

2022

# STATE OF SUPPLIER DIVERSITY REPORT

*Progress. Process. Empowerment.*

**supplier.io**



# CONTENTS

A MESSAGE FROM THE CEO	3	2. STAY FOCUSED - ACCOUNTABILITY MEASUREMENT	14
EXECUTIVE SUMMARY	4	Measuring the Impact of Supplier Diversity	15
RESPONDENT DEMOGRAPHICS	5	Policies and Processes For Supplier Diversity	16
MATURITY	6	Adoption of Policies & Processes	17
SUPPLIER DIVERSITY SPEND	7	Tier 2 Supplier Spend	18
GLOBAL SUPPLIER DIVERSITY PROGRAMS	8	Buyer Training	19
I. THE SUPPLIER DIVERSITY MOVEMENT IS MAKING GREAT STRIDES	9	CHANGES IN THE NEXT 3 – 5 YEARS	20
Primary Program Drivers	10	3. EMPOWERMENT	21
Corporate Benefits of Supplier Diversity	11	Common Challenges	22
Leadership Commitment to Supplier Diversity Programs	12	Program Infrastructure	23
SUCCESS STORIES	13	Tracking Diverse Supplier Status	24
		Advocacy and Activities	25
		CHALLENGES	26
		CONCLUSION	27

# A MESSAGE FROM THE CEO

I am honored to share with you the 2022 State of Supplier Diversity Report. This report captures the latest trends in corporate supplier diversity programs and ensures that we are listening to the voices in our community. With this survey, we can learn about supplier diversity leaders' experiences, challenges, best practices, and triumphs. This is our fifth report, and is our largest data sample yet. We hope you find the results as eye-opening as we have and that you take these findings to help drive improvements in your own programs.

2022 marked a momentous shift in the supplier diversity community. We have continued to see new programs being created while the number of decade old programs went from 4% of respondents in our first report to 34% this year. Environmental, Social and Governance (ESG) initiatives have made strides in leveraging supplier diversity as a pillar in the growth of their efforts. Simply put, we have found ourselves in an exciting position: businesses are no longer cutting-edge for having a supplier diversity program; they're lagging if they don't.

As a mission-driven business, we are thrilled to see the continued expansion of supplier diversity initiatives and to have supported hundreds of programs around the world. As you dive into the findings of this year's State of Supplier Diversity report, it is clear to see that more and more companies are embracing supplier diversity for all the right reasons. Rather than checking compliance boxes, supplier diversity is driven by alignment with corporate culture and workforce inclusiveness, corporate social responsibility, enhanced brand image and improving supply chain competitiveness. All of this while leadership attention on the program is the highest.

This is the moment the supplier diversity community has been waiting for, and you have successfully driven the change. I pose this challenge; keep the momentum going! With growth and success comes new challenges. The expectations are higher, the supplier diversity leader's role has increased, and that can open the door to scope and scale issues. Being aware of this is half of the battle.

However, I caution you all to make sure you are putting your program in a position to not only be successful today, but in the future. Supplier diversity has found itself a well-deserved "seat at the table" and the time is ripe to build a program that becomes a valued strategic arm for the company.

Thank you for your interest in this report and thank you for your continued support of the value supplier diversity delivers. We are in awe of the accomplishments in supplier diversity and excited about the future. The spotlight is on us now more than ever, so it's time to show our dedication to setting achievable goals, developing and owning strategies with measurable results and ensuring accountability across your organization.

Sincerely,

**Aylin Basom**  
CEO, supplier.io



# EXECUTIVE SUMMARY

Our comprehensive survey covered questions, some multiple-choice and some open-ended, that addressed a variety of supplier diversity topics. **Some of the more interesting findings, which are outlined throughout this report, detail three key themes that have emerged:**



**Supplier diversity is making great strides in 'why' businesses believe supplier diversity benefits their organizations and communities and leadership interest is at all-time highs.** More than ever companies are embracing supplier diversity as a strategic arm in alignment with company culture and workforce inclusiveness, corporate social responsibility, brand image and supply chain competitiveness.

**81%** of respondents indicated alignment with corporate culture and workforce inclusiveness as a primary driver of their supplier diversity program, a substantial shift from compliance related drivers.



**Leadership engagement may be up, but the engagement of everyone else on the buy side of supplier diversity is down.** Without the rigor of measured impact, the reputation of these programs is placed at risk. The 'why' of supplier diversity may have changed, but the 'how' must still ensure that targets are met, and quantifiable progress is made to include businesses owned by members of traditionally underutilized communities.

**38%** of companies surveyed include diversity metrics in management's performance objectives. Leadership engagement is very high, yet accountability is low.

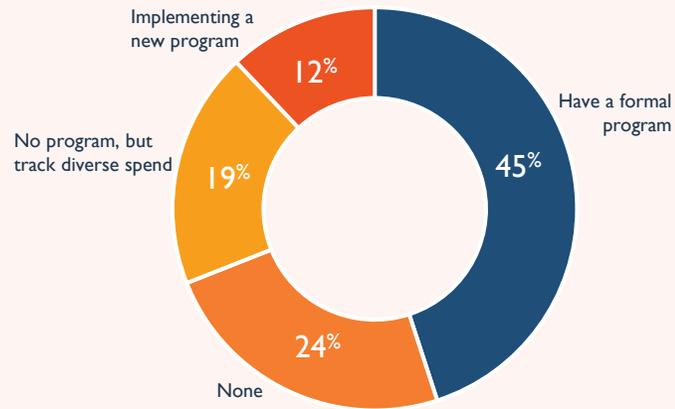


**Signs of disconnects appear between executive leadership support and solvable challenges that seem to remain for supplier diversity practitioners.** In order for these programs to grow, supplier diversity professionals must be empowered, invested in, trained, mentored and groomed for the evolving role they will continue to serve in helping drive social and strategic progress in their organizations.

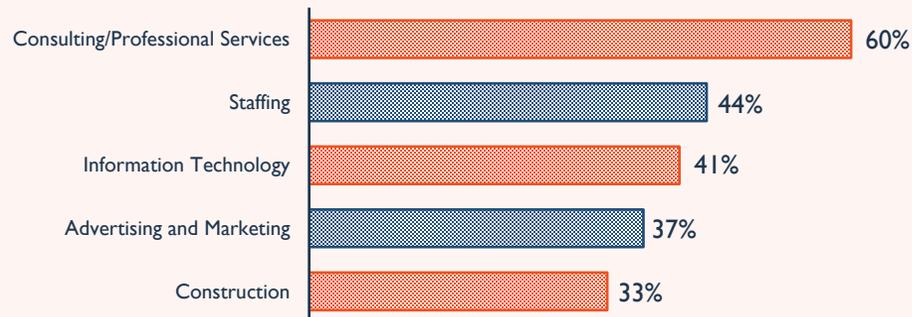
**59%** of respondents indicated adequate staffing and adequate budget as somewhat to extremely challenging in their organization.

# RESPONDENT DEMOGRAPHICS

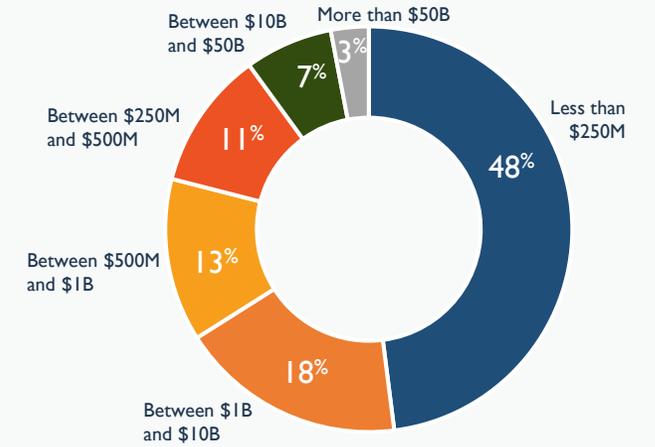
Companies With Formal Supplier Diversity Programs



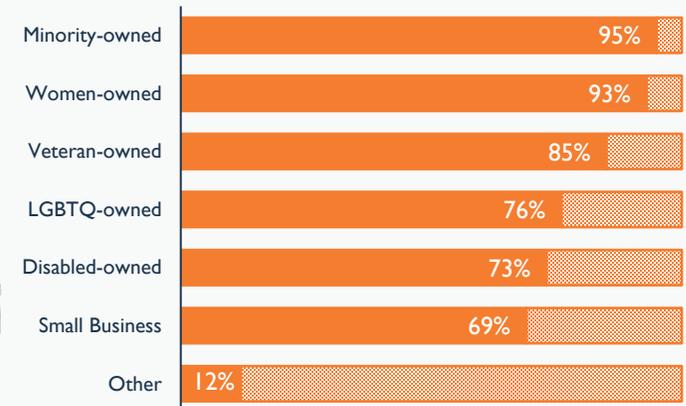
Top Sourcing Categories For Diverse Suppliers



Companies' Annual U.S. Procurement Spend



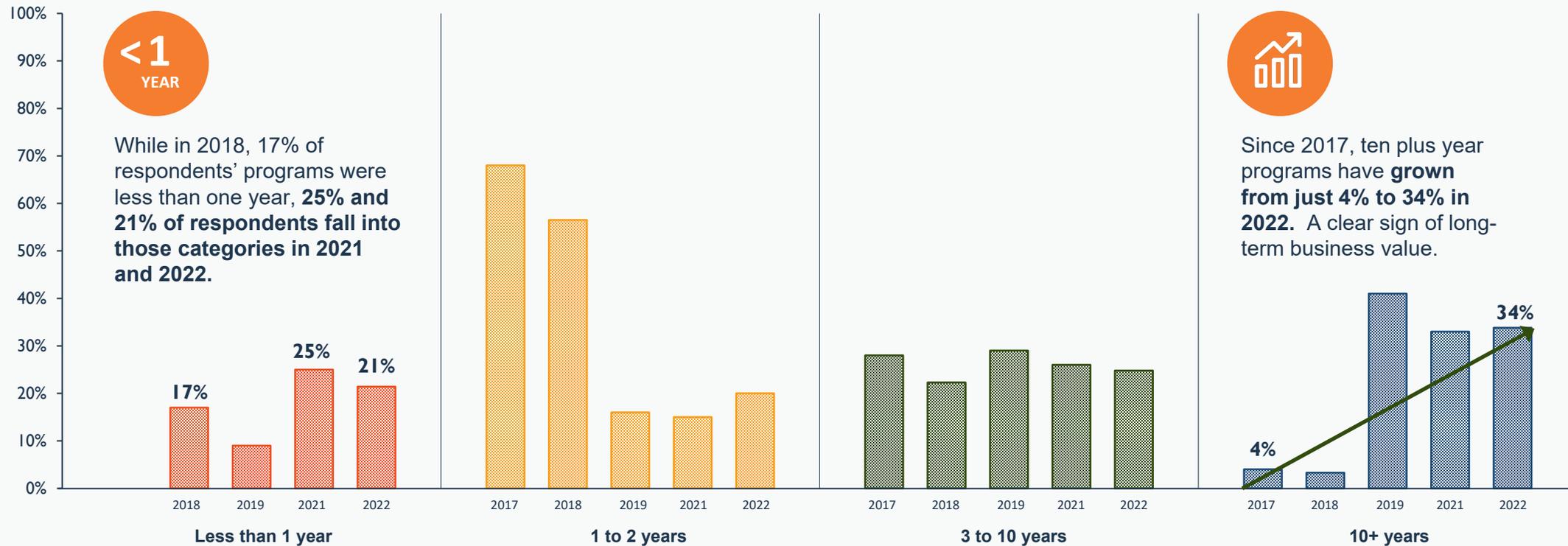
Diversity Categories Tracked





# MATURITY

## How Long Has Your Program Been In Place?

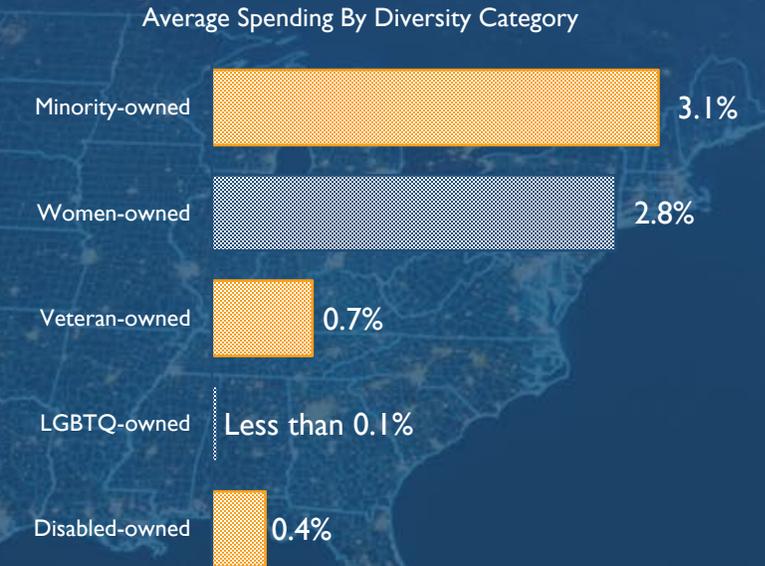
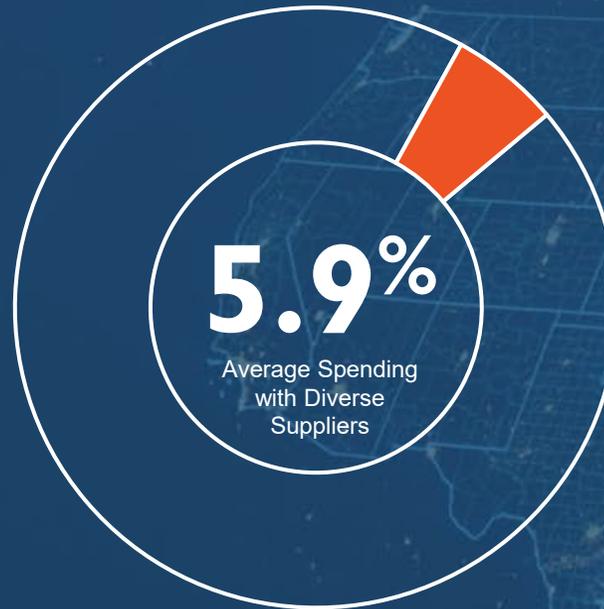


# SUPPLIER DIVERSITY SPEND

Respondents' spend with diverse businesses was above overall industry average (3.0%\*) and varies by the company's industry and the maturity of the program. Advanced programs allocate more than 15% of their spend to diverse businesses.\*\*

\* Overall industry data based on benchmarking analysis of \$1.4T in spend from 466 companies analyzed outside of this report

\*\* Only data from respondents who submitted spend information was included for this analysis.



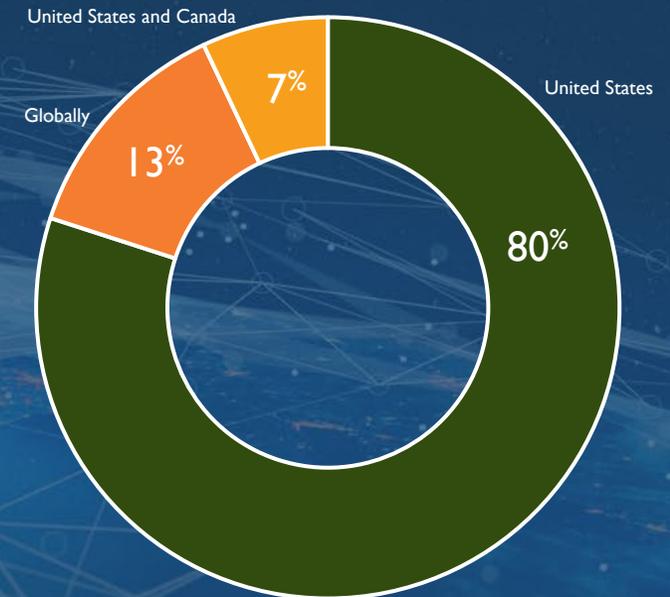
# GLOBAL SUPPLIER DIVERSITY PROGRAMS

**We saw an increase in global supplier diversity from 17% in 2021 to 20% in 2022.**

While the percentage of respondents indicating that their programs have a presence in the United States as well as Canada decreased from 9% in 2021 to 7% in 2022, global programs grew by more than the difference.

**Global supplier diversity programs represent 13.2% in 2022, up from 8% last year.** This may account for the drop in U.S./Canada programs, as time and increased maturity make it possible for these programs to expand globally.

Geographical Supplier Diversity Program Implementation





# 1

# The Supplier Diversity Movement is Making Great Strides

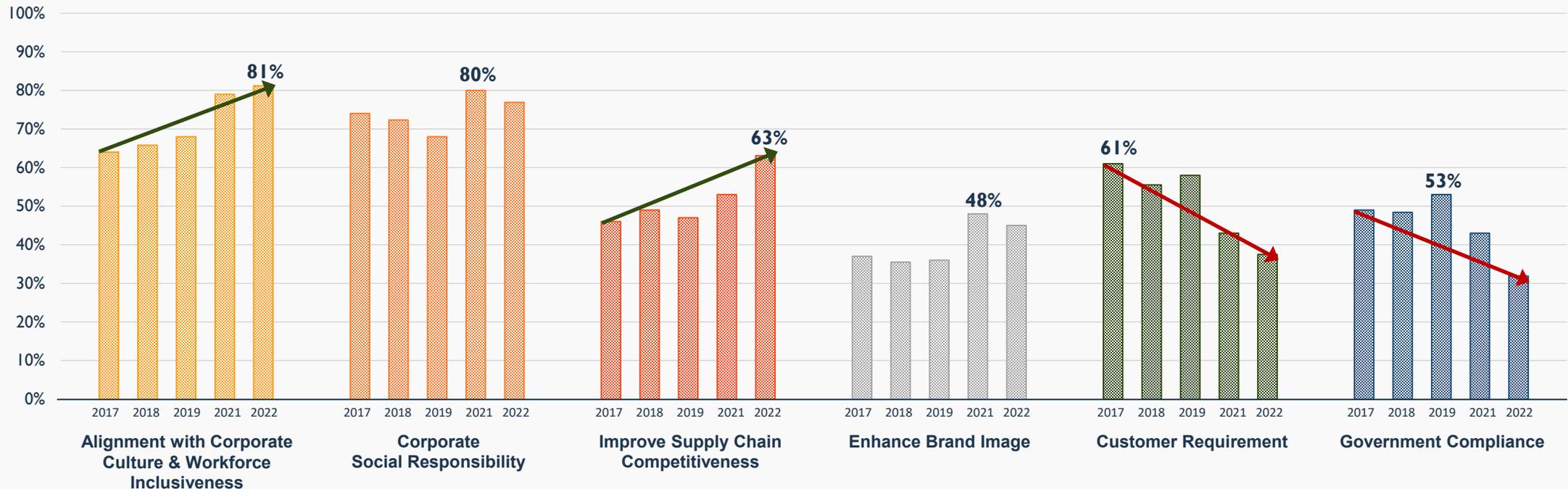
The value system behind supplier diversity has been solidly embraced by CEOs and corporate boards. They recognize the connection between investments in supplier diversity and their ability to build a successful and inclusive workplace culture. While historically, the ‘why’ of supplier diversity was based on business case justifications (savings, innovation, risk, etc.), today it is simply the way companies work. No justification is needed. This is a hugely reaffirming moment for all the professionals who have advocated for increased supplier diversity.



# PRIMARY PROGRAM DRIVERS

The business drivers behind supplier diversity are evolving in all the right directions. Companies recognize the importance of fostering diversity, both for the sake of building a positive culture and to drive competitive bottom line results. **The increased awareness of alignment between corporate culture and supply chain competitiveness demonstrates why supplier diversity is front and center at the highest levels of decision making.**

What Are The Primary Drivers For Supplier Diversity Programs?



# CORPORATE BENEFITS OF SUPPLIER DIVERSITY

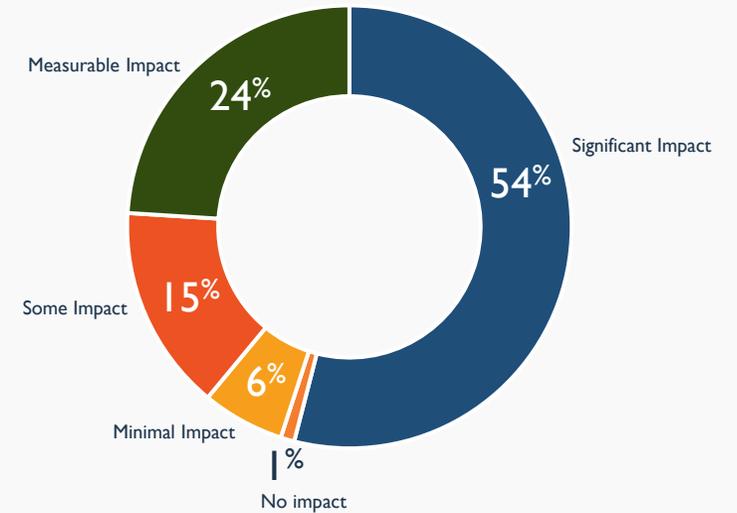
**93%** of respondents believe engaging with diverse suppliers has a positive impact on their company internally and externally, a 15% increase from 2021.

**40%** of businesses are tracking the success of supplier diversity through their employees' opinion of the company.

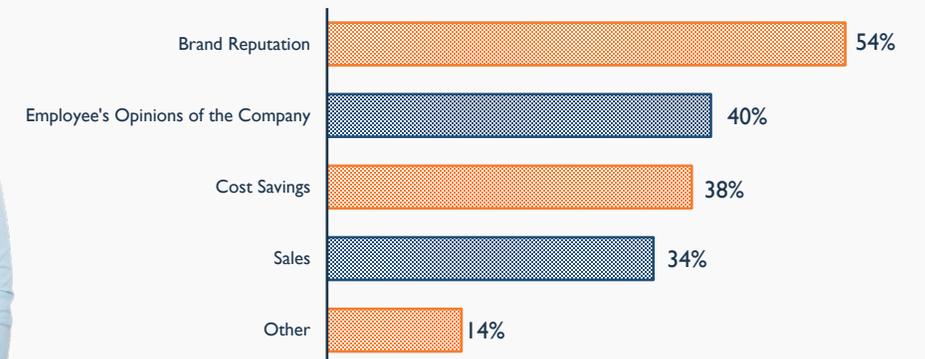
**54%** of businesses are tracking the success of supplier diversity through their brand reputation.



Level Of Impact Respondents Believe Supplier Diversity Has Had On Their Companies

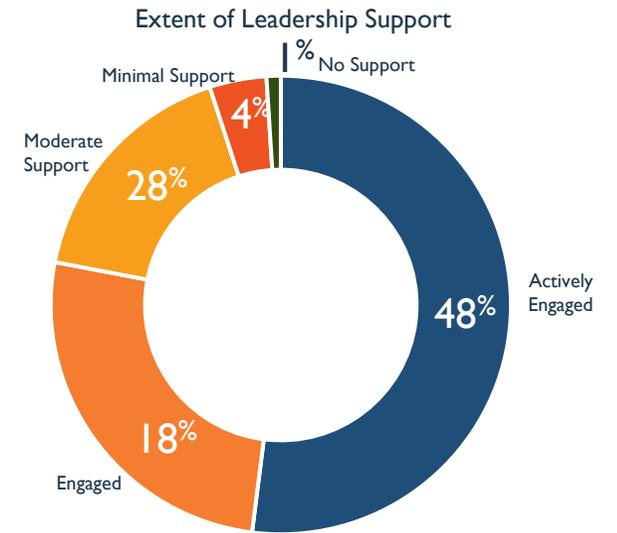


Measures Companies Utilize To Track The Impact Of Supplier Diversity On Their Company



# LEADERSHIP COMMITMENT TO SUPPLIER DIVERSITY PROGRAMS

For the second year, supplier diversity programs have had the highest level of corporate executive engagement, including Board of Directors, CEOs, CPOs, and Chief of Diversity & Inclusion Officers. However, as observed later in the report, there are opportunities for improvement with business units and divisional leaders to engage with diverse suppliers.



## Level Of Management Engaged With Their Company's Supplier Diversity Initiatives



# SUCCESS STORIES

“ Our efforts are a 100% success, because we do not treat Diversity as a choice or a department in our business operations. The need to have one individual or a department set aside for inclusion creates a bottleneck that will eventually drain the life and meaning from the movement itself. Our company is successful because we are diverse and we are inclusive. We don't have a Diversity department because we are diverse and inclusive. A bank doesn't need a banking department. A diverse and inclusive company doesn't require a diversity and inclusion department.

-President, Multi-Media Company

”

# 2

## Stay Focused- Accountability Measurements

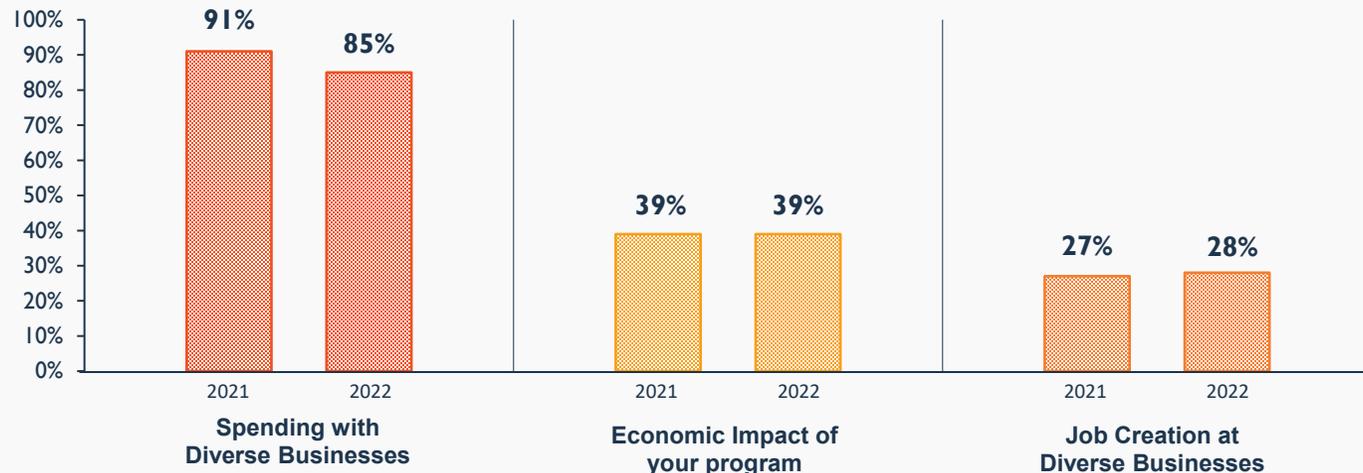
Despite this positive news, operationalizing supplier diversity programs has been a struggle. Even as the Board of Directors and CEO are throwing their support behind supplier diversity, many of the accountability measures that have been used in the past – specific goals and KPIs as well as performance metrics – are falling by the wayside.

CEO and Board engagement may be up, but the engagement of everyone else on the buy side of supplier diversity is down. Without the rigor of measured impact, the reputation of these programs and your brand is placed at risk. The ‘why’ of supplier diversity may have changed, but the ‘how’ must still ensure that targets are met and quantifiable progress is made to include businesses owned by members of traditionally underutilized communities.

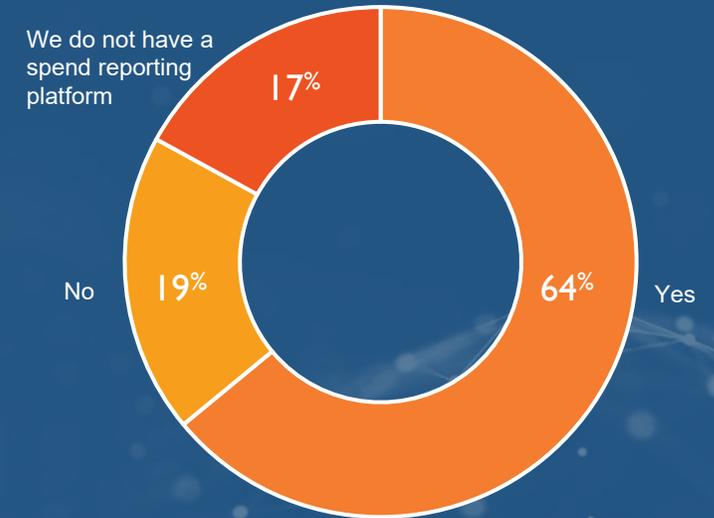
# MEASURING THE IMPACT OF SUPPLIER DIVERSITY

While we continue to see a common set of metrics in place for measuring the success of supplier diversity programs, use of each KPI is down or flat year over year. This supports the point raised earlier in the report that **as supplier diversity is accepted as 'how we work,' a loss of measurement and formality presents challenges in measurable success for continued growth.**

Measuring The Impact Of Supplier Diversity On The Community



Supplier Diversity Is Integrated In The Spend Reporting Platform



A lack of integration makes supplier diversity impact capture more challenging. **By integrating this information, companies enable buyers to easily include existing diverse suppliers and make reporting easier for supplier diversity practitioners.**

# POLICIES AND PROCESSES FOR SUPPLIER DIVERSITY

Supplier diversity is understood as an effort that will require ongoing commitment and evangelism. Measurement and accountability - involving those at the highest level of the reporting structure - are particularly influential and will ensure the longevity of the program itself.



32%

of organizations do not have clearly defined supplier diversity goals.



62%

do not include supplier diversity metrics in management's performance objectives.

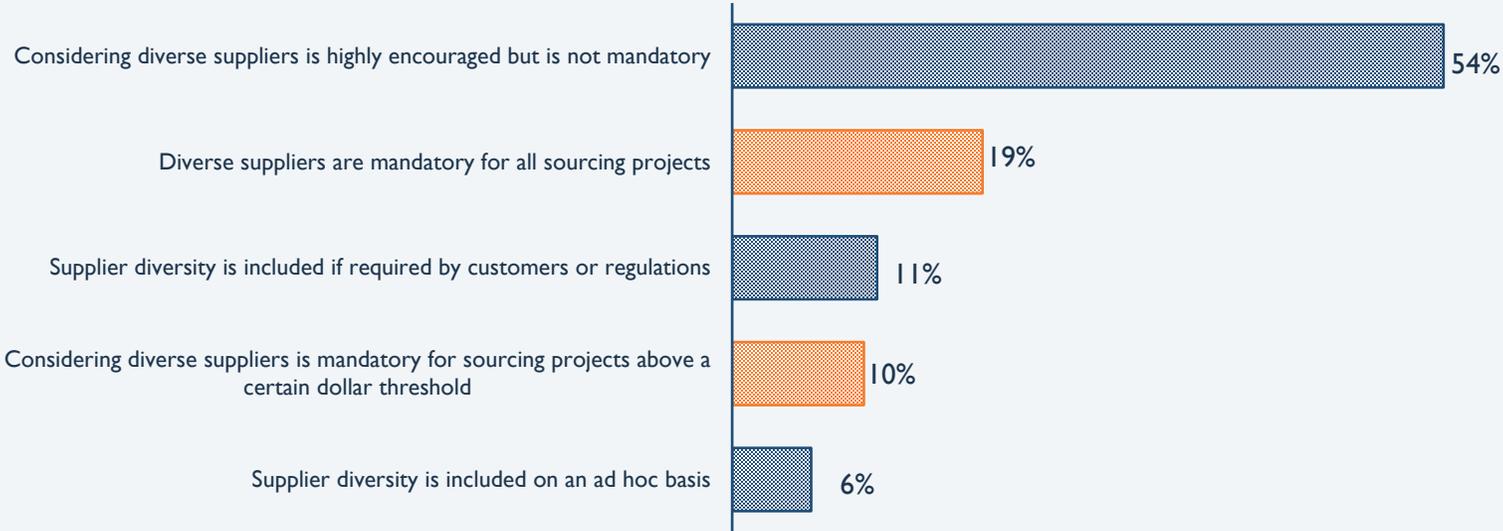




# ADOPTION OF POLICIES & PROCESSES

We continue to see supplier diversity programs making great strides, but there are opportunities for improvement. **Over 54% of respondents' companies highly encourage working with diverse suppliers** but it is not mandatory. **Only 19% of businesses require diverse suppliers to be included in all sourcing projects.**

Supplier Diversity Integration in Procurement Processes

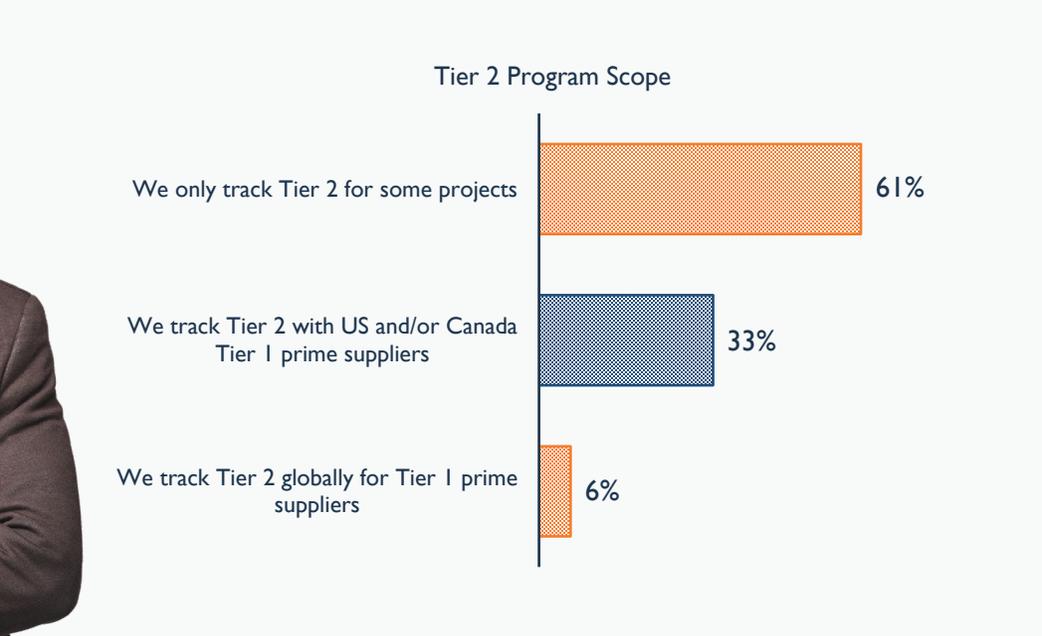
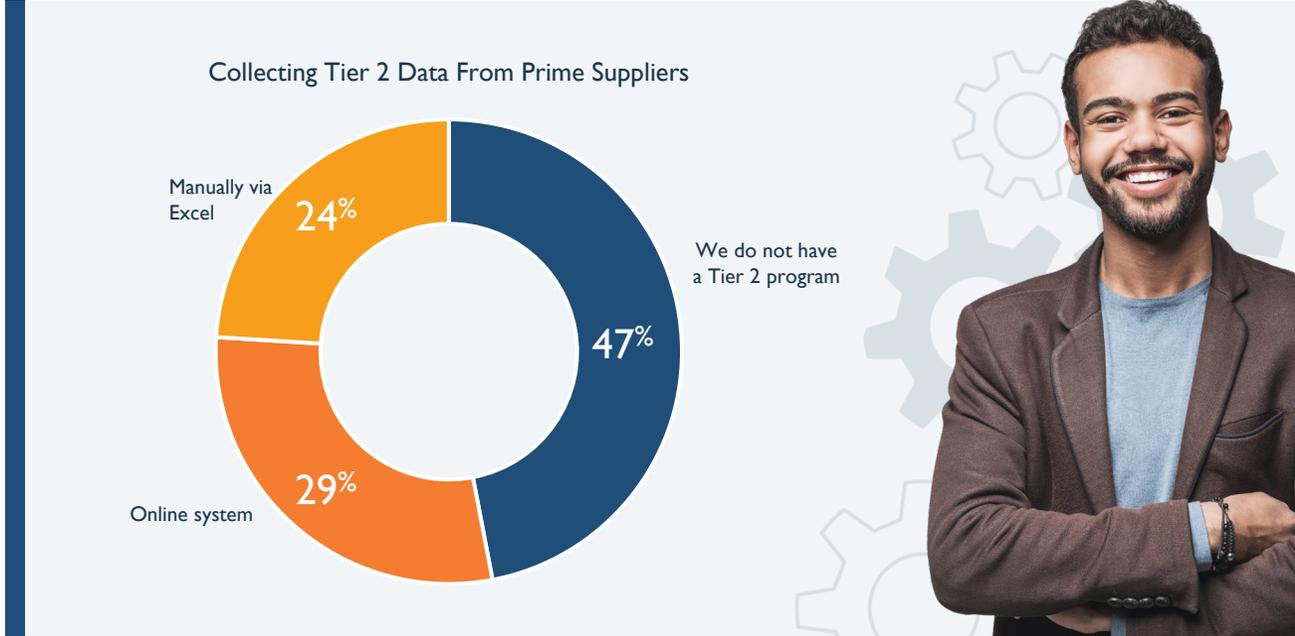


# TIER 2 SUPPLIER SPEND



Tier 2 programs are a natural extension of supplier diversity efforts. **Over 60% of respondents collect Tier 2 data only on some projects** and just over **50% track Tier 2 at all**, leaving substantial room for growth in measurement and accountability.

Companies That Include Supplier Diversity Subcontracting Requirements In Their Sourcing Activities And Contracts



# BUYER TRAINING

Training and communication are imperative to the adoption and success of any process. Without formal training processes in place, programs are at risk of low adoption, future investment and program spend.

**Respondents indicated only 61% are training buyers on what they want to accomplish with their program.** Less than half are training on how to include diverse suppliers, how to leverage the tools the company has invested in or training on why diverse businesses should be included in sourcing activities. One in five programs are not offering any form of training.



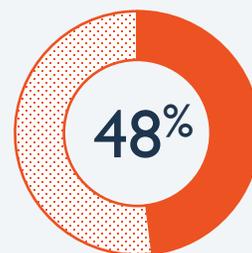
Buyer Training: On Which, If Any, Of The Following Topics Do Buyers Receive Training?



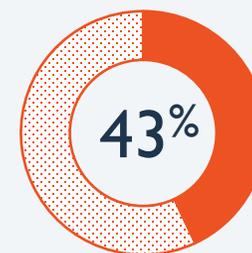
Your Supplier Diversity program and its goals



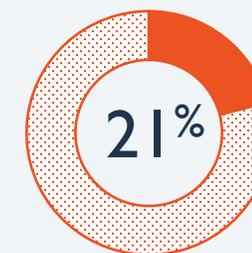
Practices for including diverse suppliers in sourcing opportunities



Utilizing tools available for Supplier Diversity



Educating business owners on why diverse suppliers should be included in sourcing activities



None

What is a top supplier diversity adoption challenge that could be solved by increased internal education?



**“Keeping people informed.”**

-Broker, Freight Transportation Company



# 3

## Empowerment

Signs of disconnects between executive leadership support and placing supplier diversity leaders in a position to be successful appear to be emerging. In order for these programs to continue to make the positive strides referenced earlier, supplier diversity leaders must be empowered, invested in, trained, mentored, and groomed for the evolving role they will continue to serve in helping drive social and strategic progress in their organizations.

# COMMON CHALLENGES

Survey respondents identified a range of challenges encountered in growing and establishing their programs. **Several concerning trends are emerging in this data:**



The ability to **find diverse suppliers, adequate staffing, processes for including diverse suppliers and budget to perform duties are somewhat to extremely challenging for at minimum 59% of respondents.** Unfortunately, these results are essentially flat to marginally better year over year.



In 2022, **64% of respondents indicated establishing a business case was not a challenge,** which is down from 68% last year.

	1 Not a Challenge	2	3 Somewhat to Extremely Challenging	4	5 Extremely Challenging
Finding qualified diverse suppliers	13%	14%	33%	28%	12%
Adequate staffing for the supplier diversity program	20%	14%	28%	17%	16%
Standard practice of including diverse suppliers in sourcing	19%	17%	34%	23%	8%
Adequate budget to meet the objectives of the program	19%	22%	27%	16%	16%
Establishing a business case	43%	21%	28%	4%	4%

# PROGRAM INFRASTRUCTURE

78%

of respondents have at least one full-time person dedicated to supplier diversity which is a slight increase from 2021 (74%).

67%

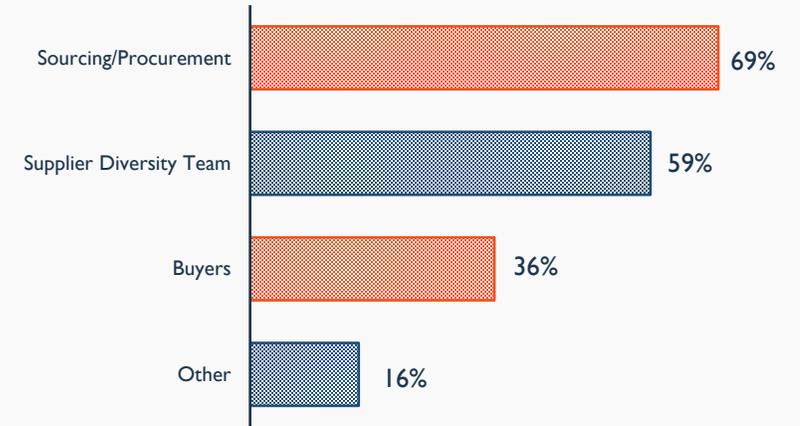
of respondents have an annual plan for Supplier Diversity, including goals and planned activities which is a slight decrease from 2021 (73%).

62%

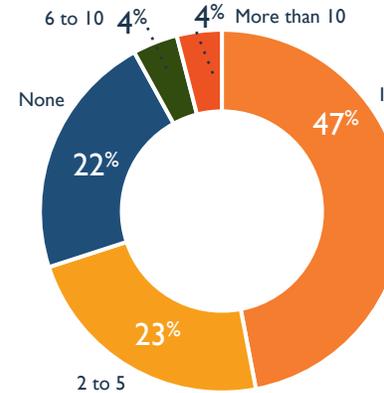
of respondents stated supplier diversity metrics are not included in their management performance objectives, which is flat compared to last year.



Responsibility For Finding Diverse Suppliers



Number Of People Dedicated To Supplier Diversity



Create Annual Plans For Their Supplier Diversity Programs



# TRACKING DIVERSE SUPPLIER STATUS

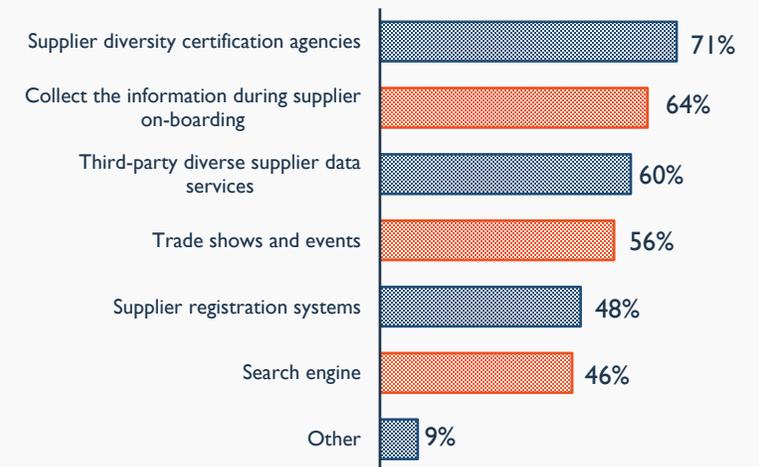
Manual and non-scalable tracking processes continue to cause challenges for supplier diversity leaders. Despite marginal improvements in these metrics year over year, **this could be an indicator behind why measurement and tracking have fallen off as outlined earlier in the report, as well as an indicator of a lack of appropriate resources to scale programs.**



## Methods Companies Use To Maintain Diverse Supplier Certifications



## Tools Used For Finding Diverse Suppliers

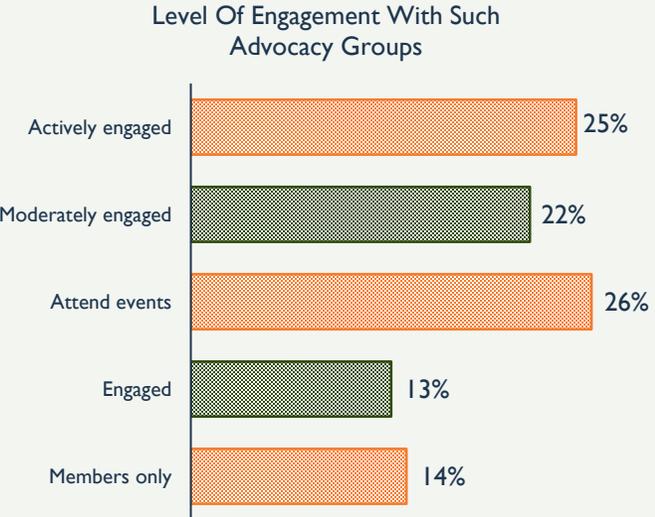


# ADVOCACY AND ACTIVITIES



Advocacy organizations such as NMSDC, WBENC, and others can help companies access tools, knowledge, and development programs to grow their programs. They provide access to industry peers with experiences in navigating each stage of a program’s maturity.

In the U.S., most organizations are engaged at some level with advocacy organizations. Fewer companies engage with advocacy groups outside the U.S., which may be because there are fewer global supplier diversity programs.



Which U.S. Councils Are You A Member Of?



Which International Councils Are You A Member Of?



# CHALLENGES

““ Results are at the extra effort of our team. It is important to the employees that we are doing something in this space, and I hope that our execs will come to support this more.

-Director of Procurement, Global Manufacturing Organization

””

# Conclusion

Supplier diversity is in an incredible place, one many did not think we would get to this quickly. As the company and leadership teams put programs in the spotlight, there's a need to put a major focus on scalable processes and procedures to place your supplier diversity professionals and buyers in positions to be successful. Failure to do so will result in losing the momentum gained, hurt your culture, brand and supply chain competitiveness. Place an emphasis on data driven strategies, with a focus on accountability, measurement, training and communication. Without that rigor, you will only maintain, not grow your program.

supplier.io offers solutions that help companies unlock the full potential of their supplier diversity programs.

Visit our website at **supplier.io** or call us at **708-236-2000** to learn more.

# supplier.io

 [info@supplier.io](mailto:info@supplier.io)

 708.236.2000

 [supplier.io](https://supplier.io)

