



V&L Research and Consulting, Inc.

Corporate Office: 3340 Peachtree Rd NE, Suite 1800, Atlanta, Georgia 30326

Accounting Office: 1853 Kanawha Drive, Stone Mountain, GA 30087

Focus Facility: Focus Pointe Global 2970 Clairmont Rd. NE, Suite 500, Atlanta, GA 30329

404-218-7584 ♦ 1-866-800-1680 (Fax)

vlresearch@mindspring.com ♦ www.vlresearch.com

The Power of Supplier Diversity

By Dydra Virgil

There is power in having a team of diverse suppliers. Research shows that diversifying your team increases the variety of perspectives and approaches brought to a problem. Diversity fosters opportunities for knowledge sharing, which leads to greater quality and performance enhancements. Empirically, heterogeneous groups have been shown to outperform homogeneous groups, as the expression of alternative perspectives can lead to novel insights and solutions. This has been demonstrated for groups that are diverse on a variety of dimensions including expertise, gender and ethnicity. The underlying reasoning is that because greater diversity entails relationships among people with different sets of contacts, skills, information, and world-views, heterogeneous teams should enjoy enhanced outcome capacity. A natural conclusion is that teams that include diverse suppliers may offer different qualifications, backgrounds, and experiences to promote more effective problem solving. Diversity breeds a more creative and innovative workspace. A 2011 *Forbes* study¹ surveyed 321 large global enterprises with at least \$500 million in annual revenue and found 85 percent agreed or strongly agreed that diversity is crucial to fostering innovation in the workplace.

In examining the benefits of diversity, let's look at the performance of diversity in the workplace. Global studies show diverse teams are more effective: they produce better financial results and better results in innovation.² These findings show that having a diverse organization is a business imperative. Organizations that include a high percentage of women in senior positions show better financial results. Companies in the top quartile for women in the executive committee from 2007–2009 had 41% greater return on equity, and 56% greater earnings before interest and taxes than companies with no women in the executive committee, for companies within the same industrial sector. Financial results for companies with at least three women serving on the board of directors outperformed those whose boards have fewer: in 2007, return on equity was 16.7% for boards with three or more women, as opposed to an average 11.5%; return on sales was 16.8%, as opposed to an average 11.5%; return on invested capital was 10%, as opposed to an average 6.2%. Similar results have been found for race: organizations with greater racial diversity were associated with greater sales revenue, a larger number of customers, greater market share, and greater profits. In the same study, greater gender diversity was also found to be associated with better results in sales revenue, number of customers, and profitability. These studies are correlational: causation can be inferred, but not proven. Researchers have suggested that diversity may actually be one causal determinant of company performance due to the increased innovation that occurs when organizations are more diverse.

¹ Forbes Survey: Workplace Diversity Key To Innovation; huffingtonpost.ca/2011/07/29/workplace-diversity-innovation_n_913214.html

² [Home/Magazine Archive/November 2014 \(Vol. 57, No. 11\)/The Data on Diversity/](http://Home/Magazine%20Archive/November%202014%20(Vol.%2057,%20No.%2011)/The%20Data%20on%20Diversity/) The Data on Diversity
By Beryl Nelson Communications of the ACM, Vol. 57 No. 11, Pages 86-95;10.1145/2597886;
<http://cacm.acm.org/magazines/2014/11/179827-the-data-on-diversity/fulltext>.

To be profitable in a diverse globalized marketplace, savvy companies are extending their diversity practices not only to their workforce but also to their supplier mix. These corporations are making efforts to have their supplier mix reflect the communities they serve. In 2011 AT&T, named one of DiversityInc's Top 10 companies for Supplier Diversity, spent \$12 billion with diverse suppliers, surpassing its corporate goal to reach 21.5 percent of its total spend with certified diverse businesses. As of February 2015, AT&T's Earning Per Share is up 14 percent. The Coca-Cola Company, which made DiversityInc's Top 50 List, had U.S.-based spend of \$766 million with diverse businesses in 2011, an 18% increase over 2010 diverse spend. In 2013, Coca-Cola's net revenues grew 3% and comparable currency neutral net revenues grew 6%.

It is no surprise, then, that diverse suppliers may also help businesses increase market share. Partnerships with diverse business owners, in addition to other benefits, allow for more effective marketing to consumers from different racial and ethnic backgrounds, women, and consumers who are gay or transgender. Through diversity, companies gain the cultural competency needed to better understand and serve their customers around the world.

Successful businesses also recognize that they need to adapt to our changing nation to be competitive in the economic market. Business diversity is integral to a strong economy because our nation is becoming increasingly more diverse. Census data tell us that by 2050, there will be no racial or ethnic majority in our country. The steady growth in percentage of people of color in the United States is increasing; more women are entering the labor force; and LGBT individuals are making vital contributions to our economy. Between 2000 and 2050 new immigrants and their children will account for 83 percent of the growth in the working-age population. Changing population demographics have created a marketplace that is more and more heterogeneous. Our economy will grow and benefit from these changing demographics.

Further, our nation's entrepreneurs include a diverse set of people of color, women, and LGBT individuals. According to the Census Bureau, people of color own 22.1 percent of U.S. businesses. Moreover, women own 28.8 percent of U.S. businesses, and Latina-owned businesses in particular are the fastest-growing segment of the women-owned business market. According to the National Gay and Lesbian Chamber of Commerce, gay or transgender individuals own approximately 1.4 million (or approximately 5 percent) of U.S. businesses. The U.S. economy substantially grows as more women, racial and ethnic minorities, and LGBT businesses enter the marketplace. The diversity of our nation's business owners helps boost employment and grow our economy. Therefore, diversity in business ownership is key to moving our economy forward.

Businesses show commitment to meeting the needs of diverse communities by contracting with diverse suppliers. To that end, businesses that embrace diversity in their suppliers have a more solid footing in the marketplace than others. Successful businesses realize that they can draw upon our nation's diversity to strengthen their bottom line. In this way, diversity is a key ingredient to growing a strong and inclusive economy that's built to last.