



SUSTAINABLE SUPPLY CHAIN ALLIANCE

SUPPLIER DIVERSITY AND ENGAGEMENT QUICK START GUIDE

SSCA Guidance for Electric Utility Supply Chain Professionals

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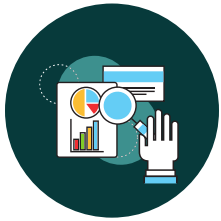
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WHY IS THIS IMPORTANT?



01 — New Regulatory Frameworks

In 2021, the Department of Commerce made the Minority Business Development Agency permanent and expanded its mandate to coordinate and partner with Minority and Women-owned Business Enterprises. Although supplier diversity is currently voluntary, there is a large drive to develop and solidify programs for a number of reasons, one of those being the [Supreme Court Ruling's on Affirmative Action. The ISO 20400 Guidelines for Sustainable Procurement](#) offers insights into how to align your business.



02 — Increased Investor Scrutiny

Investors are becoming increasingly concerned with the maturity of organization's supplier diversity programs. There is an investor driven push to develop supplier diversity programs due to the benefits they offer, specifically the resiliency and cost savings they curate in the value chain. Leading companies understand these benefits, and this is illustrated by the fact that 82% of fortune 200 companies have a formal supplier diversity program.

03 — Reputational, Financial, and Operational Risk

Supplier diversity drives savings and mitigates risks by providing options that curate innovation and efficiency. Developing these programs [enhances brand reputation](#) amongst peers, investors, and consumers. Financially, supplier diversity programs [increase revenue and reduce procurement spend](#). [According to a McKinsey study, minority- or women-owned businesses enterprises \(MWBEs\) generate year-over-year cost savings of 8.5% — considerably higher than the average 3% to 7% annual procurement savings that most companies realize.](#)



WHERE SHOULD YOU START?

Creating a supplier diversity program within your organization may seem like a daunting task, but according to the office of Minority & Women's Business Enterprises (MWBE) the best way to get started is to proactively identify your contracting and procurement needs. It is important to identify these needs by spend category. Being able to plan in advance and have ample notice is key when beginning a supplier diversity program.

ORGANIZATIONAL RISK MANAGEMENT PRACTICES



Establishing goals and objectives

- Conduct a baseline analysis and benchmark at the category level begin to develop a plan and goals for supplier diversity spend.
- Companies should also take regulatory and market conditions into consideration along with existing and potential customer contractual agreements.
- Examples of goals are focusing on a % of tier 1 and/or tier 2 spend, total number of diverse suppliers, diverse suppliers by % of spend, etc.
- According to Forbes, leading companies aim to have their spend with diverse suppliers reflect revenue that is generated from diverse consumer segments.



Tracking and measuring progress

- Companies should establish a regular timeline for tracking progress against goals. This is important to ensure you are on track and allows you to address any gaps or challenges your supplier diversity program faces.



Achieving goals and expanding programs

- Often companies begin their supplier diversity programs with desire for general supplier diversity, however after your program becomes more mature you may choose to drive impact in specific sectors of diversity (ex. Focusing on minority owned businesses).
- This can come in the form of more specific “micro-goals” where the company may narrow their focus.

Case Study: Arizona Public Service



Arizona Public Service (APS): Diverse Supplier Training Program (DSTP)

Established in 1997, the annual Diverse Supplier Training Program at Arizona Public Service (APS) originally consisted of a nine-month in-person training for a small group of 10-12 business owners with the goal of providing the skills and tools necessary to win more business with the electric utility.

In 2021, due to the pandemic, the program underwent a major redesign with a focus on accessibility for local and minority-owned businesses. The new virtual and on-demand format allows business owners to complete the program at their own pace. Within the first year, the number of participants increased to 60 businesses, with a wider reach that includes rural areas like the Navajo Nation. The goal of the APS Supplier Diversity and Development program is to increase spending with small, local, and diverse suppliers, fostering a stronger local economy and community.

Key Purchasing Practices

1

While selecting diverse suppliers, there are processes you can use to ensure you are choosing suppliers that best fit your organizations objectives and criteria. You can use tools such as request for proposals (RFPs), request for information (RFIs), supplier scorecards, checklists, or assessments (SSCA Supplier Assessment) to rank and rate diverse suppliers on key criteria and objectives.

2

Consider implementing specific payment terms to support the diverse supplier. An example is [SDG&E who created a successful program](#) that includes a financial capability series aimed at encouraging the suppliers financial success. SDG&E also has a directive to pay small and diverse businesses within 15 days versus 45 days, which gives the benefits the supplier.

3

Practice [supplier identification](#) by building out relationships with diverse suppliers. Specific measures to ensure diverse suppliers are receiving opportunity include specialized networking, targeted informational sessions, and even matching them with other suppliers involved in the business.

Sample RFx Questions

1. Does your company consider diversity in procurement decisions?
2. Does your company have a supplier diversity program in place or are you in the process of creating a supplier diversity program?
3. Does your company have supplier diversity goals or targets that you are actively working toward?
4. Does your company regularly monitor your progress toward supplier diversity goals?
5. Does your company have programs or initiatives in place to help achieve supplier diversity goals or targets?

These sample RFx questions can be used however you see fit, including conversationally in engagements with suppliers.



TOOLS AND RESOURCES



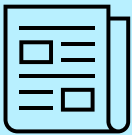
SSCA
Resources



Frameworks

Tools and Resources

- [ISO Standards](#)
- [Forbes- How to Make the Most out of Your Supplier Diversity Investments](#)
- [How Supplier Diversity Could Be Impacted By the Supreme Court's Affirmative Action Ruling & 5 Ways Your Organization Can Respond](#)
- [ICF- Utilities' embrace of fivers business enterprises is critical to success](#)
- [LinkedIn- How do you design and implement a supplier diversity inclusion policy and framework?](#)
- [LinkedIn- How do you identify diverse suppliers that align with your social impact goals and values?](#)
- [McKinsey- Expand diversity among your suppliers – and add value to your organization](#)
- [Netsuite- What is Supplier Diversity? Why Your Business Needs it](#)
- [SDG&E- Supplier Diversity](#)
- [Supplier Diversity Best Practices](#)
- [Supply Chain Brain – Affirmative Action is Out – But Supplier Diversity is Here to Stay](#)
- [UN Global Compact – Applying a Gender Lens to Sustainable Procurement](#)



Regulations and
Further Information

