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SUPPLIER DIVERSITY: A GUIDE FOR PURCHASING ORGANISATIONS SUMMARY



COMMISSION FOR
RACIAL EQUALITY

The Commission for Racial Equality (CRE) has produced a guide on supplier diversity, aimed at large organisations in the public, private and voluntary sectors. The guide explains the idea of supplier diversity, why it is useful and how to introduce a supplier diversity programme. This leaflet summarises the main points of the detailed guide, *Supplier Diversity: A guide for purchasing organisations*.

WHAT IS SUPPLIER DIVERSITY?

Some types of businesses find it difficult to become contractors for large organisations, and tend to be under-represented as suppliers, locally, regionally or nationally. Supplier diversity programmes are intended to change this. This does not mean discriminating positively in favour of certain types of businesses (which, if on the grounds of race, is illegal); rather, the aim is to 'level the playing field', so that all suppliers compete for contracts on equal terms.

The guide focuses on businesses owned by people from ethnic minorities, most of which are small firms, but the advice may also apply to supplier diversity programmes aimed at other minority groups, such as businesses owned by women.

Who organisations buy their goods and services from can make a difference. It can affect the price and the quality of their products and services, their efficiency, and their reputation and performance as an organisation.

The guide explains how large organisations can make sure they are taking full advantage of the diversity of suppliers of goods and services. A comparison of their current suppliers with all the suppliers they could use can quickly show if some types of business are under-represented.

WHAT ARE THE BENEFITS OF A SUPPLIER DIVERSITY PROGRAMME?

- It encourages competition by allowing more suppliers to compete for contracts. Organisations have greater choice and can select contractors who offer the right mix of well-priced services, flexibility, innovative products and quality.
- Using diverse suppliers will help organisations to understand their ethnic minority customers better, and open the door to previously inaccessible, but increasingly important and lucrative, markets.
- It will put an organisation in a better position to win large public sector contracts. Public authorities have a duty to promote race equality under the Race Relations Act 1976, and will look to make sure that the organisations they buy from also meet the requirements under the duty. Any private or voluntary organisation which is tendering for a public contract, and which has a supplier diversity programme, will have a competitive edge.

- It can help an organisation meet its corporate social responsibilities.
- It encourages local economic development. Ethnic minority businesses are a key part of local economies and a strong local economy creates greater opportunities to supply goods and services by boosting local purchasing power.

HOW TO SET UP A SUPPLIER DIVERSITY PROGRAMME

1. Ensure commitment

A supplier diversity programme will only succeed if everyone in the organisation is prepared to give time and resources to it. To start with, this commitment needs to come from senior management, extending gradually to everyone involved in buying in goods and services.

2. Ask for help and advice

There is no shortage of help and advice for organisations interested in developing supplier diversity programmes; for example, from Minority Supplier Development UK, the Procurement Development Programme and the Migration Policy Group's European Supplier Diversity Business Forum (see p 5 of this leaflet).

3. Appoint a supplier diversity coordinator

It is important to give someone specific responsibility for supplier diversity in the organisation. They would be responsible for day-to-day coordination of the programme, and for making sure it is effectively implemented and monitored. The appointment would give staff and suppliers a positive message about the organisation's approach to procurement.

4. Carry out a survey of suppliers

A survey of the various suppliers capable of providing the goods and services the organisation buys in, and a comparison with current suppliers, is the quickest way of knowing whether an organisation is getting the best deal for its money. The aim of the survey should be to identify potential ethnic minority suppliers, especially those who are under-represented among the organisation's current suppliers. You should also survey your existing suppliers to enable you to identify how many ethnic minority firms are currently within your supply chain and what percentage of your total procurement budget is spent with them. See our full guide for possible survey questions and details of the categories that should be used to identify businesses by ethnicity of ownership (www.cre.gov.uk/supplierdiversity).

5. Review current procurement policies and procedures

Where the survey shows under-representation of businesses owned by certain ethnic groups, an organisation needs to ask if there are any institutional

barriers to appointing businesses from these groups as suppliers. This would involve a thorough review of the organisation's procurement policies and practices. Contract bundling, for example, where a number of small contracts are brought together into one large contract, can be a barrier, because only large suppliers may be able to tender. Most ethnic minority suppliers are small businesses. As part of this process, organisations may also need to proactively identify opportunities for ethnic minority suppliers. At first, these opportunities will probably be for relatively small contracts that do not carry much risk, but they should help to build trust between the organisation and its new supplier, and could lead to bigger contracts in future.

6. Draw up new procurement policies and procedures

The organisation should now be in a position to consider new procurement policies and procedures. The aim should be to:

- simplify the process for tendering for contracts;
- make clear how the organisation intends to encourage more ethnic minority suppliers to bid for contracts;
- encourage other suppliers and contractors to use ethnic minority suppliers; and
- identify the types of goods and services that can be bought from ethnic minority businesses.

7. Communicate with staff and current contractors

Everyone in the organisation should understand why diversity is important in procurement, and how the supplier diversity programme works, and should be ready to make the extra effort needed to make sure ethnic minority businesses are considered seriously as suppliers.

8. Develop and implement a training programme

Training is essential to setting up a supplier diversity programme. Once staff understand the benefits of having a diverse pool of suppliers, any barriers to the programme can be removed more easily. The training programme should focus on the aims, structure and benefits of the supplier diversity programme, and explain how procurement policies and practices can unwittingly discriminate against small and ethnic minority suppliers.

9. Develop contacts with ethnic minority businesses

Organisations should make every effort to reach ethnic minority businesses and develop relationships with them, while setting up a supplier diversity programme. For example, they could do this by developing a website similar to the government's supplier portal (www.supply2.gov.uk), and use it to:

- receive applications from ethnic minority suppliers;
- publish details of contracts and the organisation's current contractors;
- encourage small businesses, including those owned by people from ethnic minorities, to approach the organisation's main contractors; and
- advertise subcontracting opportunities.

Organisations could also give notice of new contracts coming up through local and ethnic minority media, business support agencies and community organisations. Organisations should always avoid jargon, give clear, detailed feedback to unsuccessful bidders and offer advice on how to put together a better bid next time.

10. Set targets and monitor the programme

There is no point in going to all the trouble of setting up a supplier diversity programme if the organisation doesn't monitor it, systematically, and against realistic objectives. Setting clear, achievable targets encourages commitment and helps to assess progress. Organisations should remember that quotas – allocating a set number of contracts for ethnic minority businesses – would constitute positive discrimination, and are illegal.

11. Celebrate success

Organisations should publicly recognise and reward people who have helped set up the supplier diversity programme, suppliers and staff alike. This might involve an article in the organisation's newsletter or on the website, or a press release to external publications, including local media.

WHERE CAN I GET COPIES OF THE GUIDE?

The full report, *Supplier Diversity: A guide for purchasing organisations*, and this leaflet, can be downloaded free from the CRE website (www.cre.gov.uk/supplierdiversity). Hard copies of this leaflet are available from CRE Publications (www.cre.gov.uk/publications).

Acknowledgement

Supplier Diversity: A guide for purchasing organisations is based on research undertaken on behalf of the CRE by staff in the Centre for Research in Ethnic Minority Entrepreneurship (CREME) at De Montfort University in Leicester.

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Further information and CRE publications

The Centre for Research in Ethnic Minority Entrepreneurship (CREME), De Montfort University, Leicester

www.creme-dmu.org.uk

Minority Supplier Development UK

www.msduk.org.uk

Procurement Development Programme, London Development Agency

www.lda.gov.uk

Supplier Diversity Business Forum, Migration Policy Group

info@migpolgroup.com

Supplier Diversity: A guide for purchasing organisations (2005) 51pp.
Available from www.cre.gov.uk/publications. **Free**

Code of Practice on Racial Equality in Employment (2005) 112pp.
ISBN 1 85442 562 5. **£15.00**

Code of Practice on the Duty to Promote Race Equality (2002) 80pp.
ISBN 1 85442 430 0. **£10.00**

Race Equality and Public Procurement (2003) 100pp.
ISBN 1 85442 525 0. **£15.00**

Race Equality and Procurement in Local Government (2003) 112pp.
ISBN 1 85442 524 2. **£15.00**

Race Equality and the Smaller Business: A practical guide (2004) CD-ROM.
ISBN 1 85442 546 3. **Free**



**COMMISSION FOR
RACIAL EQUALITY**

*We work for a just and integrated society, where diversity is valued.
We use both persuasion and our powers under the law to give everyone
an equal chance to live free from fear, discrimination, prejudice and racism.*

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