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# INTRODUCTION

For years Corporate America has been making some serious strides in its effort to connect with the growing Hispanic population. Companies have already seen the benefits that tailoring their products to the specific consumer needs of the Latino community, not to mention the benefits that increasing its overall employee diversity, has had on their profits. However, recent findings suggest that supplier diversity remains an area where significant improvements could be made if Corporate America is to remain competitive in the changing economy.

Many companies are starting to recognize that much like overall employee diversity, supplier diversity is also a business necessity which allows large firms and small businesses alike to grow their consumer base, develop community relationships, and build their brands among potential new customers and partners. The Small Business Administration has estimated that minority-owned businesses have grown to comprise approximately 21.3 percent of all businesses in 2011, and, in response, firms have started to create supplier diversity programs as a way to build relationships with developing customer bases while becoming change agents in their communities.<sup>1,2</sup> Although some continue to face challenges turning these favorable circumstances into mutual business opportunities, the available evidence suggests that changing demographics are slowly changing the tide.<sup>3</sup>

The recent recession has negatively impacted nearly all economic sectors, with the notable exception of Hispanic-owned businesses which have grown over 43 percent since 2007.<sup>4</sup>

The growth in Hispanic-owned businesses (HOBs) during this period has created a wealth of opportunities for Corporate America to “do well” while “doing good.” Corporate Social Responsibility (CSR) research has shown that, by diversifying their suppliers and investing in HOBs, companies will reap both ethical and instrumental benefits.<sup>5,6</sup>

Today, Corporate America has a unique opportunity to make a significant difference in sustaining growth in Hispanic communities by providing business opportunities to underrepresented suppliers. According to data from the 2007 Survey of Business Owners (SBO) and data from the 2013 American Community Survey (ACS), HOBs are more likely to be based in communities where the Hispanic population is more impoverished and less likely to have access to the goods and services of large purchasing organizations<sup>7</sup>, making them prime markets for organizations looking to grow their consumer base.<sup>8,9,10</sup> In fact, it has been suggested that facilitating the success of HOBs is related to the success and economic development of the local and regional areas surrounding HOBs, resulting in a multiplier effect that Corporate America can directly benefit from.<sup>11</sup> Furthermore, successful Hispanic business owners are both more likely to earn over \$100,000 and contribute a portion of their profits to philanthropic causes than their non-Hispanic counterparts, further increasing opportunities for the creation of economic change and innovation.<sup>12</sup>

This report aims to determine if companies are leveraging the growing presence of Hispanic-owned businesses in the supplier market to their benefit. We begin by examining overall trends in procurement and then comparing those with the utilization of minority-owned businesses, with a specific focus on those that are Hispanic-owned. Best practices, challenges, and lessons learned will also be discussed in the hopes that other companies will be able to garner insights from those companies who have successfully diversified their supplier pool.

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<sup>1</sup> Small Business Administration (2014), “Small Business Profiles for the States and Territories.”

<sup>2</sup> Vickie, et al (2008), “Exceeding Government-Mandated Social Programs: Minority Supplier development Programs.”

<sup>3</sup> Adobor and McMullen (2007), “Supplier Diversity and Supply Chain Management: A Strategic Approach.”

<sup>4</sup> U.S. Hispanic Chamber of Commerce and Geoscape (2014), “Hispanic Businesses and Entrepreneurs Drive Growth in the New Economy 2<sup>nd</sup> Annual Report.”

<sup>5</sup> Corporate Social Responsibility has been defined as “the obligation of an organization to act in ways that serve the interest of its stakeholders” Schermerhorn, J. (2002), Management, John Wiley & Sons, New York, NY.

<sup>6</sup> Worthington, et al (May 2008), “Researching the Drivers of Socially Responsible Purchasing: A Cross-National Study of Supplier Diversity Initiatives.”

<sup>7</sup> Locations used were New York City, Los Angeles, Houston, San Antonio, El Paso Chicago, Miami Dade County, and Harris County. All cities and counties were listed on the Survey of Small Business owners as locations with the largest number of Hispanic-owned businesses in the U.S. Poverty rates for these locations were taken from the 2013 American Community Survey where the poverty rate for Hispanics was consistently more than double that of their non-Hispanic counterparts.

<sup>8</sup> Survey of Small Business Owners (2007).

<sup>9</sup> American Community Survey Public Use Micro Sample as augmented by HACR.

<sup>10</sup> Worthington, et al (May 2008), “Researching the Drivers of Socially Responsible Purchasing: A Cross-National Study of Supplier Diversity Initiatives.”

<sup>11</sup> IBID

<sup>12</sup> U.S. Hispanic Chamber of Commerce and Geoscape (2013), “Hispanic Businesses and Entrepreneurs Drive Growth in the New Economy 2013 Report.”













## WHY HISPANIC OWNED BUSINESSES?

A growing consensus among industry experts and researchers is that shifting demographics are quickly changing standard business practices. However, in order to keep pace with these changes, Corporate America must develop outreach strategies that will allow them to compete for resources and products in the fastest growing communities. According to some estimates, there are now 3.22 million Hispanic-owned businesses (HOBs) and counting, yet the average spend with Hispanic suppliers has not kept pace with this growth.<sup>13</sup>

Our suggestion that Corporate America should develop programs aimed at increasing the representation of underrepresented groups among its suppliers is rooted in the premise that in most cases it is simply good business to do so based on governmental, private sector, and academic data.

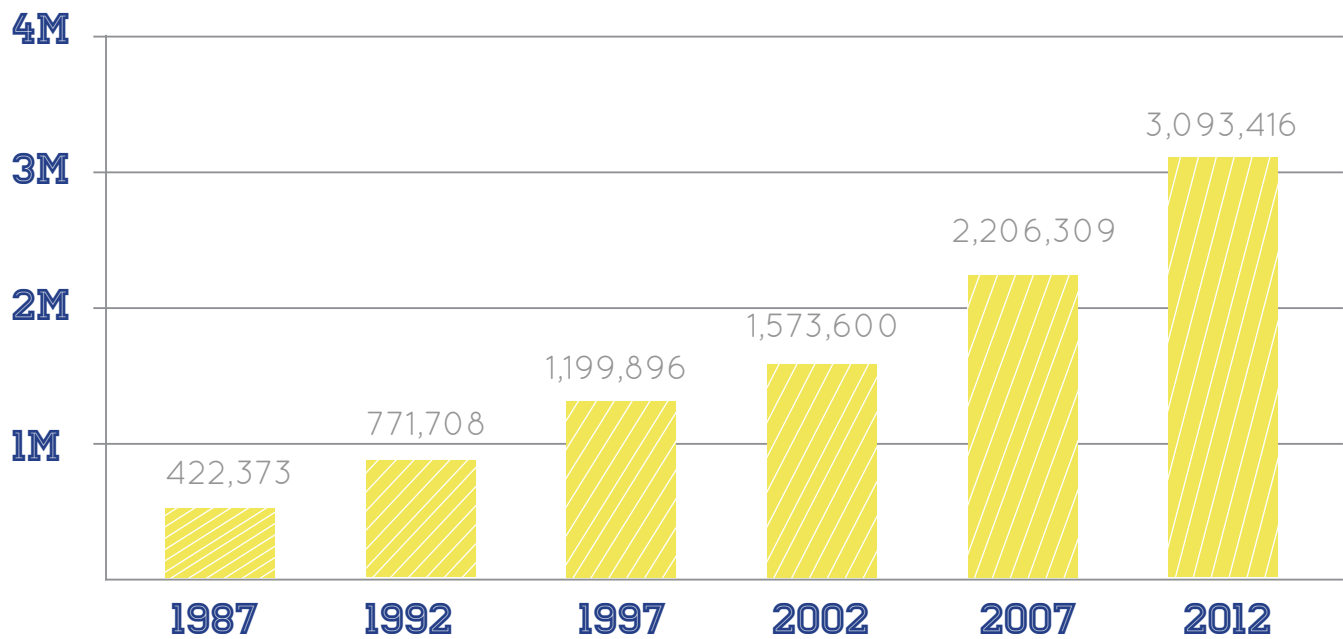
The dramatic increase in HOBs and entrepreneurs from a low of 577,000 in 1990 to over 3 million in 2014 has created opportunities for corporations to partner with more HOBs than ever before.<sup>14</sup>



Their continued growth is a sure sign of Corporate America’s need to continue developing and working with HOBs to get ahead of evolving competitive trends.

As recently as 2012, the rate of Hispanic-American entrepreneurship was more than one whole percentage point higher than would be expected based on factors like population growth, language proficiency, and family structure.<sup>15</sup> Following these trends, it is clear that recognizing and integrating supplier diversity from such a primed and diversified group of entrepreneurs and businesses could be a source of competitive advantage, but it necessitates top management commitment, a supportive culture, and the availability of champions.<sup>16</sup>

# U.S. CENSUS PROJECTIONS OF HISPANIC-OWNED BUSINESS GROWTH

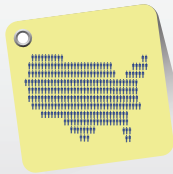


<sup>13</sup> Maria Contreras-Sweet (2014), "Hispanic Businesses are at the Forefront of Small Business Growth."  
<sup>14</sup> Dávila, Mora & Zeitlin (2014), "Better Business: How Hispanic Entrepreneurs are Beating Expectations and Bolstering the U.S. Economy."  
<sup>15</sup> IBID  
<sup>16</sup> Adobor & McMullen (2007), "Supplier Diversity and Supply Chain Management: A Strategic Approach."  
<sup>17</sup> www.census.gov – 2013 Population Estimates.  
<sup>18</sup> Dávila, Mora & Zeitlin (2014), "Better Business: How Hispanic Entrepreneurs are Beating Expectations and Bolstering the U.S. Economy."  
<sup>19</sup> www.census.gov – Survey of Business Owners: Hispanic-Owned Businesses: 2007.  
<sup>20</sup> Dávila, Mora & Zeitlin (2014), "Better Business: How Hispanic Entrepreneurs are Beating Expectations and Bolstering the U.S. Economy."  
<sup>21</sup> U.S. Hispanic Chamber of Commerce and Geoscape (2014), "Hispanic Businesses and Entrepreneurs Drive Growth in the New Economy" 2<sup>nd</sup> Annual Report."

# HISPANIC BUSINESS & ENTREPRENEURS

BY THE

# NUMBERS



> The Hispanic population in the United States as of July 1, 2013 is **54 million**, 17 percent of the nation's total population.<sup>17</sup>



> Hispanic-owned businesses have more than tripled, **growing 249 percent** from 1990 to 2012.<sup>18</sup>



> Hispanic-owned businesses have **generated \$345.2 billion** in sales in 2007, up to 55 percent compared to 2002.<sup>19</sup>



> By 2012 the rate of Hispanic entrepreneurship had gone **from almost 7 percent in 1990 to 9.4 percent**, effectively bridging the gap with the rest of the general population by less than one percentage point at 10 percent.<sup>20</sup>



> The projected growth rate of Hispanic-owned businesses is 43 percent since 2007 which is equal to an astounding **3.22 million businesses** in 2014.<sup>21</sup>



2006

2008





## ABOUT THE SAMPLE

The sample for this report is drawn from the 2013 and 2014 HACR *Corporate Inclusion Index* participants and consists of twenty-five *Fortune 100* companies.<sup>22</sup> The findings in this report are based on their responses to HACR's survey, as well the information available from the 2013 *Fortune 500* Data Store database.

These companies represent some of the largest companies in the world with sizable domestic and international business and are a mix of consumer products as well as business to business corporations. Their average revenue was over \$98 billion with average profits totaling nearly \$9.5 billion. More than half of the companies in the sample had over \$70 billion in revenues and \$8 billion in profits according to the 2013 *Fortune 500* Data Store database.

The companies in this sample also had sizable worldwide workforces with the number of employees ranging from just over 10,000 for the "smallest" company to over 2 million employees for the "largest" company.

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<sup>22</sup> The population for the 2013-2014 HACR Corporate Inclusion Index is based on the *Fortune 100* ranks for the previous year and all data submitted is current as of December 31st of the previous year. The survey period for the HACR *Corporate Inclusion Index* is May – September of the given year. For the complete HACR CII Methodology please see the 2014 HACR CII report available at [www.hacr.org/research](http://www.hacr.org/research).

# REVENUE AND PROFITS AT A GLANCE<sup>23</sup>

## AVERAGE REVENUE

**\$98 BILLION**

## 2013 REVENUE



**24%**  
OF COMPANIES

UNDER \$50 BILLION



**40%**  
OF COMPANIES

\$50 - 100 BILLION



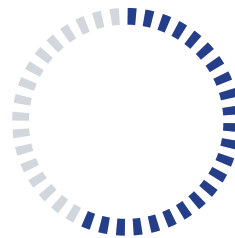
**36%**  
OF COMPANIES

OVER \$100 BILLION

## AVERAGE PROFITS

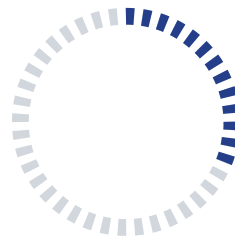
**\$9.5 BILLION**

## 2013 PROFITS



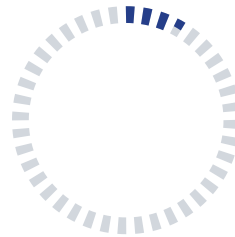
**58%**  
OF COMPANIES

UNDER \$10 BILLION



**33%**  
OF COMPANIES

\$10 - 20 BILLION



**9%**  
OF COMPANIES

OVER \$20 BILLION

<sup>23</sup> Revenue and profit information drawn from the 2013 Fortune Data Store Database.









# TRENDS IN PROCUREMENT SPEND

## PROCUREMENT SPEND ACROSS THE SAMPLE 2013 VS. 2014

In examining a company's procurement spend we can better understand the investment that larger companies are making in the development of smaller enterprises including minority-owned business enterprises and more specifically, Hispanic-owned businesses. Once again, understanding the nature of these relationships is important because investments in minority-owned enterprises are direct investments in those communities and can help stimulate the local economy, promote growth not only in the company's business, but also in the businesses they have partnerships with, creating jobs both within their business and their suppliers.

## TRENDS IN TOTAL PROCUREMENT SPEND 2013-2014

Over the past two years we have observed some interesting trends regarding our sample of *Fortune 100* companies and their total U.S. based procurement spend. In 2013, the average total U.S. based procurement spend for the sample was nearly **\$20 billion**, with total U.S. based procurement spend ranging from a low of **\$689 million** to a high over **\$50 billion**. In 2014, we saw variances in the range of total procurement spend, the minimum amount spent on total U.S. based procurement in 2014 was **\$480 million** and the maximum spent was **\$257 billion**, with the average total U.S. based procurement spend increasing to over **\$31 billion** in 2014.

## TRENDS IN TOTAL PROCUREMENT SPEND WITH MINORITY-OWNED BUSINESSES 2013-2014

In examining procurement spend with minority-owned business enterprises (MBE's) over the past two years we have also observed several trends in our sample of *Fortune 100* companies. In 2013, the average total U.S. based procurement spend with MBE's for the sample was nearly **\$2 billion**, with total U.S. based procurement spend with MBE's ranging from a low of **\$12.5 million** to a high of nearly **\$10 billion**. In 2014, we saw slight variances in the range of total procurement spend, the minimum amount spent on total U.S. based procurement with MBE's in 2014 was **\$18 million** and the maximum spent was over **\$12 billion**, with the average total U.S. based procurement spend with MBE's remaining constant at nearly **\$2 billion**. So while we saw significant increases in the overall average total U.S. based procurement spend between 2013 and 2014, the average spend with minority business enterprises remained flat.

## TRENDS IN TOTAL PROCUREMENT SPEND WITH HISPANIC-OWNED BUSINESSES 2013-2014

If we examine total U.S. based procurement spend with Hispanic owned businesses in the same time period we find that in 2013, the average total U.S. based procurement spend with Hispanic owned businesses (HOB's) for the sample was nearly **\$587 million**, with total U.S. based procurement spend with HOB's ranging from a low of **\$3.5 million** to over **\$5 billion**. In 2014, we saw slight variances in the range of total procurement spend, the minimum amount spent on total U.S. based procurement with HOB's in 2014 was **\$3 million** and the maximum spent was over **\$7 billion**, with the average total U.S. based procurement spend with HOB's reaching nearly **\$800 million**. These changes however, were not large enough to yield statistically significant results.

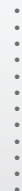


# U.S. BASED SUPPLIERS 2013 & 2014<sup>24</sup>

AVERAGE TOTAL  
NUMBER  
OF SUPPLIERS



2013  
27,846

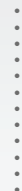


2014  
26,506

AVERAGE TOTAL  
NUMBER OF  
HISPANIC  
SUPPLIERS



2013  
177

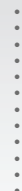


2014  
231

AVERAGE TOTAL  
NUMBER OF  
AFRICAN AMERICAN  
SUPPLIERS



2013  
153

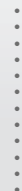


2014  
107

AVERAGE TOTAL  
NUMBER OF  
ASIAN AMERICAN  
SUPPLIERS



2013  
169



2014  
187

AVERAGE TOTAL  
NUMBER OF  
NATIVE AMERICAN  
SUPPLIERS



2013  
39



2014  
47

<sup>24</sup> Excludes companies who reported 0 in any category.





## CHALLENGES & INITIATIVES

Participants of this study were asked to share a brief description of the challenges encountered in sourcing to U.S. based Hispanic suppliers. The most frequently reported challenges among participants were finding qualified, competitive, and certified Hispanic suppliers and service providers. Access to capital, availability, capacity, and pricing were also mentioned as additional challenges.

### QUALIFIED SUPPLIERS

Qualified Suppliers were described as those with experience in key strategic growth areas, with the ability to meet corporate procurement criteria and handle demand for products and services.

**"Our biggest challenge in sourcing [to] Hispanic suppliers is finding suppliers that meet our criteria."**

**"One challenge facing the corporation is identifying Hispanic suppliers that can handle the volume and scale of [our] business requirements."**



## COMPETITIVE SUPPLIERS

Competitive Suppliers were those who were able to compete with larger more established firms.

“There are some categories of spend in which diverse suppliers as a whole are either not readily available in the vendor pool or are not of size and scope to meet the requirements of a large corporation on a competitive basis.”

“Our primary objective is to identify the most qualified suppliers who can meet our price, quality, and business requirements, while being competitive in the marketplace.”

## CERTIFIED SUPPLIERS

Certified Suppliers were defined as those who were registered with organizations like the National Minority Supplier Development Council (NMSDC) or other supplier membership organizations.

“In some industries, such as real estate brokers, diverse vendors that are eligible for certification are not certified which means that we cannot count any spends as diverse in accordance with requirements for certification.”

“We have an active initiative to engage certified diverse suppliers by vetting them and will add those who are qualified to our pipeline.”

## FOCUS ON INNOVATION

Innovation, defined as the development of new methods, ideas, and/or products in strategic, high growth areas.

“Finding suppliers with innovative, competitive and/or unique niche offerings that fill gaps that are currently not filled to capacity.”

“Today more than ever, [we are] accelerating the pace of innovation—which means working with innovative suppliers who can take [us] to the next level.”

Innovation was identified as an impediment to contracting with Hispanic service providers and suppliers. Firms expressed difficulty finding MBEs that supply services and products in highly technical Science, Technology, Engineering, Math (STEM) fields industries to compete for their contracts. Beginning a dialogue around this issue is an important first step in addressing the current lack of diversity in STEM areas and finding ways for Hispanic suppliers and service providers to make meaningful contributions in this area of future growth.

# INITIATIVES

Survey participants were also asked to briefly describe their MBE supplier initiatives. The most frequently reported characteristics of supplier initiatives were partnerships, programs, education, events, and mentoring. Based on participant response we were able to determine where and how resources are being spent on increasing supplier diversity through the procurement of Hispanic suppliers and service providers.

**PARTNERSHIPS** with external organizations such as the National Minority Supplier Development Council (NMSDC) and the U.S. Hispanic Chamber of Commerce were the most cited features of MBE supplier initiatives. Firms look to these organizations for their expertise, trainings, and certifications of Hispanic suppliers and service providers.

“Through active participation with organizations that promote supplier diversity, we are able to expand our outreach to a larger community of diverse suppliers.”

“Our supplier diversity process is supported by our partnership with a number of external advocacy organizations, each of which share our commitment to supplier diversity and play an integral role in helping us meet our goals.”

**PROGRAMS** aiming to assist and enrich diverse suppliers’ business models and capabilities in order to enhance their competitiveness have been created by several participating firms. Survey descriptions of these programs suggest an intent to support diverse supplier sustainability and enrichment.

“The program goals are: strengthen the overall business of the mentees; help the mentees to work on their business, not in it; give the mentees insight into doing business with large corporations.”

“Primary objective is to work closely with minority and women-owned (MWBE) suppliers to build strong business partnerships while providing tools to enhance competitiveness and capacity, supporting growth of their business and a sustainable pipeline of qualified diverse businesses for [our] global supply chain.”

**EDUCATION** emphasis with a specific focus on initiatives to provide access to training and professional development opportunities that will increase suppliers’ knowledgebase.

“To ensure we are effectively supporting minority, women, disabled, Vietnam-era, and service-disabled veteran business enterprises and identifying the best partners for our business, we operate a robust set of diversity programs that include education and outreach initiatives. Our education and outreach initiatives are designed to support regional, national, and global supplier diversity initiatives...”

“[Our] program provides affordable access to high quality education and training for small and medium diversity business leaders.”

**EVENTS** included business opportunity fairs, matchmaking, meetings, regional events, roundtables, seminars, sessions, webinars, among other functions supporting diversity initiatives.

“[Our] associates regularly participate as event sponsors, speakers, and panelists...In 2013, [we] participated in more than two dozen conferences, tradeshow, and in events in support of NMSDC, WBENC, Veterans, SBA, U.S. Hispanic Chamber of Commerce, DMSCA, Diversity Alliance for Science (DA4S), U.S. Gay and Lesbian Chamber, and ISM Supplier Diversity organizations, and additional supplier diversity and small business-focused advocacy group tradeshow, conferences, and award events.”

**MENTORING** is provided as a means to support suppliers in their efforts to be successful companies while also providing insight into a firm’s corporate procurement criteria.

“Our goal is to identify high potential diverse suppliers and assist them to further develop their capability, capacity and competitiveness in hopes of increasing diverse supplier participation in our supply chain supplier participation in our supply chain.”

Supplier competitiveness, goals, and growth, matchmaking, outreach efforts, and scholarships were also mentioned as important aspects of MBE supplier initiatives.





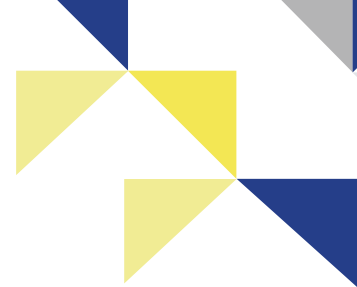




## ORGANIZATIONAL READINESS

The demographic data we have presented thus far illustrate that there is a growing business reason for companies to diversify their supplier pool however, the data drawn from the HACR CII indicates that many companies are lagging behind in terms of utilization of Hispanic-owned businesses to meet their supplier needs. Why is that?

Perhaps one of the greatest hurdles that must be overcome in order for companies to achieve higher levels of supplier diversity is organizational readiness – are these companies set up in ways which facilitate supplier diversity or ways which hinder it? Organizational readiness is important because it affects the culture of the corporation and with regards to supplier diversity specifically, can dictate the importance and priority given to supplier diversity initiatives and thereby impact the level of success of the program.



## STRATEGIC PLANS

# 2013

- **92 percent** had a strategic plan for supplier diversity.
- All of those companies with plans, reviewed it regularly to ensure it was “working.”
- Of those who had a strategic plan in 2013, almost half (**48 percent**) reported it is only somewhat integrated with those of other functions within the corporation.

# 2014

- **96 percent** had a strategic plan for supplier diversity.
- All of those companies with plans, reviewed it regularly to ensure it was “working.”
- Of those who had a strategic plan in 2014, more than **40 percent** reported it is only somewhat integrated with those of other functions within the corporation.

What is this saying? It’s telling us that while nearly the entire sample feels that supplier diversity is important enough to warrant a strategic plan for how to do it better and to review said plan on a regular basis, it appears to still be happening in its own silo rather than being integrated into other functions within the company. For these plans to truly be effective they must be integrated throughout the company, all key stakeholders and business units must be involved.

## CITIZENSHIP STATUS & CERTIFICATION

# 2013 & 2014

- In 2013 **80 percent** and in 2014 **84 percent** required citizenship of a firm's principals to classify them as an MBE.
- In both years **64 percent** required NMSDC certification of an MBE.
- In 2013, **only 3 companies** indicated that they were working with suppliers who were not certified and the number of non-certified suppliers ranged from **1 to over 200** for those **3 companies**. **All 3** were working with their non-certified suppliers to help them get certified with NMSDC.
- In 2014, **8 companies** indicated that they were working with suppliers who were not certified and once again, there was a diverse range in the number of companies (**2-203 suppliers**). **Only 5** of these companies were working with their non-certified suppliers to help them get certified with NMSDC.

Citizenship and National Minority Supplier Development Council (NMSDC) certification are two barriers that can hinder diversifying supplier pools effectively. We certainly understand that certification is a signal to companies that these diverse suppliers meet specific requirements, and that in theory they have the capacity to handle the magnitude of work. But are these the only indicators of a small business' ability to handle capacity?

The impact of these requirements is simple - a smaller supplier pool which puts the organization at risk for missing out on the new opportunities these diverse suppliers can provide by focusing solely on requirements these suppliers can't meet - citizenship and NMSDC certification.



# SEPARATE BUDGETS

- In 2013 and 2014, **88 percent** had separate budgets for supplier diversity.

Many expenses required by *Fortune 100* companies are fixed in a sense – insurance, rent, taxes, for example are expense categories where generally there is little opportunity for the supplier diversity team to have an impact. Likewise, for companies who work directly with consumers, there is far less flexibility especially in retail – because companies must sell what their consumer base wants. A specific budget allocated for supplier diversity is a necessary component if the program is going to succeed. With that in mind, companies who have allocated separate dollars for supplier diversity stand a better chance of being able to diversify their pool of suppliers because they have the ability to go searching for it.

# FULL-TIME EMPLOYEE

In 2013, **almost all companies** indicated they had a full-time staff dedicated to supplier diversity, and nearly all also identified a specific employee responsible for their supplier diversity programs. These employees varied in level from manager, to director, to vice president. Companies also identified employees under the category of “other”, which included titles of senior director, executive director, head, and senior vice president.



In 2014, **nearly all companies** reported having a specific employee who was responsible for supplier diversity. While there was not much change reported between 2013 and 2014 in a designated employee responsible for supplier diversity, there was a big shift in the level of these employees in the lead role. We saw a decline in the proportion of directors but an increase in all other categories including “other” which was comprised of senior director, executive director, managing director, head, and senior vice president.

## ACCOUNTABILITY METRICS

- In 2013, **68 percent** had accountability metrics to deliver on supplier diversity goals
- In 2014, **56 percent** had accountability metrics to deliver on supplier diversity goals

Accountability metrics are the final important piece to the infrastructure puzzle without which we likely won't see much of an impact on supplier diversity. It isn't enough to have a plan, and goals, and human and financial capital to make supplier diversity happen. All of those elements must be evaluated for their effectiveness and when something isn't working, companies need to make a change. In the case of this sample, we actually saw that not all companies had metrics in place and between 2013 and 2014, we actually saw a decline in the number of companies with metrics. This is a worrisome trend.

## POLICY VERSUS PERSONAL INFRASTRUCTURE

In this section we have been discussing whether companies themselves have the capacity and capability to diversify their supplier pools. Increasing supplier diversity requires not only certain policies to be in place (or to be lifted) but also requires adequate human and financial capital to do it properly. Periodically, all of these elements need to be evaluated to ensure the desired outcomes are being met and if they aren't then change needs to be instituted. While it seems that bits and pieces of these necessary elements are in place – there are few companies that have been able to accomplish each and every one of these things simultaneously. Across both time points, more than **80 percent** of the sample viewed their supplier diversity program as either advanced or world class yet, supplier diversity remains a challenge for them. Is there a disconnect here? Perhaps the starting point for all companies should be re-conceptualizing how they view their program.







## CLOSING THOUGHTS

The Hispanic population is the fastest growing segment of the U.S. population. It's a growth trend mirrored in the entrepreneurial sector with Hispanic owned businesses also. With the number of Hispanic businesses on track to continue to increase, the pool of potential suppliers would appear to present organizations with numerous vendor options. Yet based on information shared by the sample group, the opposite is true. Why is there such a wide gap between the supply of and the demand for Hispanic vendors?

### WHY?

Those answers may lie in better understanding the challenges and opportunities that organizations have when working with minority vendors. As such, this report's focus has been to highlight procurement and supplier diversity practices –specifically with Hispanic suppliers – among a select group of Fortune 100 companies.

What we have observed from examining the internal practices of these companies is that there are three key factors playing a role in the success of a supplier diversity program.

**[1]** organizational readiness to work with minority vendors **[2]** enterprise-wide strategy integration and **[3]** accountability metrics.

## CULTURE AND THE ORGANIZATION'S OPENNESS TO THINK BEYOND EXISTING PRACTICES

How *Fortune 100* companies qualify minority suppliers before working with them is telling. Traditional signaling mechanisms like NMSDC certification can offer insight into developing successful business relationships, and they can also inadvertently serve as a barrier to successful supplier diversity.

Are these accepted practices helping or hindering companies? That depends, but we know the shortage of qualified supplier and the “constraints” of qualifying minority vendors is a reality many companies are working around. To ensure their future business, some companies are thinking beyond existing practices because the short supply of vendors is not an option for them.

The more innovative companies have embraced a more forward, long-term investment approach to working with minority vendors. They're looking beyond existing practices and making key commitments in the development of minority suppliers – whether that's building capability and/or capacity or with/out citizenship and/or certification – in order to ready them for future partnership opportunities with their companies. These companies have a vested stake in cultivating minority supplier relationships to guarantee that they don't find themselves without sourcing partners.

**HACR RECOMMENDS** that companies who require NMSDC certification be willing to work with diverse entrepreneurs who have not cleared that hurdle to help them get certified. For those companies who are willing to adopt greater flexibility in their supplier requirements and who are willing to work with suppliers that are not certified we recommend working with them to be able to develop the infrastructure to handle the capacity that working with a *Fortune 100* requires.

## COMPANY-WIDE STRATEGIC INTEGRATION

The second factor impacting supplier diversity for many *Fortune 100* companies is the absence of an integrated supplier diversity strategy across the enterprise. Integration of a supplier diversity strategy is key for ensuring that a company will be successful in utilizing more diverse suppliers for their procurement needs. Procurement needs are not limited to only certain business units or functions, they cut across all departments, units, and functions, as does supplier diversity, therefore it cannot successfully operate in a silo.

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<sup>25</sup> Adobor & McMullen (2007) "Supplier Diversity and Supply Chain Management: A Strategic Approach."

<sup>26</sup> [www.isixsigma.com/methodology/benchmarking/understanding-purpose-and-use-benchmarking/](http://www.isixsigma.com/methodology/benchmarking/understanding-purpose-and-use-benchmarking/)

<sup>27</sup> [www.accenture.com/us-en/Pages/insight-value-benchmarking-summary.aspx](http://www.accenture.com/us-en/Pages/insight-value-benchmarking-summary.aspx)

Companies who understand this and the value that supplier diversity brings to the business have integrated their supplier diversity strategy across the enterprise. Additionally, the integration of the strategy across the enterprise is a sign of the company's commitment to diversity and how supportive their culture is of increasing it across business functions. Supplier diversity, like employee diversity can provide organizational value and a competitive advantage if implemented properly and if supported by top management and champions.

**HACR RECOMMENDS** greater integration of supplier diversity strategic plans with those of other functions within a corporation.

## ACCOUNTABILITY METRICS

Equally important to an integrated supplier diversity plan across the enterprise are good metrics. Many of the companies in the sample group benchmark externally as a way to evaluate and assess their own performance.

Metrics are essential for helping guide business decisions, for understanding what worked and what didn't, and perhaps more importantly for helping to ensure that a company continues to be a leader within their field. Leaders leverage information to achieve outcomes.

Successful programs use this information to identify best practices and initiatives helpful for closing the gap between what is being done and what could be done in terms of diverse supplier development. Metrics are actionable items that offer a company a way of identifying opportunities for improvement and allow them to achieve the best possible outcomes for the corporation and the small business community.

**HACR RECOMMENDS** benchmarking supplier development initiatives and best practices with non-competitors.



# ACKNOWLEDGEMENTS

On behalf of the HACR Board of Directors, we would like to acknowledge and extend a special thank you to the following for their support of the 2015 HACR Procurement Report.

## IRNA MAY CONNOR

Research Associate at HACR served as project assistant on the 2014 HACR *Corporate Inclusion Index* and the 2015 HACR Procurement Report.

## ARIANA SOLIS GOMEZ

Communications Manager at HACR provided all creative services for the 2015 HACR *Procurement Report*.

## ERIC LOPEZ

Research Associate at HACR served as project assistant on the 2015 HACR *Procurement Report*.

## ROXANA VERGARA

Principal at V Consulting served as project director for the 2013 and 2014 HACR CII.

Lastly, we would like to thank the companies who took the time to respond to our request for data and the HACR staff for their thoughtful review of the report.

## THANK YOU! ¡GRACIAS!