Supplier Development (SDP) and Supplier Diversity (SDIP) Programmes

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AGENDA

Supplier Development Programmes (SDP)
Supplier Diversity Programmes (SDIP)
How to implement SDPs and SDIPs
Challenges to Implement a SDIP
Supplier development programme (SDP) is defined as any effort of a buying firm with its suppliers to increase the performance or capabilities of the supplier with a view to meeting the buying firm’s supply needs (Krause & Ellram 1997).

Supplier diversity is a business strategy that ensures procurement professionals source their goods and services from a diverse range of suppliers: whether they’re minority or women owned businesses, not-for-profits or social enterprises that usually are historically underutilized businesses.
Supplier Development Programmes (SDP)
SUPPLIER DEVELOPMENT PROGRAMMES

Every firm should determine sound reasons for adopting supplier development initiatives.

PUSH FACTORS
• Current suppliers are not able to provide a demanded product
• Suppliers are either not performing up to expectations or requirements
• Suppliers are not available in certain markets
• The need for cost reduction

PULL FACTORS
• The need for cost reduction
• New product development
• Improvement of business alignment between the 2 firms
• Promote Innovation
• Increase supplier diversity

Three approaches
1. Supplier Switching
2. Vertical integration
3. Supplier Development
SUPPLIER DEVELOPMENT PROGRAMMES

Benefits of a SDP

Operational Strategic

Strategic

• Drive / Promote Innovation
• Create Stronger Long-term Supplier Relationships
• Enhanced Customer Satisfaction
• Full transparency between organization, suppliers, and other stakeholders
• Increased visibility of full supply base to procurement, quality, and even management departments
• Aligning supply chains focused on people, planet and profit
• Drive Job Creation.
• Creating collaborations in line with sustainable development goals
• Improve Brand Perception

SD programmes have also been implemented to help improve the chances that a small and typically undercapitalised supplier firm can maintain its ground in a competitive supply chain
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Benefits of a SDP

**Operational**

- Maintaining the lowest possible total cost of ownership
- Resolve Performance and Quality Issues
- Improved quality, manufacturability, and reliability for new designs
- Access More Supplier Channels and Sources
- Increase supplier responsiveness
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What a SDP (and SDIP) involves:

1. Selection of competent suppliers in terms their capabilities on:
   - Technology
   - Quality
   - Delivery

2. Work with them to upgrade their capabilities
   - Environment performance
   - Economic performance
   - Social performance
A firm’s ability to produce a quality product at a reasonable cost, and in a timely manner, is heavily influenced by its supplier’s capabilities.

SDP should emphasize ongoing improvements of suppliers’ capabilities for the long-term mutual benefit of both parties.

Supplier development, integration, and collaboration toward social sustainability contribute to buyers’ strategic advantage.
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Supplier Development Categorization

Basic Supplier Development
- Evaluation of Suppliers’ performance and feedback to suppliers
- Sourcing from a limited number of suppliers
  - Parts standardization
  - Supplier Qualification

Moderate Supplier Development
- Visiting suppliers’ plants
- Awards and approval of suppliers’ performance improvements
- Collaboration with suppliers in Materials improvement
  - Supplier certification

Advance Supplier Development
- Training to suppliers
- Collaboration with suppliers
- Involvement of suppliers in the buyers’ new product development process
  - Intensive information exchange with suppliers
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SD Elements

Top management involvement
- Top-level managers of the buying firm should perceive the need for supplier development.
- Various resources, whether financial or human related, must be considered by the ones in-charge at the top of company hierarchy to support those suppliers that are involved in supplier development program.

Communication
- Sharing information plays an essential role in knowledge sharing, and it has a big influence between partners making them better to understand each other’s goals.

Collaboration
- Knowledge transfer and training
- Technical and capital support
- Involving suppliers in product development
- Suppliers certification – quality audits – site visits

Long-term commitment
- A successful relationship performance between a buyer and supplier passes through the development of a long term commitment between both parties
- The consequences of such a long term commitment can result to acquire competitive advantage.

Trust
- The climate of trust is essential for working with supplier development as the trust will minimize the risk and uncertainties that exist between customer and supplier.
- The building of supplier’s trust on supplier development program will encourage the supplier to actively participate in the program rather than just take it as the customer’s requirements.
SUPPLIER DEVELOPMENT PROGRAMMES

SD Elements

1. Knowledge & skills transfer
2. Technical and capital support
3. Involving suppliers in product development
4. Supplier quality audits - site visits - certifications
Supplier Diversity Programmes (SDIP)
Supplier diversity is a business strategy that ensures procurement professionals source their goods and services from a diverse range of suppliers; whether they’re minority, or women owned businesses, not-for-profits, or social enterprises that usually are historically underutilized businesses.

Sourcing products and services from previously underrepresented suppliers leads organisations to reflect the demographics of the community in which they operate.

It creates an equal marketplace where opportunities are open to all participants regardless of their gender, race, ethnicity, sexual orientation, or disabilities.
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Elements of a SDIP

- Leadership Commitment and Engagement
- Alignment with Corporate Mission (CSR)
- Clearly Defined SDIP Policy
- Resourcing and Implementation Plan
- Stakeholders Participation
- Communication
SUPPLIER DIVERSITY PROGRAMMES

Elements of a SDIP

- Leadership Commitment and Engagement
- Alignment with Corporate Mission (CSR)
- Clearly Defined SDIP Policy

Reach endorsement from:

- Top Level Management of the company (CEO, CPO, etc.)
- Internal stakeholders – employees
- External stakeholders – shareholders & communities in which the company operates

Long-term commitment

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Trust

- The building of supplier’s trust on supplier diversity program will encourage the supplier to actively participate in the program rather than just take it as the customer’s requirements.
How to implement SDPs and SDIPs
SDPs and SDIPs

Decision Process

- Create a cross-functional team
- Improve, and start over
- Complete a Needs Analysis
- Implementation
SDPs and SDIPs

Create a cross-functional team
SDPs and SDIPs

Complete a Needs Analysis

- What do I want to accomplish from a SDP or SDIP?
- Assess your current situation
- Assess required resources to plan and implement the SDP: Human, financial, tools, etc.
SDPs and SDIPs

Complete a Needs Analysis

- Assess your current situation
- Your supply base
- The number of minority-owned businesses in your country / region
- Existence of Women Business associations and certifications
- Government initiatives and regulations
- What diverse-owned small businesses want and need
SDPs and SDIPs

Complete a Needs Analysis

Assess required resources to plan and implement the SDP: Human, financial, tools, etc.

**RESOURCES**

- Cross-functional team (HR)
- Financial Resources
- External partners
  - Governments
  - BSOs
  - International Organizations
  - Training Institutions
- Data
  - Minorities situation in your country
  - % minorities in supplier base (#, %)
- Tools
  - Identification and selection of suppliers (website)
  - Capacity Building
SDPs and SDIPs

Implementation

- KPIs, and Targets
- Develop Partnerships
- Identify Critical Commodities
- Provision of Support and Capacity Building
- Monitor & evaluate
- Report & communicate
### KPIs and Targets

- Numbers and Percentages of procurement portfolio
- $ Spend on minority-owned businesses (MOBs)
- Participation level on RFP/RFI, full tenders, etc.
- Percentages of MOBs that are shortlisted and/or awarded
SDPs and SDIPs

Identify critical commodities

Supplier Positioning Model

- Bottle Neck
- Strategic
- Routine
- Leverage

Impact / Supply Risk vs Spend $

80% of items = 20% of spend
20% of items = 80% of spend

http://www.scm-learningnet.org/mod/timetable/link
SDPs and SDIPs

Provision of Support and Capacity Building

- Implementing capacity building activities
  - To Procurement Team
  - To suppliers

- Incentivize and reward achievements
  - To procurement team
  - To suppliers
SUPPLIER DEVELOPMENT PROGRAMMES

Implementing capacity building activities

To Procurement Team

分析总拥有成本，供应商定位模型

识别和维护供应商绩效指标，以及

通过透明沟通建立战略合作伙伴关系

To suppliers

过程导向建议

知识和技能的转移

战略建议

市场进入的支持

人员转移

财务支持

投资于供应商
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★ Report & communicate

- Awareness
- Engagement
- Monitor Performance
- Show Results (Reporting)

Internal Customers

External Customers
SDPs and SDIPs

Improve, and start over

- Improve
- Start over ...
- Monitor
- Evaluate
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What expect from for SMEs perspective

- Be honest and realistic about their capabilities
- Do not expect award large value contracts overnight
- Be prepared to invest in relationships with prospective client (you)
- Be outstanding – aspire to set a global benchmark in whatever they do – this is not charity
- Define their proposition clearly and simply
- Present their financial health. If required, provide support and training.
- Certify business as diverse with associations and/or agencies where available

WHAT DO YOU EXPECT
Challenges to Implement a SDIP
SUPPLIER DIVERSITY PROGRAMMES

Supplier-Specific Pitfalls

- Lack of Supplier Commitment
- Insufficient Supplier Resources (technical or human)

Buyer-Specific Pitfalls

- Buyers are reluctant to fully commit to supplier development primarily when they see no obvious potential benefits
- Lack of immediate monetary benefits
- Indecisive support of top management
- Lofty expectations that go unrealized may reduce enthusiasm for future supplier development efforts.
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Challenges and potential solutions

- Consolidation to reduce purchasing and administrative cost.
- Extending payments - affecting SMEs suppliers.
- Access to smaller, diverse suppliers is challenging from the corporate viewpoint. Large suppliers invest in sales, generation, marketing, build relationships.
- High level of bureaucracy for small suppliers (requirements, checks, meetings, financial scrutiny, etc.).
- Make programs more central to procurement decisions.
- The majority of diverse-owned businesses don’t want special privileges; just easy access and a seat at the table to win fairly.
- How can firms verify that their investments in diversity programs go to the right groups and that these groups are genuine.
- Avoiding positive discrimination.
- Organisational Structure & Process.
- Supplier visibility.
- Cash flow management.
- Holistic vs Savings approach.
- Accountability.
Invitation to a Mindset Change
SUPPLIER DIVERSITY PROGRAMMES

Invitation to a Mindset Change

➢ For procurement to engage the wider business with supplier diversity, they must reposition it as a business-wide initiative rather than a procurement strategy.

➢ Assume SDIP as a cultural way of work, not as an isolated project.

➢ Keep the language and process simple. Suppliers don’t want to spend hours completing applications, updating certifications or mining through complicated portals. E.g. Google programme.

➢ Make your procurement area accessible to diverse suppliers. Open website, publish opportunities, simplify accessibility, etc.

➢ Avoid one-size-fits-all solutions. Recognize the importance of global and local needs.

It may be difficult to fight the “lowest cost” instinct, but companies need to evolve and ensure all stakeholders along their value chain comply to sustainability standards and contribute to the Sustainable Development Goals.
Sustainability & CSR

From stakeholders to shareholders
prosperity
Q & A
спасибо
GRACIAS
THANK YOU
ありがとうございます
MERCI
DANKE
धन्यवाद
شكراً
OBRIGADO