



# Supplier Diversity Is Getting More Attention in the C-Suite

**Company leaders are realizing that if they want to address racial injustice, then their diversity and inclusion initiatives need to go beyond who they hire to include who the company partners with as vendors.**

By Lisa Rabasca Roepe ● November 29, 2021

Just as companies have pledged to be more intentional about their hiring practices, many are also promising to be more deliberate about purchasing services and equipment from diverse suppliers.

Company leaders are realizing that if they want to address racial injustice, then their diversity and inclusion initiatives need to go beyond who they hire to include the vendors with which the company partners, says Shannon Schuyler, PwC chief purpose office. "In my 25 years with the firm, I never heard the leadership team discuss a summary of procurements," Schuyler said. "Now we talk about it all the time."

State Farm Insurance Co. has seen a similar evolution in its supplier diversity initiative. "It's gone from a small functional department goal to a goal for the entire company to achieve success," said Jan Youngman, assistant vice president of administrative services at State Farm. This grassroots initiative that began about 20 years ago now has C-suite and board support, he said. "We want our supplier base to be a reflection of our employees and customers."

A diverse supplier is a business that is at least 51 percent owned and operated by an individual or group that is part of a traditionally underrepresented or underserved community, according to the Federal Reserve Bank of Richmond ([https://www.richmondfed.org/about\\_us/doing\\_business\\_with\\_the\\_bank/supplier\\_diversity/what\\_is\\_a\\_diverse\\_supplier](https://www.richmondfed.org/about_us/doing_business_with_the_bank/supplier_diversity/what_is_a_diverse_supplier)). This includes companies owned by minorities, women, people with disabilities, veterans and members of the LGBTQ community.

## **Corporations are already spending more with diverse suppliers**

In fiscal year 2021, PwC increased its spending with diverse suppliers to 31 percent of reportable spend, a 9-percentage-point increase from the year prior, Schuyler said. The company has set a goal to increase that to 40 percent of its reportable spend by fiscal year 2026.

"This is about equity in the business community," Schuyler noted. "It's another way for companies to focus on equity and help society by doubling down on building up the economic viability of minority entrepreneurs and small businesses."

PwC isn't the only corporation setting goals to increase supplier diversity spending. Intel spent \$1.2 billion with diverse suppliers in 2020, an increase of 20 percent over 2019, said Meg Stowe, Intel's director of channel products and logistics and strategic sourcing. Intel has set a goal to spend \$2 billion annually by 2030 with diverse suppliers in the United States and

globally. To meet this goal, the Intel supply chain team set additional milestone targets to spend \$800 million annually with minority-owned suppliers globally by 2023, including \$250 million with U.S. Black-owned suppliers, Stowe said.

In 2020, McDonald's U.S. system spent approximately \$14 billion throughout its supply chain and 23 percent of that spend was with diverse suppliers, according to a McDonald's press release (<https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/ourstories.dei-diverse-supplier.html>). In July 2021, the company announced plans to increase its purchases with diverse suppliers by nearly 10 percent by 2025. With this planned increase, approximately a quarter of its U.S. spend—about \$3.5 billion—would be with diverse suppliers by 2025, the press release stated.

### **Partnerships help companies find diverse suppliers**

Finding diverse suppliers isn't always easy. "Typically PwC is looking for vendors who can serve the company across the country, but that requires a large vendor, and those typically aren't female- or minority-owned," Schuyler said.

PwC often works with larger vendors to find diverse suppliers they can support and help to grow, according to Schuyler, who noted that the company establishes strategic partnerships with minority-owned businesses to help them build capacity. For instance, during the pandemic, PwC asked several minority-owned suppliers what they needed to survive. Many asked for technological support to help them transition to a virtual workplace, and in response, PwC made some of its technology open to give these suppliers access to it. Many also asked for help training their employees for virtual work and with marketing, she Schuyler added, and PwC provided assistance.

Intel partners with nongovernmental organizations (NGOs) to find diverse suppliers and help them grow, Stowe said. The company works with NGOs to host workshops and seminars on how to develop skills such as working with large corporations, finance, marketing and negotiation.

Meanwhile State Farm works with other companies through CEO Action for Diversity & Inclusion (<https://www.ceoaction.com/>), a group co-founded by Tim Ryan, PwC's U.S. chair and senior partner. "We share names of vendors or maybe make introductions, and we participate in some matchmaking events where we have companies come in and pitch their product or service," Youngman said, noting that about 10 percent of State Farm's total spend is with diverse suppliers on IT services and equipment, vehicles, masks, and hand sanitizers.

### **Supplier diversity goes beyond operations support**

Companies need to think beyond hiring minority-owned suppliers for operational support such as janitorial services and administrative staffing. However, minority-owned businesses providing professional services such as finance, legal and IT are much harder to find, Schuyler said.

For that reason, PwC primarily focuses its diverse supplier spending on professional services. "We took steps internally to increase our investment in the growth and development of diverse businesses, including investing in 12 diverse suppliers," she said. "In addition, we paired our leaders with diverse businesses for a 12-month program focused on the supplier's objectives, as part of our mentoring and education program."

State Farm also offers support to help diverse suppliers grow. The company partners with the National Gay and Lesbian Chamber of Commerce to match business leaders with State Farm employees who have expertise in marketing and finance, Youngman said. "This has helped suppliers, but it also helped us in terms of how we can work better with smaller companies," he noted.

Procurement is no longer a job managed by two people, said Schuyler, who serves as CEO Action co-lead. "Procurement is reported to the CEO and the board like all other diversity stats." When a business unit is making a decision about bringing on a new vendor, she said, the unit needs to look at it from a diversity lens, similar to internal hiring.

"Having C-suite support is certainly beneficial," Youngman said. "They don't need to drive the work, but their support is essential."

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