier two, tier three, and tier four) that provide their services or products indirectly to another tier in the supply chain.

Exhibit 1 The Supply Chain



Source: The Conference Board of Canada.

According to the Council of Supply Chain Management Professionals, supply chain management includes coordination and collaboration with all elements of the supply chain. It involves the integration of all major business functions and processes within companies so they can effectively meet the demand for products and services.⁷ This function reduces the risk in the supply chain and ensures that raw materials or services are available when required to complete products destined for customers.

⁷ Vitasek, *Supply Chain Management Terms and Glossary*, 187.

Supplier diversity is not widespread in Canada.

The State of Supplier Diversity in Canada

Supplier diversity is not widespread in Canada. A recent study by the Canadian Centre for Diversity and Inclusion (CCDI) found that 39 per cent of Canadian organizations have implemented a supplier diversity program or initiative.⁸ The study also indicated that larger organizations, and those headquartered in the U.S., are more likely to have such programs and initiatives.⁹ Supplier diversity has a long history in the United States, where it is supported by legislation. Furthermore, the study revealed that private sector organizations in Canada were significantly more likely to have supplier diversity programs than public sector ones. More than half (51 per cent) of private sector respondents had implemented supplier diversity initiatives, while only one in five (21 per cent) of public sector organizations had done so.¹⁰

Canadian municipal, provincial, and federal governments have an important role to play in this area by promoting the business case for supplier diversity. According to Mary Anderson, President, Women Business Enterprises Canada Council (WBE Canada): “In order to drive change, there needs to be a framework that demonstrates the benefit or the bottom line of supplier diversity. The approval of social procurement that implements supplier diversity by the largest municipality in Canada, the City of Toronto, is a huge step forward.”¹¹ Section 16 of the *Canadian Human Rights Act* already alludes to it: “It is not a discriminatory practice for a person to adopt or carry out a special program, plan or arrangement designed to prevent disadvantages that are likely to be suffered by, or eliminate or reduce disadvantages that are suffered by, any group of individuals ... by improving opportunities, accommodation or employment in relation to that group.”

8 CCDI, *Supplier Diversity in Canada*, 13.

9 Ibid., 14.

10 Ibid., 15.

11 Mary Anderson (President, Women Business Enterprises Canada Council), telephone interview by Nadine Hakim and Louise Chénier, June 3, 2016.

A Focus on Supplier Diversity

To build robust supply chains and increase their competitiveness, some Canadian corporations are making increased supplier diversity a priority. They have found that supplier diversity:

- provides diverse suppliers with the opportunity to participate in procurement opportunities;
- ensures that diverse suppliers can participate in the corporation's supplier development and mentoring programs so that they can win contracts;
- enhances diversity of thought, ideas, and innovations in the corporation's supply chain.¹²

Three factors motivated TD Bank Group to implement a supplier diversity program: the expansion of its business in the U.S., the alignment with its diversity and inclusion commitment, and its corporate social responsibility efforts. Marcia Seymour, Senior Manager, Procurement Social Responsibility, says: "Supplier diversity creates the opportunity for suppliers to meet minority-owned businesses and to compete for our business."¹³

Supplier diversity programs give enterprises owned by women and minorities the opportunity to grow their business by accessing new and growing supply chains in the private and public sectors. In return, organizations that include diverse businesses in their supply chains build more robust business processes, which can lead to financial and workforce benefits. These programs help businesses manage risk more effectively by reducing their dependence on a single or a limited number of suppliers. Supplier diversity is neither a social program nor the promise that all participating suppliers will receive business. Corporations with an effective supplier diversity program do not compromise on the quality or the cost of the services or products they

12 Larson, *Supplier Diversity in the GTA*, 7–8.

13 Marcia Seymour (Senior Manager, Procurement Social Responsibility, TD Bank Group), telephone interview by Nadine Hakim and Louise Chénier, May 4, 2016.

Organizations with a corporate diversity and inclusion policy are more likely to have a supplier diversity program.

supply, nor do they change the service requirements for all suppliers. The program is simply a market access opportunity for both the corporation and the diverse supplier.¹⁴

Supplier diversity is usually the responsibility of a corporation's procurement office. However, a recent study by Paul D. Larson of the University of Manitoba showed that organizations with a corporate diversity and inclusion policy or program are more likely to have also implemented a supplier diversity program.¹⁵ The diversity and inclusion professional can be an internal resource for the procurement office as it implements and manages supplier diversity initiatives. An organization with a commitment to diversity and inclusion is dedicated to ensuring that its workforce accurately reflects the diversity of the community in which it operates, as well as the marketplace. To be truly inclusive, it must also ensure that the diversity of its supply chain—and any business process, for that matter—also reflects that of the marketplace and/or the values of inclusion.

“ TD's supplier diversity mission statement confirms the alignment between supplier diversity and TD's strategic direction. At TD Bank Group, we believe diversity is a key contributor to success in the competitive global marketplace. Our commitment to diversity is a fundamental element of how we do business today and in the future. TD Bank Group believes its Supplier Diversity Program is necessary to achieving its goal of being the better bank.”

Marcia Seymour, Senior Manager, Procurement Corporate Responsibility, TD Bank Group¹⁶

Although some of the literature mentions legal barriers as a potential issue, the interviewed stakeholders felt otherwise. According to Kenneth Fredeen, General Counsel, Deloitte Canada, and Chair, Legal Leaders for Diversity: “Canada has a fantastic opportunity to make a business

¹⁴ CAMSC, *Supplier Diversity*.

¹⁵ CCDI, *Supplier Diversity in Canada*, 5.

¹⁶ Seymour, interview.

case for supplier diversity. For corporations, attracting and retaining the best talent is their competitive edge. For diverse suppliers, they need to find what value they bring to diverse clients so they know what strengths and weaknesses they bring to the table. As for the Canadian economy, corporations remain conservative around diversity because they are too risk-averse. They need to open their minds to diverse suppliers by putting in place the necessary processes and procedures, and by becoming aware of their own biases.”¹⁷

The Business Benefits of Supplier Diversity

According to the Centre for Research in Ethnic Minority Entrepreneurship (CREME), supplier diversity initiatives offer many benefits to Canadian businesses and the economy, and also support the growth of businesses owned by women and minorities. The benefits include:¹⁸

- increased customer satisfaction and profits;
- greater employee satisfaction and retention;
- more robust supply chains;
- opening of new markets and economic development.

Customer Satisfaction and Profits

Effective supplier diversity programs can increase customer satisfaction and profits. As the Canadian marketplace becomes increasingly diverse, customers will expect an organization’s workforce and practices—such as procurement—to reflect this diversity. Therefore, supplier diversity helps to improve an organization’s image and reputation among members of the public and other important stakeholders. As more customers embrace diversity, and as customers become more diverse, there will likely be greater demands for diversity.

17 Kenneth J. Fredeen (General Counsel, Deloitte Canada, and Chair, Legal Leaders for Diversity), telephone interview by Nadine Hakim and Louise Chénier, June 2, 2016.

18 CREME, *Supplier Diversity—A Guide for Purchasing Organisations*, 15–18.

“Corporations need to tell themselves that if they want to be successful, they need to create an inclusive environment, where the services and products they offer match up with the diversity of their clients.”

Kenneth Fredeen, General Counsel, Deloitte Canada, and Chair, Legal Leaders for Diversity¹⁹

Employee Satisfaction and Retention

Supplier diversity can also improve employee satisfaction. Diverse employees are more likely to remain with employers who value diversity and put inclusive practices in place. This can lead to less workforce turnover, reducing the high costs of recruiting, onboarding, and training new employees.

More Robust Supply Chains

Based on our stakeholder interviews and literature review, we found several important benefits of the supplier diversity practice for Canadian organizations, including:

- enhanced supplier pool—the identification of additional qualified suppliers ensures that organizations have more robust supply chains;
- increased competition resulting from the larger pool of suppliers, which can lead to better product and service quality, as well as lower costs;
- heightened value to the supplier base through enhanced creativity and innovation;
- increased efficiency and flexibility due to the use of small suppliers;
- reduced risk in the supply chain—if the product or service of a primary supplier suddenly becomes unavailable, an organization can source it from other qualified suppliers already in its pipeline;
- improved corporate image and reputation.

¹⁹ Fredeen, interview.

Supplier diversity programs give companies open access to different markets.

New Markets and Economic Development

In the long term, supplier diversity programs are likely to attract new businesses to the supply chain and give companies open access to different markets. This, in turn, provides the fuel for a dynamic and competitive economy. For example, our research found that Canadian organizations with a connection to the United States—generally as a subsidiary of, or as a parent company to, an American firm—are more likely to have supplier diversity programs than are organizations with no U.S. link.²⁰ When organizations implement supplier diversity initiatives and can track the diversity of their supply chain, it enables access to new markets. In turn, U.S. firms benefit from the diversity of the Canadian organizations' supply chain, helping them achieve their own diversity goals.

The City of Toronto is a case in point.²¹ The proposed City of Toronto Social Procurement Program was accepted for implementation in April 2016. It draws on the results of nine pilot projects, which ran from 2013 to 2015, as well as best practices in other jurisdictions. The program will ensure the City considers opportunities for supply chain diversity or workforce development whenever it procures goods and services, including professional and construction services. In doing so, the City will help drive economic growth in Toronto that includes those experiencing economic disadvantage, discrimination, and barriers to equal opportunity.

Denise Andrea Campbell—Director, Social Policy, Analysis and Research, Social Development, Finance and Administration for Toronto—explains that the City educated and mentored potential suppliers as it implemented the supplier diversity program. The City could then track how much of its procurement spending went to diverse organizations, including tier two and other sub-tier organizations within its supply chain. (See Exhibit 1.) However, says Campbell, another benefit associated with increasing its suppliers' awareness of supplier diversity became apparent: these local organizations could now bid

20 Larson, *Supplier Diversity in the GTA*, 33.

21 City of Toronto, *Staff Report for Action*, 1–32.

Supplier diversity has increased economic development in Toronto.

on contracts in the United States and other countries where supplier diversity is commonplace.²² She adds that this has increased economic development in Toronto.

“ Toronto is one of the first municipalities in Canada to implement supplier diversity. This fundamental shift in our procurement culture allows us to benefit without increasing costs to business. We are now bringing diversity to our contracting process by understanding and addressing barriers to access for small- and medium-sized enterprises when they compete for contracts with the City of Toronto.

Procurement at the city remains focused on securing quality products and services at the best price. By levelling the playing field and increasing competition through our new social procurement process, we are attracting new, quality suppliers. The process encourages entrepreneurship, innovation, and competition among businesses, which can lead to new jobs for Toronto residents.

Supplier diversity has wide-ranging economic and social benefits, leading to positive changes in the lives of individuals, communities, and Toronto as a whole. Our procurement process can increase economic opportunities for underemployed residents, encourage employers to diversify their workforce, and promote local companies.

I hope that our initiative will encourage other public sector institutions to embed social procurement in their own practices.”

John Tory, Mayor, City of Toronto ²³

22 Denise Andrea Campbell (Director, Social Policy Analysis and Research, City of Toronto), telephone interview by Louise Chénier, June 1, 2016.

23 Campbell, interview.

Some institutional structures are already in place to encourage participation. For example, there are certifying bodies—such as WBE Canada and WEConnect International in Canada (WEC)—that confirm that businesses are majority owned (at least 51 per cent) and managed by women. These certifying organizations also help connect Canadian women entrepreneurs to supplier diversity opportunities in the U.S. and other markets.

Women and Supplier Diversity

- For small- and medium-sized enterprises (SMEs), majority ownership by males is four times higher than majority ownership by females. In 2014, 15.7 per cent of SMEs were majority owned by women, and 19.7 per cent were equally owned by women and men.²⁴
- Women Business Enterprises Canada (WBE Canada) has certified more than 375 women-owned businesses, employing more than 13,600 people and generating greater than \$2.8B in revenues.²⁵
- There are nearly 1 million Canadian women business owners who contribute more than \$117 billion annually to the Canadian economy.²⁶
- Ninety-seven per cent of Fortune 500 companies have supplier diversity programs²⁷
- WBE Canada estimates that Canadian businesses owned by women comprise less than 5 per cent of all domestic and international suppliers to corporations and governments.²⁸
- Women start businesses at twice the rate as men but do not achieve the same growth as their male counterparts.²⁹

24 Innovation, Science and Economic Development Canada, *Key Small Business Statistics*.

25 Centre for Women in Business, *Supplier Diversity: A Game Changer*.

26 The Canadian Trade Commissioner Service, *Supplier Diversity—What You Need to Know*.

27 Ibid.

28 Women Business Enterprises Canada Council (WBE Canada), *Supplier Diversity*.

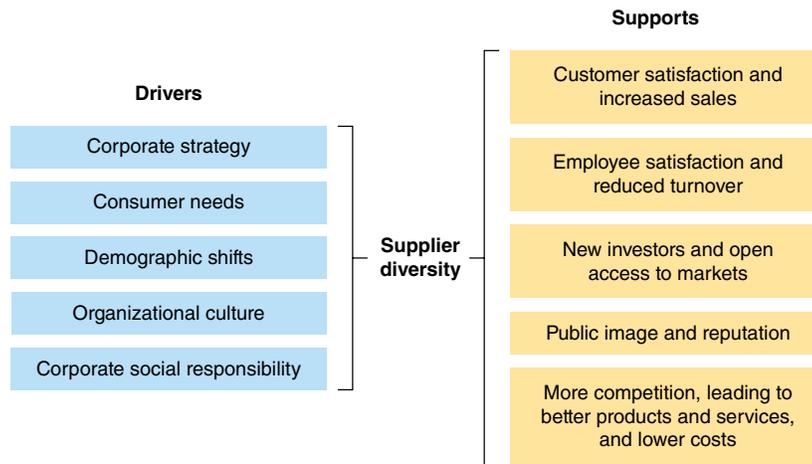
29 WBE Canada, *Did You Know?*

The Drivers and Supports of Supplier Diversity

Many organizational drivers can lead a business to implement supplier diversity initiatives. Exhibit 2 summarizes the drivers and business supports of supplier diversity.

Exhibit 2

The Drivers and Business Supports of Supplier Diversity



Source: Paul D. Larson, *Supplier Diversity in the GTA: Business Case and Best Practices*.

Potential Barriers to Supplier Diversity in Canada

Supplier diversity initiatives are not widespread in Canadian organizations.³⁰ Several barriers or challenges may prevent businesses from implementing these types of programs. As our key informants confirmed during the interviews for this project, these obstacles include:

- lack of understanding of the benefits of supplier diversity programs;
- little or no leadership commitment or buy-in to the program;
- a shortage of results and resources;
- internal resistance to change;

³⁰ CCDI, *Supplier Diversity in Canada*, 13.

- the need for additional coordination with other internal functions, processes, or policies;
- difficulties identifying qualified diverse suppliers;
- concerns related to the capacity of diverse suppliers.^{31,32}

Lack of Leadership Commitment or Buy-In

Without visible and sustained leadership support, no organizational program or initiative can succeed. However, unconscious bias can affect an organization's procurement policy and practices by creating unintended business exclusions. It may prevent key stakeholders within the organization—such as senior leaders and procurement officers—from identifying and understanding the need to diversify the supply chain. It can be much easier to simply go to an established list of suppliers than to actively recruit diverse businesses.

Several measures can help minimize the impact of unconscious bias, such as presenting the business benefits of supplier diversity, dedicating the necessary resources to manage the program, having senior leaders talk about the importance of the initiatives to the organization, and encouraging employees to follow the guidelines. For example, when the President of Sodexo Canada learned the organization had added a First Nations, woman-owned supplier of pureed vegetables to the supply chain, he reminded the various operations leads to use the products in their recipes.³³ His visible commitment to the program gave it credibility and made it a priority for other internal stakeholders.

31 Adobor and McMullen, "Supplier Diversity and Supply Chain Management."

32 Slaven and Esquivel, *Supplier Diversity Best Practices*, 10–11.

33 Shiva Manishankar (Senior Manager-Value, Supply Management and Ontrak, Sodexo Canada), telephone interview by Nadine Hakim and Louise Chénier, May 27, 2016.

Supplier diversity is an important requirement of the procurement function.

Executive Champions Have a Role to Play

Corporate leaders are well-positioned to model the kinds of behaviours that drive change in organizations. Members of Legal Leaders for Diversity (LLD) are a case in point. LLD is a coalition of general counsels from a range of leading organizations across Canada whose mission is to champion diversity within the profession, as well as to promote inclusive work environments and business practices. They recognize that they are in a position to influence key business alliances and to support inclusive business practices.

Lack of Results and Resources

Getting verbal support for supplier diversity is one thing; getting the resources to put a program in place is another.³⁴ “Dedicating resources to promote supplier diversity is an important requirement of the procurement function, and aligning supplier diversity implementation with procurement personnel KPIs (Key Performance Indicators) is a key lever. Inviting and enabling new and competent suppliers who can offer quality, innovation, efficiency, and price can easily bring a return on the investment,” said Mary Anderson, President, Women Business Enterprises Canada Council. Anderson suggests that when supplier diversity reporting becomes a standard requirement of request for proposal (RFP) language in Canada, the business case will become clear. She says, “What is needed is an understanding that reporting of supplier diversity as a procurement metric is the enabler that will bring about change.”³⁵ Communicating the many benefits and opportunities of supplier diversity to business leaders, and the requirements to include the language of supplier diversity in procurement contracts, will help to increase understanding of the need for change.

34 CREME, *Supplier Diversity—A Guide for Purchasing Organisations*, 21.

35 Anderson, interview.

Organizational Resistance

Organizational resistance may come from those who misunderstand the reasons for greater supplier diversity, and who mistakenly assume that a certain group of bidders is receiving preferential treatment. The true nature and benefits of supplier diversity need to be explained to all concerned—organizations and suppliers alike.³⁶ In Canada, Sodexo has implemented initiatives to promote the benefits of supplier diversity and encourage suppliers to become certified. They regularly participate in mentoring and development, as well as community capacity-building initiatives for supplier diversity programs.

“ At Sodexo, diversity and inclusion is a cornerstone of our culture. We continuously seek to engage, educate, and build awareness around diverse businesses and people.”

Barry Telford, President, Sodexo Canada³⁷

There is also the impact of just-in-time delivery systems, which favour supplier reduction and increased reliance on a few, preferred suppliers.³⁸ However, just-in-time delivery of goods and services requires supplier certification and development, and tends to favour local suppliers. Those factors could encourage the use of diverse suppliers, which are often certified and local.

Perceived Cost of Supplier Diversity Programs

During our interviews, the informants did not mention the perceived costs of set-up, administration, training, and communication for supplier diversity programs. However, there may be cost and timing issues surrounding certification, particularly if a business needs to certify with multiple organizations. A more streamlined approach to certification may be required.

36 CREME, *Supplier Diversity—A Guide for Purchasing Organisations*, 21.

37 Manishankar, interview.

38 Adobor and McMullen, “Supplier Diversity and Supply Chain Management.”

The diversity lens needs to be applied to all organizational processes.

Implementing Supplier Diversity Can Require Additional Effort

A supplier diversity program should be compatible with the organization's other functions, processes, and policies. To be effective, "either the program needs to be designed to fit in with current functions or current functions need to be modified to accommodate the program. This might mean reviewing current procurement policies to see whether, for example, they currently exclude under-represented businesses, which are often small and cannot compete for large contracts."³⁹ Ultimately, the diversity lens needs to be applied to all organizational processes so that inclusion becomes a mindset—simply the way business is carried out within the organization.

The Identification of Qualified Diverse Suppliers

Organizations may find it difficult to find and reach businesses owned by women and minorities. Even when the right suppliers have been found, persuading them to seek contracts with large corporate buyers can be difficult, since many of these businesses are small, undercapitalized, and specialize in small, lower monetary value orders.

The certification of organizations can help match large organizations with suitable minority suppliers. Certification confirms that the businesses are at least 51 per cent owned, managed, and controlled by one or more women or members of minority groups, and that they provide the products and services outlined in their supplier profile. These certifying organizations reassure corporate members that their investments in supplier diversity are reaching the intended businesses, and are therefore more likely to help the companies achieve their business objectives.

Examples of organizations that carry out certification include WBE Canada, WEConnect International in Canada, the Canadian Aboriginal and Minority Supplier Council (CAMSC), and the Canadian Gay and Lesbian Chamber of Commerce. Astrid Pregel, Executive Director,

39 CREME, *Supplier Diversity—A Guide for Purchasing Organisations*, 21.

WEConnect International in Canada, explains how her organization helps to connect certified business owners with corporations in 18 countries where WEConnect International in Canada has a presence: “Women business owners are not always connected to the power structure. WEConnect International in Canada helps to educate and train these women, as well as grow the relationship between them and the corporations.”⁴⁰

Diverse Supplier Capacity

Even when the benefits of a supplier diversity program are recognized, actually trusting businesses owned by women and minorities to deliver their products or services as required can still be an obstacle. “In particular, many large organizations are concerned initially about whether these businesses have the capacity to provide a consistently efficient and effective service, sufficient availability of products, and products and services of suitable quality.”⁴¹

Again, certifying organizations can help by including capable businesses owned by women and minorities in their membership databases. Organizations can also set up mentorship programs to help these businesses develop, enabling them to more effectively compete for contracts. For example, WBE Canada organizes events and activities that bring corporations and local procurement professionals together. Mary Anderson describes the approach as “fit for purpose,” since suppliers learn how they fit within the supply chain.

40 Astrid Pregel (Executive Director, WEConnect International in Canada), telephone interview by Nadine Hakim and Louise Chénier, June 7, 2016.

41 CREME, *Supplier Diversity—A Guide for Purchasing Organisations*, 22.

How to Increase Supplier Diversity in Canada

When implementing a supplier diversity program, organizations can take the following measures to ensure success.⁴² First, the organization should ensure that supplier diversity is integrated into the organization's objectives and that the initiatives have senior leadership support. To do so, it should identify executive champions who can push the agenda forward within the organization. To develop a supportive culture, the organization should ensure all affected employees are aware of, and understand, the objectives and potential impact of the program. Second, procurement officers should build strong relationships with diverse suppliers. This can be challenging. Strategies to encourage these connections, and to attract and recruit diverse suppliers, are discussed in more detail below.

Through interviews with the key informants and a literature review, we identified many proven strategies and leading practices that can help corporations mitigate the barriers and challenges that prevent them from connecting with diverse suppliers. These strategies and practices include:^{43,44,45}

- certifying and pre-screening diverse suppliers;
- leveraging technologies, events, and networks that match organizations and diverse suppliers;
- participating in business women's trade missions and business development conferences that support supplier diversity (e.g., organized by WEConnect International in Canada, WBE Canada, and CAMSC);
- setting up supplier development programs;
- showcasing international supplier diversity programs and their potential impact on a company's bottom line;

42 University of Washington, Prosperity Partnership, *Supplier Diversity Toolkit Draft 4*, 9–15.

43 International Trade Centre (ITC), *Empowering Women Through Public Procurement*, 7–14, 23–60.

44 Vazquez and Sherman, *Buying for Impact*, 43–50.

45 CAMSC, *Supplier Diversity Playbook*, 17–20.

It is difficult to confirm whether a supplier that identifies as diverse fits the definition of a diverse supplier.

- expanding the focus of supplier diversity initiatives from tier one to tier two suppliers (see Exhibit 1.);
- creating a baseline, setting achievable targets and timelines, determining qualitative and quantitative success metrics, and tracking the success of the supplier diversity program.^{46,47}

The Certification and Pre-Screening of Diverse Suppliers

As our interviews revealed, it is often very difficult to identify and source appropriate qualified suppliers, especially in some key industries such as food services. It is also difficult to confirm whether a supplier that identifies as diverse actually fits the definition of a diverse supplier. However, certifying organizations can identify and accredit diverse suppliers. Much needs to be done to increase awareness of these certifying bodies among corporations.

There are a limited number of corporations with a supplier diversity program seeking diverse suppliers, even though there are currently approximately 3,000 accredited diverse suppliers in Canada. Until more large corporations implement supplier diversity programs, some diverse suppliers may not believe that accreditation—a time-consuming process they must pay for each year—will lead to a significant financial benefit for their small business. One of the businesswomen’s associations that facilitates accreditation, the Réseau des Femmes d’affaires du Québec, goes the extra mile to bridge this gap. It will identify a qualified supplier from its database of certified and non-certified women entrepreneurs. Then it plays matchmaker by introducing the supplier to a corporation. If a contract is imminent, the association will then undertake the process

46 University of Washington, Prosperity Partnership, *Supplier Diversity Toolkit Draft 4*, 7–8.

47 CAMSC, *Supplier Diversity Playbook*, 22.

to get the supplier accredited.⁴⁸ By working together, diverse suppliers, corporations, and certifying organizations can help enhance supplier diversity in Canada.

Technologies, Events, and Networks to Match Corporations and Diverse Suppliers

Beyond accrediting these diverse suppliers, certifying organizations may provide other services that help connect corporations and diverse suppliers. For example, they support conferences, networking events, and fairs that enable corporations to identify potential qualified suppliers. Federal programs and initiatives may also play a role. The Government of Canada's Business Women in International Trade program helps diverse Canadian suppliers by leading trade missions to business development conferences in the United States so business women can take advantage of supplier diversity opportunities.

Some corporations, such as TD Bank Group, also host their own networking events for diverse suppliers.⁴⁹ These events enable diverse suppliers to learn about the bank's requirements and find out how they can become suppliers to the bank and other large corporations. They also help TD Bank Group build ties with community members. This helps raise the organization's profile in the community as an inclusive business.

Supplier Development Programs

In some cases, diverse suppliers do not understand the process required to find, bid on, and win contracts, which can make it difficult to gain a foothold in a large corporation's supply chain. Certifying organizations provide business training to diverse suppliers on a variety of topics, such as responding to an RFP or making a pitch. Other corporations, such as TD Bank Group, participate in conferences, fairs, business forums,

48 Ruth Vachon (Présidente-directrice générale, Réseau des Femmes d'affaires du Québec), telephone interview by Nadine Hakim and Louise Chénier, June 7, 2016.

49 Seymour, interview.

Corporations can be more proactive in providing information to potential suppliers.

roundtables, matchmaking sessions, and other events to connect with diverse suppliers. Through opportunities such as mentorship programs and webinars, diverse suppliers can learn from subject matter experts and grow their businesses. Corporations can also be more proactive in providing information to potential suppliers. For example, when issuing an RFP, they can provide links to more detailed explanations of their bidding process and requirements.

Diverse suppliers need to understand their place in the corporation's supply chain. They must do their homework before reaching out to a large corporation. Where do they fit into the prospective customer's supply chain? How can they bring value to the corporation? For example, small, local, diverse suppliers that are unable to distribute their products nationally will not win a contract from a national corporation since they are, as yet, unable to provide products or services directly to a large company in the way a tier one supplier would. (See Exhibit 1.) However, by offering their services or products to a tier one supplier, thereby becoming a tier two supplier, they can meet the needs of the corporation indirectly.

Some organizations with supplier diversity programs also provide training or mentoring to diverse suppliers that bid on their contracts to help them succeed. For example, employees at Sodexo Canada will follow up with a diverse supplier that does not meet the necessary requirements to win a bid. They will discuss why the bid was unsuccessful and may even help the supplier address the issues. In some cases, the supplier may be able to resubmit the bid. If the supplier is not able to provide services on a national scope, Sodexo may introduce the diverse supplier to a tier one supplier to see whether it could become a local supplier for that organization.⁵⁰

50 Manishankar, interview.

Expanding the Focus of Supplier Diversity Initiatives

Even with the assistance of certifying organizations, it may be very difficult, if not impossible, to identify accredited diverse suppliers for a particular industry. In this situation—and for all corporations interested in implementing a supplier diversity program—it may be effective to track the diversity of tier two and other sub-tier suppliers.

This practice is common in the United States but is in its infancy in Canada. By tracking their direct suppliers' diverse supply chain, a corporation can reflect the contributions in their total procurement spending. These organizations are effectively encouraging diverse businesses by giving their direct suppliers an incentive to focus on supplier diversity.

Corporations can make this a requirement of doing business with them. Sodexo is a great example—it measures the success of its supplier diversity program using an internal scorecard. It also tracks the diversity of tier two vendors within its supply chain. As vendors become more and more diverse, the corporation becomes more valuable in the eyes of its clients. Sodexo's Shiva Manishankar says, "Giving back to the client is giving back to the community. It's part of our DNA."⁵¹

Tracking Supplier Diversity Program Success

Ultimately, if an organizational program or practice is not measured, it cannot be improved and there may be no incentive to adopt the program in the first place. In addition, if the economic environment or leadership situation changes, the budget and resources allocated to the practice may be cut unless its positive impact on the organization can be proven. Yet, according to the CCDI study cited earlier, very few organizations track the success of their supplier diversity initiatives.⁵²

51 Ibid.

52 CCDI, *Supplier Diversity in Canada*, 14.

Tools Firms Can Use to Assess Their Programs

Several tools are available to help employers measure and evaluate the impact of their supplier diversity programs. Appendix C of this briefing provides two of those tools: the *Organizational Analysis: Self-Assessment Guide*⁵³ created by the Foster School of Business at the University of Washington, and a *Sample Supplier Diversity Reporting Scorecard*⁵⁴ created by the Canadian Aboriginal and Minority Supplier Council. The self-assessment tool can help corporations determine the maturity of their supplier diversity program or strategy. The reporting scorecard can be used to inform senior management about the progress of supplier diversity initiatives.

Conclusion

Some Canadian organizations have realized that supplier diversity provides substantial benefits. These include increased customer satisfaction and profits; greater employee satisfaction and retention; more robust supply chains, which limit risks to the organization; and new markets for their products. However, few public sector organizations in Canada appear to have realized these benefits. They are much less likely to have implemented a supplier diversity program than private sector organizations. This is a missed opportunity for both the public sector and the Canadian economy.

Municipal, provincial, and federal governments can contribute to supplier diversity both regionally and nationally. As the City of Toronto has demonstrated, supporting diverse businesses can have a considerable impact on a city's economy. It stands to reason that regional and national economies would further benefit from greater commitment to these programs at the provincial and federal levels. Supplier diversity is not

53 University of Washington, Prosperity Partnership, *Supplier Diversity Toolkit Draft 4*, 7–8.

54 CAMSC, *Supplier Diversity Playbook*, 22.

The intent of supplier diversity is to ensure that diverse businesses are on a level playing field with other established suppliers.

a guarantee of business. It is a win-win market access opportunity for both corporations and diverse suppliers, which ultimately helps drive the economy.

Finally, procurement practices must be aligned with an organization's overall priorities and objectives. Companies should always choose the most qualified suppliers to ensure the sustainability of the business. The intent of supplier diversity is to ensure that diverse businesses are considered valid respondents during the bidding process, and that they are on a level playing field with other established suppliers.

Best Practices

Our research and stakeholder interviews have uncovered several best practices that organizations can use to help advance supplier diversity, such as:

- incorporating supplier diversity criteria on requests for proposals released to suppliers;
 - training internal staff about supplier diversity;
 - certifying supplier diversity via a third-party organization;
 - focusing on both tier one and tier two suppliers;
 - measuring supplier diversity performance;
 - integrating supplier diversity into social responsibility efforts;
 - mentoring and developing diverse suppliers.
-

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APPENDIX A

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APPENDIX B

Key Informants

- Mary Anderson, President, Women Business Enterprises Canada Council (WBE Canada);
- Denise Andrea Campbell, Director, Social Policy Analysis and Research, City of Toronto;
- Cassandra Dorrington, President, Canadian Aboriginal and Minority Supplier Council;
- Catherine Elliott, Assistant Professor, Organizational Behaviour and Human Resources, University of Ottawa;
- Kenneth J. Fredeen, General Counsel, Deloitte Canada, and Chair, Legal Leaders for Diversity;
- Paul D. Larson, CN Professor of Supply Chain Management, University of Manitoba;
- Shiva Manishankar, Senior Manager, Value, Supply Management and Ontrak, Sodexo Canada;
- Josie L. Mousseau, Deputy Director, Business Women in International Trade;
- Barbara Orser, Vice-Dean (Career Development), Deloitte Professor in the Management of Growth Enterprises, University of Ottawa;
- Astrid Pregel, Executive Director, WEConnect International in Canada;
- Marcia Seymour, Senior Manager, Procurement Corporate Responsibility, TD Bank Group;
- Ruth Vachon, Présidente-directrice générale, Réseau des Femmes d'affaires du Québec.

APPENDIX C

Supplier Diversity Program Assessment Tools

Organizational Analysis: Self-Assessment Guide

Before changing your supplier diversity program or strategy, conduct the following self-assessment to identify areas of strength and opportunities for enhancing your company. A score of “1” indicates the statement is not true, while a score of “5” indicates it is very true. The score you receive can then be used as a benchmark to guide further changes to your initiatives.

Table 1
Self-Assessment

Statements	1	2	3	4	5
Our customer base is fairly diverse					
Our supplier diversity initiatives have been organizationally communicated throughout the company					
There is C-level support for supplier diversity in both action and words					
We have a formally written supplier diversity strategy					
Our supplier diversity strategy, programs, and policies are publicly accessible through printed materials and on our website					
We have set meaningful and measurable supplier diversity goals for our organization					
Our organization is extremely accepting of personal diversity in the workplace					

(continued ...)

Table 1 cont'd

Self-Assessment

Statements	1	2	3	4	5
We are actively involved with minority-owned business trade organizations					
We have developed a process for sharing diverse supplier candidate information across departments/divisions					
We have a reporting and review method in place for feedback and improvements regarding our supplier diversity strategy					
There is personal accountability for all of our managers in helping us meet our supplier diversity goals					
We report regularly to our C-level executives and/or board of directors on our supplier diversity metrics and progress					
We have a formal mentorship and/or development program in place for minority-owned businesses					
We have an education program in place to share our company's supplier diversity policies and goals with our prime vendors					

Source: University of Washington, Prosperity Partnership, *Supplier Diversity Toolkit*.

Overall Scoring

There are 70 total points available. You can interpret your score using the following scale:

Great: Score of 47 to 70

Some additional steps may be required but, overall, your company has a well-developed supplier diversity strategy, has reached some key milestones, and is ready to move to the next level.

Good: Score of 26 to 46

Your company has taken some initial positive steps to develop its supplier diversity strategy, but there is significant work still to be done in many areas.

Needs Improvement: Score less than 26

There are many holes in the strategy and it might make sense to go back to the first stages of development.¹

1 University of Washington, Prosperity Partnership, *Supplier Diversity Toolkit Draft 4*, 7–8

Sample Supplier Diversity Reporting Scorecard

Global Supplier Diversity Dashboard

Table 2

Sample Supplier Diversity Reporting Scorecard

Financials	Year-to-date (YTD)	% Target	% Actual	Status
Small business				G
Woman-owned small business				G
Minority-owned small business				G
First Nations, Inuit, or Métis small business				G
HUBZone small business				G
Veteran-owned small business				Y
Service-disabled, veteran-owned small business				R
Ability One (persons with disabilities)—emerging category				R
Total				G
Business unit 1				G
Business unit 2				G
Business unit 3				G
Business unit 4				G
OPEX performance to aspire to				G
Number of diverse enterprises: tier two				G
Number of suppliers reporting: tier two				N/A

Note: **G** Will meet or exceed objectives **Y** At risk of not meeting objectives **R** Will not meet objectives

Source: CAMSC, *Supplier Diversity Playbook*, 22.



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