



Supplier diversity pays:

Why supplier diversity
means good business

STAPLES® Advantage



Diversity

noun

The fact of many different types of things or people being included in something; a range of different things or people.

(Source: Cambridge English Dictionary)

Introduction

Ask any CEO and they will say proudly that they are creating a diverse organisation. They might point to their inclusion of diverse people in the workforce and their support of local communities. Indeed, three in five Fortune 500 companies now employ diversity officers, with Chief Diversity Officers (CDOs) becoming a common appointment in larger organisations¹.

But there remains a critical area that every organisation needs to focus on: their supply chain.

Over the last few years, supplier diversity has gained traction to become one of the biggest trends in enterprise procurement. Organisations like PwC, Deloitte, NAB and Staples have all made supplier diversity a top priority over the past couple of years. Procter & Gamble has spent \$US 2 billion for the past six years on diversifying its supply chain while Microsoft spent more than \$US2 billion in 2014 alone on diversifying its global supply chain².

Today's organisations need to learn to think differently about their supply chain, procurement, Corporate Social Responsibility (CSR) – and how the three are intricately interwoven. Those who do may have an opportunity to change the world in ways their predecessors never imagined. Those who don't will be left behind.

So why is supplier diversity important? What are the business benefits? And what steps can you take to make it a reality?

These are all questions you will find answers to in this smart paper.



Supplier diversity defined

Simply understood, supplier diversity is about your supply chain and the suppliers that constitute this chain. To achieve supplier diversity, organisations must be accepting of and open to changing their supply chain to make it more inclusive.

An inclusive supply chain would comprise a range of diverse suppliers, which can include:

- Indigenous-owned businesses
- Women-owned businesses
- Australian Disability Enterprises (ADE)
- Social Enterprises

Why these suppliers? That's simple – these businesses are typically disadvantaged for being different, and discriminated against because of these differences. By supporting these organisations, there is a valuable opportunity to promote the growth of local communities, strengthen the economy, and provide more opportunities for individuals and businesses to grow and prosper.



Staples acknowledges the traditional owners of country throughout Australia and their continuing connection to land, sea and community.

We pay our respects to them and to their Elders both past and present.



Why supplier diversity is important to your business

Why should Australian businesses care about supplier diversity?
There are two key reasons:

- 1. Social** – the impact of your business on society
- 2. Economic** – the income your business can generate for itself and others

Supplier diversity now forms an integral part of CSR which is increasingly important to the overall competitiveness of enterprises.

At the same time, with the Australian economy constantly evolving, supporting minority businesses is a key way to future-proof your business while investing in the local communities.

But the need for supplier diversity goes deeper than simply ticking boxes for CSR or profitability. Australian enterprises have a responsibility to give disadvantaged businesses the opportunity to be a part of the economic fabric of a nation.

In other words: **it's the right thing to do.**

Addressing social issues through supplier diversity presents opportunities for your business to demonstrate core competencies while showing everyone how innovative you are and how you support Australian communities. So, you not only boost your reputation but also shine a spotlight on what your company does best.

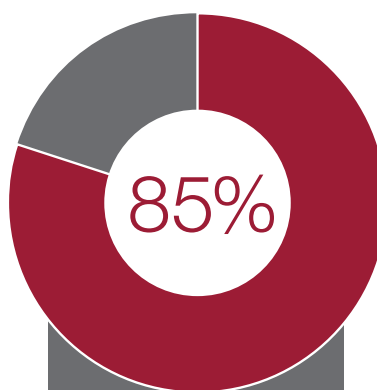
The bottom line is if you're going to continue to attract talent and investment, and inspire consumers with your unswerving commitment to building a better Australia, CSR and supplier diversity will increasingly need a place at the heart of your business, not as an afterthought.



Why supplier diversity pays

With any new initiative, the decision always comes back to the bottom line. The reality is that without hard dollar benefits, a strategy to diversify your supplier list will never get off the ground. Which is why you need to answer the fundamental question: what is the ROI of supplier diversity?

The good news is that focusing on supplier diversity can actually mean your business is more profitable. And there are statistics to prove it: According to a study commissioned by Cargill, Inc., organisations that embrace supplier diversity can generate 133% greater return on procurement investments than those that don't. In addition, those with more diverse supply chains spend, on average, 20% less on their buying operations than those with less diverse supply chains³.



of CEOs, where their organisations have a diversity and inclusiveness strategy, say it has

enhanced performance⁴

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How does supplier diversity lead to increased profits?

Innovation:

With diversity comes innovation, which in turn drives economic growth. Rather than relying on one-dimensional insights from less-diverse supply chains, working with a variety of suppliers opens the door to fresh, innovative insights so you can take things further. There is plenty of demand for fresh approaches, and minority businesses typically have what it takes to think differently and be disruptive. You also gain greater access to different specialised skills. Together, this leads to greater idea creation.

Business development:

Working with more diverse suppliers provides a deeper understanding of customers that you might not have insights into, such as those from minority backgrounds. This enables you to better able to identify and take advantage of new markets and opportunities for business expansion.

Connect with customers:

Your customer base is made up of many different types of people, so by working closely with diverse suppliers, your

organisation is more likely to be a reflection of the customers it serves. You can better connect with your customer base, and in turn provide customers with quality products and services from suppliers that reflect your employees, communities and customer base. This also enables more targeted marketing messages and an overall enhanced customer experience.

Robust supply chain:

Opening your supply chain to more diverse suppliers promotes interchain competition, which can lead to better prices and value for your business and its end-users. At the same time, a successful supplier diversity program nurtures strong supplier relationships.

Builds reputation as responsible organisation:

By actively doing business in diverse markets, you are displaying the organisation's interest in and commitment to the economic growth of all communities. This is something today's consumers put significant value upon. As a result, you will garner loyalty both from consumers and employees.



Indigenous businesses are about **100 times more likely** to employ Indigenous workers than other businesses⁸.



A tool for social good:

Supplier diversity isn't only beneficial to your business and customers; it offers significant advantages for the community as a whole – this is what's known as the Social Return On Investment (SROI). Firstly, supplier diversity programs actively encourage the growth of diverse businesses, which typically encounter hurdles that challenge the sustainability of their businesses.

“Companies should think of every dollar they spend in their supply chain as a ‘potential’ tool for social good.”

Marius Kloppers,
former CEO of BHP Billiton⁵

The growth of a minority supplier naturally filters into the community to boost growth in particular areas of disadvantage. This is especially true of Indigenous-owned businesses, as Supply Nation shows in “The Sleeping

Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers.” To meet demand for their products and sustain their growth, the Indigenous-owned supplier will need to hire more employees, which, in turn, creates jobs in the community and builds the local economy. Successful Indigenous-owned suppliers also become a role model in the community, so younger generations are inspired to start businesses too⁶.

While it's difficult to quantify the SROI, there is clear evidence of the important role Indigenous businesses, and partnerships between Indigenous and non-Indigenous businesses can play in improving the lives of Indigenous people. Recent research has found that Indigenous businesses are about 100 times more likely to employ Indigenous workers than other businesses⁷. So imagine the number of Indigenous communities that will benefit if every Australian organisation embraces supplier diversity.

The bottom line:

When it comes to supplier diversity, everybody wins. Your business broadens its access to the best suppliers around, quality suppliers get new opportunities to grow their business, end-users are given a better customer experience, and the local communities gain new employment and economic opportunities.

Getting behind supplier diversity

While the advantages of supplier diversity are clear, the reality can be more challenging. Supplier diversity is not an island; it works amongst and with many other programs, both within your organisation and in the wider business world. In some cases, supplier diversity cannot successfully thrive or even exist unless certain programs and initiatives are in place.

Programs that support supplier diversity include:

Reconciliation Action Plans

The idea behind a Reconciliation Action Plan (RAP) is simple yet incredibly powerful: it outlines the steps an organisation will take to help build strong relationships and respect between non-Indigenous people and Aboriginal and Torres Strait Islander Australians. It lays the road for tangible social change. In fact, a recent report shows that RAPs are helping to close the gap in employment between Indigenous and non-Indigenous Australians.

A RAP helps to create a more dynamic and diverse workplace, which is more understanding and therefore more tolerant of different cultures – which can only be a good thing for supplier diversity.

A RAP may also lay out goals about supplier diversity. For example, the Staples 2015-2017 Reconciliation Action Plan outlines how Staples will better understand and support all the communities it works in and to also help address the social and economic barriers faced by Aboriginal and Torres Strait Islander peoples. Supplier diversity is a vital part of the solution.

Mentoring programs

Mentoring programs can be a key part of a supplier diversity program, equipping diverse suppliers with the knowledge and tools for success. For many organisations, they take the form of supporting businesses with bidding, risk management, leadership coaching and other business practices that will help them win contracts in their own right. For example, Staples guides Supply Nation Certified Suppliers through its Request For Proposal (RFP) process to increase their capability and understanding of corporate procurement processes and to give them the best chance of meeting its requirements.

In their RAP, Staples has committed to host an annual 'Meet the Buyer' event for Aboriginal and Torres Strait Islander organisations to help them understand Staples' procurement processes. In addition, Staples hosts 'Discovering Leadership' programs for Indigenous-owned businesses and not-for-profits with individual coaching to select participants.



30,000+ Indigenous Australians are now employed in organisations nationwide.



Supply Nation

Supply Nation is a not-for-profit organisation with the purpose of providing opportunities for small to medium-sized Indigenous-owned businesses to enter into commercial relationships with large corporate and government entities. Indigenous businesses certified with Supply Nation can showcase their goods and services to corporate members and may then enter directly into commercial contracts and tender for public contracts offered by Supply Nation members.

And it's working. Supply Nation reported \$4.04m in contracts awarded to Indigenous business in FY2009-10 – a figure that had soared to \$65.98m by 2014–2015.

Importantly, Supply Nation is breaking down misconceptions that Indigenous businesses are just about culture, art, and tourism. As Chairperson Leah Armstrong told The Guardian, "We educate procurement officers to broaden their minds. If they need high-vis workwear, security services or everyday purchases like paper and pens, we have businesses that can supply it. Indigenous businesses are not homogenous or always about culture and community."¹⁰

As a founding member of Supply Nation, Staples is committed to supporting the growth of Aboriginal and Torres Strait Islander businesses. One of the ways in which Staples is doing this is by increasing awareness of supplier diversity through its partnerships with these Supply Nation certified suppliers.

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"Supply Nation maintains its vision of a prosperous, vibrant and sustainable Indigenous business sector, and believes that a collaborative and united approach is the key to achieving real change." Supply Nation's Vision for the Indigenous business sector."

Supply Nation's Vision for the Indigenous business sector.

The Indigenous Procurement Policy and Australian business

It's not only enterprises that are putting the spotlight on supplier diversity; the Commonwealth Government is making big leaps towards a more diverse supply chain through its Indigenous procurement policy (IPP).

Established on 1 July 2015, the IPP sets out to harness the purchasing power of the Government to achieve real change for Indigenous Australians. And to ensure there is tangible change, the Government has set a target to award 3% of contracts to Indigenous businesses by 2020.

What the IPP sets out to do:

- Create opportunities for Indigenous businesses to grow
- Drive demand for goods and services produced by Indigenous businesses
- Boost employment
- Stimulate new investment into Indigenous businesses
- Create wealth and opportunity

This is also the first time the Australian Government has set a mandatory target for purchasing goods and services from Indigenous businesses. In other words, it is a big boost for supplier diversity.

The Commonwealth will award 3% of its domestic contracts to **Indigenous enterprises** each financial year, from 2019-20.

Just to put this into perspective, the Australian Government spends approximately \$50 billion a year on procurement activity.

What this means for Australian businesses

The implications for corporate Australia are huge. The IPP holds accountable agencies, such as the Department of Defence and Australian Tax Office (ATO), for their procurement decisions. This will have a flow-on effect to how Australian companies approach government tenders, as Government agencies will be asking: "What are you doing for Indigenous-owned businesses?"

At the same time, the Australian Government is leading by example, showing that including Indigenous businesses in your supply chain can bring various benefits. The IPP not only demonstrates the right purchasing behaviours to Australian enterprises; it is a powerful message to corporate Australia: if all businesses get behind the Australian Government's goal, markets will grow and the local economy will thrive.





How to start a Supplier Diversity Program

Starting a supplier diversity program may seem like a daunting task. How do you even start to sift through thousands of potential partners and work out which are minority owned?

The very concept of supplier diversity goes against the existing procurement mindset, which traditionally champions the consolidation and streamlining of the supplier base. Procurement professionals have been trained to look for ways to save money, and supplier diversity could initially be thought of as a cost to the business.

However, as this paper outlines, supplier diversity needs to be recognised as an investment and a worthy innovation in procurement. It comes down not to whether you can make it work in your organisation – but how you can make it happen sooner.



Here are some important steps to consider when starting a supplier diversity program:

Go straight to the top

The first step is to involve both senior leadership and procurement. Provide a business case with SMART goals to gain their buy-in. Educate them on the ROI of the program – use the “Why supplier diversity pays” section in this paper and make it relevant to your business, with examples of how similar enterprises have benefitted from an inclusive supply chain.

Involve the whole organisation

To manage a successful supplier diversity program, it is vital for the whole organisation to be engaged. The commitment to supplier diversity cannot lie in procurement alone; it must permeate throughout the organisation and its workforce. This is where your RAP plays a key role. If your organisation is already on the path to understanding and supporting all the communities it works in, supplier diversity naturally follows.

Establish a Tier 2 program

One of the first hurdles you might face is finding diverse suppliers who can provide sufficient scale and service for your supply chain. Many diverse suppliers may not yet have the capacity to service a major supply-chain contract alone – but they can contribute under a second tier agreement.

You don't need to do this alone. The very idea of supplier diversity is inclusion, so look to your large and strategic Tier 1 suppliers for assistance. Ask your contractors to report on who their diverse suppliers are and what they are spending with them. Within their Tier 1 contracts, establish goals for inclusion and spend with diverse suppliers.

Staples' Supplier Diversity Program

Staples connects customers with diverse suppliers through a business-to-business Supplier Diversity Program. This initiative aims to help our customers achieve their supplier diversity goals and enable the growth of diverse suppliers in our communities.

Suppliers can utilise our distribution infrastructure, while customers have access to products from diverse suppliers through our catalogues and websites. And to ensure they are meeting targets, customers can receive reporting on their Tier 2 diversity spend.

This makes it easy to run a vibrant and successful supplier diversity program while accessing a wider selection of quality products at competitive prices.



Case Study: Nallawilli Office Wares

Nallawilli Office Wares (NOW) is a 100% privately owned First Nation Stationery and Office Supplies business (Supply Nation Certified). NOW's 100% Recycled Copy Paper is also the only 100% Recycled (made from local waste), Australian made, and Indigenous owned copy paper on the market, and it is available exclusively from Staples.

Staples strongly believes that having strong supplier partnerships with businesses like NOW enriches its overall offering to customers.

Through the provision of NOW's 100% Recycled Copy Paper, Staples and NOW are providing customers with the opportunity to not only select eco-conscious products to help meet their sustainability targets but to choose a Supply Nation Certified Indigenous business' product that will help meet their social and supplier diversity procurement targets. This is especially prevalent within federal government with the introduction of the Indigenous Procurement Policy, which mandates that all federal departments must procure 3% of all their contracts from Indigenous businesses by 2020.



Supplier diversity makes good business sense

A diverse and inclusive supply chain is no longer a “nice to have”, it’s a social, business and economic imperative. Australian organisations need to take the necessary steps to reach continually for supplier diversity; you simply cannot afford not to.

The good news is that by engaging partners like Staples, who work with diverse suppliers, you can meet your targets. Staples is continuously working with and building strong partnerships with diverse suppliers, giving you access to a Single Source offering that achieves your goals.

It's also important to remember that supplier diversity is a long-term strategy. It might require some upfront investment in time and effort, but the organisation and its communities will reap the rewards for years to come.



1 Source: <http://www.diversityjournal.com/9357-the-next-generation-diversity-officer>

2 Source: <https://www.blurgroup.com/blogs/supplier-diversity/why-supplier-diversity-is-important-to-your-business/>

3 Source: EY, How can greater supplier diversity unclog your growth pipeline

4 Source: <http://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2015/key-findings/diversity.html>

5 Source: <http://www.smh.com.au/business/bhp-chief-calls-for-greater-social-good-20111025-1mi3i.html>

6 Source: Supply Nation, The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers,

7 Source: http://caepr.anu.edu.au/sites/default/files/Publications/WP/CAEPR_Working_Paper_95.pdf

8 Source: http://caepr.anu.edu.au/sites/default/files/Publications/WP/CAEPR_Working_Paper_95.pdf

9 Source: Supply Nation website

10 Source: https://www.supplynation.org.au/about_us/The_Guardian_Article

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