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MINORITY BUSINESS NEWS

👤 **Bernard Tyson**, chairman and CEO of Kaiser Permanente, a member company of the Billion Dollar Roundtable Inc.

**BDR
annual
summit
examines
economic
impact of
supplier
diversity**



BILLION DOLLAR ROUNDTABLE

examines economic impact
of supplier diversity at
annual summit

BY M.V. GREENE

Billion Dollar Roundtable Inc. recently held its annual summit in Oakland, California, with the timely theme “Creating Economic Impact via the Supply Chain: Driving Innovation. Growing Jobs. Increasing Prosperity.” In other words, doing business with enterprises owned by minorities, women and other diverse groups, simply, is good business.

“At Apple, we know that inclusion and a diverse supply base are critical to our success and our efforts to offer the best products. A diverse supply base is one of the only ways that we can actually do that,” said Walter Freeman, director of supplier diversity at Apple Inc., the global personal technology innovator that joined BDR in 2017.

BDR, whose 28 member-companies represent some of the globe’s most prominent business brands, is at the forefront of driving thought leadership and supporting best practices that create supply-chain opportunities for diverse businesses. Conducting an annual summit each year since its founding in 2001 at venues around the country — including New York; Washington, D.C.; Seattle; Dallas; and Atlanta — BDR’s Oakland Summit was the first staged in California and the largest yet with 316 participants.

Bernard J. Tyson, chairman and CEO of BDR member-company Kaiser Permanente — the summit’s host, welcomed attendees. Longtime Bay Area sportscaster

Mark Ibanez served as master of ceremonies.

Tyson outlined in remarks at the summit's opening dinner reception what diverse-supplier procurement means to the culture of his Oakland-headquartered company.

"We made a decision that we were going to be in the Billion Dollar Roundtable," he said. "We were clear from the day Kaiser Permanente was in existence that in our DNA as an organization there was the notion about creating a level playing field and equality for all. It goes back to the history of our organization."

BDR summits bring together corporate procurement executives, supplier diversity professionals, diverse suppliers, advocates, academics, investors, consultants and government officials to deliberate current topics in supplier diversity. The Oakland Summit examined how supplier diversity initiatives produce economic benefits to citizens and communities in regions where corporations operate.

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— Bernard J. Tyson

Tyson emphasized for summit attendees that Kaiser Permanente isn't building out its supplier diversity footprint as merely a corporate initiative or project. To achieve success, supplier diversity required a "complete alignment" with Kaiser Permanente corporate objectives, he said.

Kaiser Permanente, with \$65 billion in revenue and more than 200,000 employees nationally, was inducted into BDR in 2014 — the first health care system to gain membership based on procuring more than \$1 billion annually in Tier I spend with diverse suppliers.

"Our overall strategy as an organization is centered on this little concept called total health," Tyson said. "This total health is a comprehensive view of asking a question about what parts of the environment must come into play to create the possibility that someone can have life, liberty and the pursuit of happiness with the best health possible. So, to that end, we think about everything inside the context of total health."

The concept of total health, he said, is linked to the favorable economic impact of supplier diversity, the summit's overarching theme.

"If you don't have a job, you run the risk of greater stress, of greater depression," Tyson said. "If individuals in their communities are not working, the infrastructure of the community begins to break down. Thinking about the fundamental infrastructure for every one of our communities is part of our strategy."

Examining the economic impact of corporate supplier diversity, summit speakers echoed many of his sentiments.

Economic impact study results

BDR also announced research results from an ongoing supplier diversity economic impact study.

Jose Corona, City of Oakland, director, equity and strategic partnerships,

Speakers and panel members at the 2017 BDR annual summit



Don McKneely
The Billion Dollar Roundtable Inc.
chairman emeritus



Xavier Hadjadj
Johnson & Johnson



Doug Crawler
Synasha



Jennifer Allison
Dell Inc.



Quentin Roach
Merck & Co. Inc.



David O'Brien
Exelon Corp.



Andy Butler
The Procter & Gamble Co.

and Mayor Libby Schaaf said BDR’s mission to create business opportunity for diverse suppliers is in line with the thinking of the city.

“It’s about opportunity, and it’s about opportunity especially for those that have the least historically,” Corona said.

He noted that in Oakland, for instance, the average annual sales receipts for a white-owned business are \$378,000, compared to \$121,000 for a Latino-owned business and \$66,000 for an African-American-owned business. He said corporate supply-chain procurement gives diverse businesses an opportunity to grow their sales, and customers of those corporations and the communities in which they operate reap the benefits.

“It’s not all about starting businesses,” Corona said. “We can start businesses all day long. But, it’s how do you scale them? How do you scale them to the point where they can actually provide good jobs and become suppliers to all the corporations that are here?”

“Why does the economic impact of supplier diversity matter? Because you [corporations] can drive it down to your company’s revenues. If you can get topline revenue growth, you **translate that into profits and that can drive share price.**”

— Michael Verchot

BDR’s economic impact study, conducted by Michael Verchot and researchers at the University of Washington Consulting and Business Development Center at the Foster School of Business, has been examining the direct impact of supplier diversity and the economic benefits the practice creates for communities where corporations operate — notably job creation, wages and tax revenue.

BDR member-companies account collectively for \$75 billion in audited Tier I supplier diversity spend and \$22 billion in Tier II spend, BDR announced at the summit in releasing preliminary 2017 statistics, noting that the statistics cover the 2016 spend of 26 of its 28 members. Average annual member-company spend is \$2.9 billion, and member-companies spend an average of 10.9 percent of their overall procurement dollars with diverse suppliers, BDR announced.

Verchot shared with attendees during a summit panel some conclusions gleaned from the research based on an economic input-output model examining the impact of the supplier diversity spend of three BDR member-companies —Verizon Communications Inc., Honda North America Inc. and Bank of America Corp. — participating in an early phase of the study. The three companies’ collective \$9 billion in Tier I and Tier II supplier diversity spend generated an economic value of \$18.6 billion in the communities in which they operate and accounted for \$5.4 billion in wages, 120,340 jobs and \$10 billion in gross domestic product, he said.

Those four measures of economic impact resulted in a value of more than 2-to-1 against the companies’ supplier diversity spend dollars, he said. The benefits are apparent for communities, but also for corporations because citizens receiving the benefit will plow some of those dollars back into the goods and services that companies sell, he said.

“Why does the economic impact of supplier diversity matter? Because you [corporations] can drive it down to your company’s revenues,” Verchot said.

**Speakers
and panel
members at
the 2017
BDR annual
summit**



Michael Byron
Wal-Mart
Stores Inc.



Laurel Junk
Kaiser Permanente



Kathy Gerwig
Kaiser Permanente



Rick Hughes
BDR board chairman



Sharon Castillo
SB Services Inc.



Michael Verchot
University of
Washington



**Tiffany Eubanks-
Saunders**
Bank of
America Corp.

“If you can get topline revenue growth, you translate that into profits and that can drive share price.”

Panel member Tiffany Eubanks Saunders, a senior vice president at BDR member-company Bank of America, said investment in corporate supplier diversity creates significant benefit for her company.

“The reality is that we sell products and financial services into communities,” she said. “So, helping to drive growth and development in all the communities that we serve is vital not only to our current existence, but also our long-term existence.”

Investing in supply-chain diversity

The BDR forum also addressed a number of current topics in supplier diversity, including showcasing current and future deals from its capital-for-growth initiative, the Triad, which seeks to bring corporations, investors and diverse suppliers together for mutual benefit.

In a summit panel, corporate chief procurement officers examined how corporate sourcing organizations are using the power of procurement for the benefit of their diverse supplier partners.

Panel moderator Theresa Ragozine, vice president, procurement citizenship, at BDR member-company Johnson & Johnson, said the value proposition within the procurement function has an “incredible opportunity to shift” the conversation concerning diversity sourcing by insisting that the supply bases it works with replicate and assume the values of procurement organizations.

Panelist Quentin Roach, chief procurement officer and senior vice president of global supplier management at BDR member-company Merck & Co., added that sourcing organizations have a “unique opportunity and a unique leadership role” within major corporations to bolster operations by introducing innovation from external providers, including diverse suppliers.

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— Tiffany Eubanks Saunders

Another panelist, Jennifer Allison, vice president of supply chain sustainability at BDR member-company Dell Inc., said the procurement function operates within a vast network of suppliers and can influence supply-chain diversity and inclusion. “We have to put our money where our mouth is,” she said. “We need to actually invest.”

In an announcement, BDR Chairman Rick Hughes outlined for the summit that the organization has broadened its definition of what constitutes a diverse business for purposes of surveying the spend of its member-companies. Beginning Jan. 1, 2018, BDR will recognize certifications from disabled-owned business enterprises; lesbian, gay, bisexual and transgender-owned enterprises; and veteran-owned enterprises, in addition to minority- and women-owned firms, he said. ■

Speakers and panel members at the 2017 BDR annual summit



Sandy Nielsen
Verizon



Steve Grossman
Initiative for a
Competitive Inner City



Elizabeth Trombley
Kaiser Permanente



Janer Liang
Kaiser Permanente



Sharon Patterson
BDR president
and CEO