

Building a Supplier Diversity Program

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Companies look to utilize diverse-owned suppliers for a variety of reasons ranging from regulatory requirements to constituency expectations to deep-seeded corporate philosophies.

As a provider of supply chain management services to the hospitality industry, Avendra has developed an approach to building relationships between customers and diverse-owned businesses that seems to work for all parties. In order to set up, maintain and monitor a successful supplier diversity program, we believe there are three vital steps:

1. Identify success metrics - Clearly outline the business benefits and quantify the ultimate goals,
2. Outreach & qualification - Set up an outreach system that both identifies and qualifies appropriate diversity suppliers for the given business goals,
3. Measure & enhance - Keep track of the successes and the challenges, and look to constantly evolve your program to meet your unique goals.

Identifying Success

Start by really thinking about what your organization is looking to get out of a diverse supplier program. Many companies start with the foundational belief that using minority suppliers is good for business, then move to a more tactical view of how to make that vision a reality. What specific targets and metrics will allow you to meet your business objectives? What are the interim steps and milestones that are critical to helping you meet those goals? Keep those target metrics and milestones at the forefront of everything you do, and “check in” against them on a periodic basis.

A good example of an organization that has built a successful diversity program is Marriott International. Marriott has long recognized the importance of diversity in their supplier community. Marriott set a goal to spend 15 percent with diverse suppliers by 2009. By focusing on this goal they have been able to made headway in meeting their diversity objectives. According to Mike Tobolski, Senior Director, Supplier Relations, Marriott International, ““We are definitely on track with our diversity goals. Last year, we spent 13.6 percent or \$478 million with diverse-owned suppliers.”

Outreach & Qualification

It is true – sometimes finding an appropriate and qualified diverse-owned business can be a bit challenging. Oftentimes these businesses are smaller, and initially may be unable to meet typical qualifications or requirements. In order to uncover appropriate partners, consider a multi-tiered approach:

- Make it a focus of someone’s job –Consider having a “point-person” for your own diversity efforts. At Avendra, we have an executive that has supplier diversity as a goal.

She focuses on with working with our customers to understand their goals, and ensuring that we include and engage appropriate diverse-owned suppliers in our contracting initiatives.

- Make it a part of everyone's job – Make sure to communicate the core goals of your diversity program and get everyone involved in the process. In many organizations, the message can get lost, and the supporting processes are difficult to implement. Look within your own organization for areas where you can engage employees in the process them make sure they understand the overarching goals, and are able to execute the mission in an appropriate fashion.
- Get involved – Consider attending various national and regional diversity meetings and a wide variety of commodity trade shows to identify qualified companies. Your organization may want to investigate organizations that promote supplier diversity. Some great resources for better understanding the world of diverse-owned businesses include:
 - The National Minority Supplier Development Council, Inc., <http://www.nmsdcus.org/>
 - Women's Business Enterprise National Council, <http://www.wbenc.org/Default.aspx?AspxAutoDetectCookieSupport=1>
 - US Pan Asian Minority Council, <http://www.uspaacc.com/index.asp>
 - National Gay and Lesbian Chamber of Commerce, <http://www.nglcc.org>
- Make sure you proactively seek out diverse suppliers as part of the routine vendor selection process – As you meet with suppliers to evaluate either the renewal of a contract or a new contract, take the time to determine if there are potential diverse-owned companies that could be appropriate partners.

Once you've found these companies, you need a realistic, fair and efficient way of figuring out if they can serve your business. First, make sure every potential supplier goes through the same steps to be considered. Some things that are important to consider in this evaluation phase include:

- Financial stability & service – A potential vendor must prove financial viability and provide evidence of their excellent service history or reputation in the industry.
- Industry specific products & services –Suppliers need to be able to adapt their product or service to the unique needs of the hospitality industry. For example, can the local farmer provide the consistency in fruits and vegetables (quality, size, and appearance) to meet a hotel's criteria for large catered banquets?
- Quality and safety standards – Some things are non-negotiable, and in the hospitality business quality and safety standards are paramount. Look for the highest quality and safety-related standards from all suppliers.

Also realize that some smaller and diverse-owned suppliers may not have experience in dealing with your organization, which might have significant scale and stringent requirements. Take the time to educate suppliers on the importance of these expectations, and mentor them on the processes and desired outcomes. Your organization needs to be committed to mentoring and guiding these smaller businesses towards meeting your goals. It definitely requires patience with the process and a commitment of additional effort and resources above and beyond what you might normally allocate to a larger, more experienced business.

A partnership with a diverse-owned supplier can make a really significant difference to broader business success of the company. Joan Daleo, owner of Ole Tyme Produce in St. Louis, MO, attributes much of her company's 109 percent growth in the last five years to being chosen as a diverse supplier. "They sought us out," said Daleo. "We were a very high quality, independent

produce company, but we didn't have any hotel customers. Instantly, the relationship made our company better. We elevated our quality assurance standards, started monitoring and tracking Avendra customer's spend with us, and learned to be ready for surprise food safety inspections. These checks and balances made us better."

As you examine your own corporate needs, consider the avenues for finding appropriate suppliers, and make sure you put in place some baseline filters to help identify and surface potential partners.

Measure & Enhance

Once you have identified suppliers that fit the bill take the time to measure how the relationship is going for both parties. As a buyer, are you getting the products and services you require? Is the quality, service and support in-line with what you expect? If not, how can you quickly rectify the situation? From the supplier's perspective, are they benefiting from the partnership as well? Have they increased their business with you? Also, has their business changed or expanded in other ways as a result of your partnership?

Quick Recap

As with any strategic project, spending the time early in the process to clearly articulate the intended business benefits and outline the success metrics (both long range goals and key milestones) will help situate your company on a successful "supplier diversity" path. Implementing broad outreach strategies and defining clear supplier qualifications will ensure you find the most appropriate diverse-owned business partners. Finally, don't forget to look backward as well as forward – how are you tracking towards your overarching goals? What can you do to evolve your program to make it more beneficial for your business, and for your supplier partners? Yes, the process will require additional effort and potentially some change management, but ultimately will be beneficial for both your business and the supplier's business.

Dennis M. Baker is the president and chief executive officer of Avendra, LLC, the leading independent, business-to-business procurement company serving the hospitality industry. Prior to joining Avendra, Mr. Baker was the executive vice president and general manager of The Marketplace by Marriott, a division of Marriott International responsible for developing and implementing an innovative, new strategy for consolidating and streamlining the company's procurement activities. There, Mr. Baker was responsible for the division's overall operations, including strategic direction and business planning. Mr. Baker began his career at Marriott International in 1987. He joined Marriott Distribution Services in 1991 as their business began its push towards penetrating the external chain restaurant food distribution market. This division also housed Marriott's centralized food procurement functions. Mr. Baker can be contacted at 301-825-0500 or Dennis.Baker@avendra.com.