

BUSINESS LAW TODAY

A New Frontier: Supplier Diversity in the Legal Industry

By [Luis J. Diaz](#) and [Robert Johnson](#)

When the topic of diversity is mentioned in connection with law firms, the first thing most people think about is ethnic, racial, and gender mix in the workplace. A multitude of publications and scholarly writings direct the business case for diversity around the workplace. What is notably missing from this discourse is any mention of supplier diversity and strategic sourcing. Among the Fortune 500 clients represented by members of the AmLaw 200, however, supplier diversity is heralded as an important business strategy. While innovative law firms have implemented supplier diversity programs, many corporate firms have not yet explored this area of diversity promotion. Some are just beginning to understand the strategic role supplier diversity plays for their corporate clients, who themselves developed supplier diversity programs to take full advantage of sourcing and business opportunities. There is much to be learned from corporate clients as law firms begin to explore this new frontier for diversity.

Defining Supplier Diversity

Before discussing the necessity and benefits of supplier diversity, it is helpful to have an understanding of what supplier diversity actually means to clients represented by corporate law firms. Supplier diversity can

be defined as the commercial tactic to present diverse suppliers with equal access to commercial sourcing and purchasing opportunities. In short, supplier diversity is a business program that encourages the use of suppliers that are minority owned, women owned, veteran owned, LGBT owned, service disabled veteran owned, and other historically underutilized businesses, including small business vendors more broadly. Initially, supplier diversity was recognized as an extension of corporate social responsibility. Now, modern global brands (those with advanced supplier diversity programs) are utilizing supplier diversity as a strategic sourcing tool to improve business efficiency and as a means to obtain more competitive pricing for goods produced.

Corporate procurement professionals aim to achieve savings through numerous sourcing strategies, such as product specification improvement, best price evaluation, volume consolidation, and global sourcing. The most effective procurement specialists balance and integrate supplier diversity goals (i.e., increasing use of and opportunities for minority and women owners suppliers) with the other sourcing strategies. In order for strategic sourcing initiatives to be successful, it is critical that procurement professionals expand the prospective corporate supplier

base beyond traditional supply sources. This strategy requires a critical review of a greater number of corporate products and services, in addition to the quality and service provided by current corporate suppliers, in order to increase competition. Many Certified Minority and Women Owned Business Enterprises (MWBE) have national and global exposure and are able to provide an alternative supply source that assist companies with achieving goals of increased sourcing competition.

When companies designate sourcing expenditures exclusively for MWBE suppliers, this in turn increases overall supplier competition with minimal corporate risk. The limited spend allocated by companies towards the utilization MWBEs creates the opportunity for a company to increase its familiarity with MWBE capabilities with minimal risk. The preconceived notion that MWBEs aren't competitive enough for sourcing opportunities is dispelled, and successful supplier diversity programs achieve the corporate goal of expanding the supplier base, thus increasing competition among existing corporate suppliers.

The Business Case for Supplier Diversity

Among the Fortune 500, there has been a slow progression in the United States over

the years to provide equal opportunities and increased inclusion of women and minorities through affirmative action initiatives. This gradual advancement of diversity laws and initiatives reached the general corporate environment and developed into the formal corporate diversity management policies and programs that were established in the 1990s and 2000s.

The public sector, through government contracts and universities, has tracked diversity for years. In many instances, diversity is mandated as a requirement for doing business with governmental entities, which in turn has provided the basis for building a supplier diversity program in the private sector. Until recently, the most powerful force behind supplier diversity was the U.S. federal government, which continues to be the largest customer for minority and small, disadvantaged businesses.

Now, global brands have started to recognize the opportunity for supplier diversity programs to facilitate the growth of their businesses through increased market share among rising customer bases, stronger share price, faster innovation cycles, brand awareness, and loyalty. In an effort to continue the progress of previous diversity efforts, many global brands are now taking on diversity strategically by aligning it with wider corporate social responsibility initiatives that report directly to the executive level. Such corporate responsibility initiatives are among the fastest growing corporate trends in corporations today, expanding to several areas, including human resources, brand management, and risk management. For many companies, the move beyond corporate social responsibility drivers for supplier diversity comes down to the simple fact that it makes good business sense to expand corporate growth through supplier diversity, given that MWBEs are increasing at a rate of six times faster than non-MWBE companies.

Today, most major corporations have robust supplier diversity programs that track spend with MWBE vendors, as well as with majority vendors – like law firms – that utilize MWBE certified companies to provide services (commonly referred to as “second

tier” spend). A tangible example of the increased private sector understanding of the economic benefits of supplier diversity is “[The Billion Dollar Roundtable \(BDR\)](#).” Established in 2001, the BDR brings together major corporations that make meaningful and measurable contributions to the economic growth of MWBEs and whose supplier diversity spending has reached or exceeds \$1 billion annually. The BDR’s mission is to “promote supply chain diversity excellence through research, education and best practices.” Active BDR members include: Altria Group Inc., DaimlerChrysler, Ford, General Motors, IBM, Johnson Controls, Lockheed Martin, Procter & Gamble, SBC, Toyota Motor North America, Verizon, and Wal-Mart.

Best Practices in Supplier Diversity

Many global brands use various strategies to discover and certify diverse suppliers. Such strategies include: (1) sponsoring supplier diversity events, (2) advertising supply opportunities, (3) participating in trade shows, and (4) using diverse supplier databases maintained by the National Minority Supplier Development Council (NMSDC) and the Women’s Business Enterprise National Council (WBENC). Diverse supplier search strategies can consume a significant amount of corporate resources; therefore, all implementers of supplier diversity programs must determine the appropriate amount of time and energy to invest in such activities in order to achieve maximum efficiency.

Any law firm seeking to implement supplier diversity to complement their workplace diversity strategy would be well advised to consider utilizing some of the following best practices promulgated as objectives by the NMSDC:

Objective 1 Design a business policy and incorporate corporate management support

1. Firm leadership creates a supplier development program as the official policy of the company.
2. Firm leadership supports the rationale behind a supplier development policy.
3. Management committee appoints a full-time staff and has devoted resources to a

supplier diversity program.

4. Management is held accountable for supplier development.
5. There is a written corporate supplier diversity policy.
6. Supplier diversity utilization statistics are included in quarterly and annual performance goals for the corporation.

Objective 2 Create supplier diversity development plan

1. The policy is supported by a supplier diversity development business case based on economic value to the corporation.
2. Practice group reviews may be tied to performance in developing supplier diversity across the organization.
3. The supplier diversity program advocates for the inclusion of certified MWBEs in all procurement opportunities.
4. Input from other diverse supply groups is included in the supplier diversity development process.
5. Responsibility for supplier development is implemented in business units other than purchases.
6. Firm may consider forming an effective supplier diversity steering committee.
7. Supplier diversity is included in marketing and sales publications.

Objective 3 Create internal and external communication

1. Supplier diversity education materials are included in marketing materials.
2. MWBE suppliers not successful in winning bids are interviewed so they are able to submit a more competitive bid.
3. The firm actively participates in MWBE programs.
4. Supplier diversity outcomes are published in firm annual reports.
5. The firm has an established process to respond to prospective suppliers.
6. Firm awareness of supplier diversity initiatives is promoted throughout the organization.

Objective 4 Identify opportunities and procedures for supplier diversity in strategic sourcing

1. MWBEs are developed for potential utilization in product, service, and com-

modity areas.

2. Requests for proposals have standard language in place to identify MWBEs, and the supplier selection process has goals for MWBE inclusion.
3. Supplier diversity is integrated into the corporation's strategic sourcing process.
4. The MWBE screening process is fair.

Objective 5 Create a supplier diversity development process

1. Mentor program may be established.
2. Training provided to MWBEs pertaining to corporate policies (quality, safety, supply, etc.)

Objective 6 Authorize tracking, reporting, and outcome process

1. A supplier diversity tracking system that reports results to corporate governing board is established.
2. Clearly stated supplier diversity performance goals (i.e., utilization, increases, expenditures) are tracked and reported.
3. Quarterly and annual scorecards of achieved goals are reported.
4. Performance reviews are linked to supplier diversity goals.

Objective 7 Perpetual supplier diversity improvement plan

1. Annual audits verifying supplier diversity activities are performed.
2. Communication between the firm and MWBEs is ongoing.
3. Milestone comparisons between the firm and MWBEs are made.

Supplier Diversity Mega Trends

As noted, supplier diversity is constantly evolving among the clients represented by AmLaw 200 firms. Also as noted, supplier diversity originated as a 1970s "socioeconomic program" utilized to comply with customer requirements for MWBE participation. Due to increases in size and purchasing power of the minority population, many Fortune 500 companies have begun to shift away from compliance driven programs to strategic sourcing driven by comprehensive procurement and marketing strategies. Corporations have begun to integrate their supplier diversity programs in corporate branding strategies to support sales and gain access to new markets. The increase in the minority population has caused corporate customers to evaluate the diversity track record in their buying decisions. Companies now understand the value of having minority suppliers in their pipelines and how it provides them with an advantage in the global marketplace due to the fact that MWBEs often have cultural, language, and business ties to their countries of origin. Effective supplier diversity programs assist corporations by providing them with a competitive marketplace advantage. The same benefit may extend to corporate firms adopting similar programs and strategies. A law firm with a robust supplier diversity program may be well positioned to provide second tier spend that is valued by a Fortune 500 client.

MWBEs also represent a new market opportunity for law firms. Over the years, many MWBE vendors have themselves developed into major companies. The National Minority Supplier Development Council

created a "Corporate Plus" program with dozens of companies capable of meeting national contract requirements. The aforementioned growth is also part of the second and third generation MWBE owners. The latest generation of MWBE owners has university degrees, corporate experience, technology capabilities, and access to capital markets, so that they are better able to expand their businesses. These new MWBEs are now regularly documented in print media such as *Black Enterprise 100*, *Hispanic Business 500*, and the *Minority Business News 100*.

Conclusion

Major law firms, especially those representing companies with robust supplier diversity programs, would be well advised to consider supplier diversity as a strategic complement to any existing workplace diversity program. In the highly competitive legal industry, the existence of such programs may provide strategic advantages both in terms of sourcing, request for proposal competition, and business generation. It may also provide a new source of business: the MWBE clients servicing the Fortune 500.

Luis J. Diaz is chief diversity officer of Gibbons P.C. in Newark, New Jersey, and administers "GDI-123," the firm's award-winning supplier diversity program, which engages Gibbons attorneys, clients, and the broader business community to promote workplace diversity and inclusion. Robert Johnson is an associate at Gibbons and a member of the Gibbons Diversity Initiative.