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It's Time for Procurement to Disrupt and Diversify

Nicola Greenwood



UNCERTAIN TIMES HAVE SHIFTED FOCUS; THERE IS MORE RELIANCE ON PROCUREMENT FUNCTIONS THAN EVER BEFORE. THIS CHANGE IS PART OF A LONGER-STANDING PATTERN THAT HAS SEEN PROCUREMENT RISE TO PROMINENCE AS A STANDARD FEATURE AT BOARD LEVEL.

PROCUREMENT HAS A UNIQUE OPPORTUNITY TO DELIVER STRATEGIC VALUE, INNOVATION AND SOCIAL VALUE WHILST DRIVING INCREASED REVENUE THROUGH DIVERSITY, EQUITY AND INCLUSION (DEI) IN A WAY THAT NO OTHER BUSINESS FUNCTION CAN.

PROCUREMENT, AS ANY PROFESSIONAL WORKING IN THIS FIELD KNOWS WELL, IS MUCH MORE THAN COST REDUCTION STRATEGIES OR FORMALISATION OF CONTRACTS. WITH THE RIGHT STRATEGIC APPROACH, THE 'HOLDER OF THE PURSE STRINGS' CAN MAKE AN IMMEDIATE IMPACT ON DEI THROUGH ITS 3RD PARTY RELATIONSHIPS - THIS STARTS WITH PROCUREMENT AND IS SUSTAINED AND DEVELOPED BY SUPPLIER MANAGEMENT.



DEFINING DEI

Standard definitions of DEI summarise diversity as: the representation of differing groups of people; these dimensions and differentiators cover race, ethnicity, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs, and other ideologies.

Unpicking diversity leads to varying definitions based on environmental factors. Diversity in China for example is different from diversity in India. For procurement and supply diversity, and in the context of this article, the focus is a UK / US centric definition.

These groups are generally; gender, black indigenous people of colour (BIPOC), lesbian gay bisexual, transsexual, queer + (LGBTQ+), neurodiversity, people with disability and veterans, and represent groups that have been historically underrepresented, marginalised and underinvested.

Diversity and representation as a standalone is useless; it's simply a tick box exercise that can do more harm than good. For this reason 'Equity' and 'Inclusion' practices are essential to the success of diversity programmes.

Equity is the method of ensuring that processes and programs are fair, impartial and provide an equal possibility of outcomes. When everyone is on an equal footing, better results can be expected.

Inclusion is the practice of ensuring that people feel a sense of belonging. To provide an example, research from Out Now shows that when an LGBTQ+ individual is able to feel comfortable about being out in the workplace, they are +30% more productive¹

Definition of DEI:
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THE DEI BUSINESS CASE FOR PROCUREMENT

Both inwardly and externally, Procurement can have a positive impact on DEI. More importantly, Procurement can move the diversity dial faster than any other function because of this.

There is mounting and undeniable evidence that working with diverse 3rd parties and suppliers secures competitive advantage, improves innovation, problem solving capability, amongst many other benefits. The statistics are clear and the business case made:

- Companies that focus heavily on supplier diversity generate 133% greater return on buying operations – The Hackett Group²
- Diverse suppliers perform better: 76% deliver to expectation, 23% exceed expectation, 1% deliver below expectation – The Hackett Group³
- Companies with higher than average diversity had 19% higher innovation revenues – Harvard Business Review⁴

PROCUREMENT - LOOKING INWARD

A 2020 McKinsey report⁵ on 1000+ companies globally found that those in the top quartile for ethnic and racial diversity were 36% more likely to have financial returns above their industry mean. At board-level, this increases to a staggering 43%⁶. For an internal organisation such as Procurement, diversity amongst its ranks is lagging.

Disappointingly, but not surprisingly, UK Procurement leadership positions are the seventh least ethnically diverse of all occupations reviewed in a recent survey, placing 195th of 202 (Policy Exchange 2017)⁷. That's without touching on all other inter-sectionality that define diversity.

“Procurement leadership places 195th out of 202 occupations reviewed in a recent survey covering ethnic diversity.”



In order to change this dynamic, long-term investment is essential. As a senior black female procurement executive, I am somewhat of a unicorn. To change this dynamic would bring significant benefit to any organisation that invests in DEI and to any diverse individual that chooses to become part of the Procurement world.

Adding to the diversity dynamic are millennials who will make up 75% of the workforce by 2025⁸. This group represents the future, and with 47% more likely to work for companies that have strong DEI policies⁹ this will no longer be a basic legal requirement or tick box exercise; essentially focusing on DEI future proofs your business.

In the short term, working with a lack of diversity within Procurement teams, doesn't mean that contributions and DEI change cannot occur. Senior level management should be focussing on DEI training within existing teams; it's great to bring in diversity, but this must be done with the equally important topics of equity and inclusion.

The first step is to train the majority: inclusion training, unconscious-bias and cultural shifts can begin to ensure Procurement teams are better equipped to deal with diversity and mark the beginning of allyship.

PROCUREMENT - LOOKING OUTWARD

The next focus is the supplier market, in which the UK lags behind the US due to legislation. Barak Obama introduced Dodd-Frank reform in 2010 driving US companies to improve 'Procurement and Business Practices Related to Supplier Diversity' meaning better standards, activity and data.

The UK however has no such legislation. And with no legal directive, most organisations don't know if a supplier is diverse, nor is there data relating to diversity demographics across an organisations supply base.

DEI is more than a 'hot topic', it's a strategic growth lever and legislation will undoubtedly catch up. Procurement can get ahead of this curve; it holds the purse strings and with this comes the power to affect 3rd party relationships.

A white, male, heterosexual dominated occupation can deliver not only quick wins but create positive economic outcomes for diverse business. By directing spend, and engagement activity to previously underrepresented businesses, the positive effect expands and economic benefits ripple out into wider economic stability;

'Diversity is integral to a strong economy and inclusive growth' ¹⁰



With more investment and new platforms, diverse supplier numbers are growing fast; the time to act is now.

According to a study by Julie Logan, Professor of Entrepreneurship at London's Cass Business School, a staggering 20% of entrepreneurs in the UK are dyslexic¹¹; this intersection of neurodiversity may already be part of your supplier base. Einstein was a famous dyslexic - there are few today who would turn his talents down.

According to 'Women in Enterprise: The Untapped Potential' Federation of Small Businesses (2018)¹² women are of growing importance to the UK economy. Women-owned and women-led businesses now contribute a total of £221bn GVA to the UK economy, representing 13.3% of Gross Value Add (GVA).

Furthermore, women-owned and women-led businesses now provide a staggering total of 23.85%¹³ of private sector employment. The UK is not short on diverse supplier talent and diverse owned business. This is the DEI version of 'shop local', re-branded to 'shop diverse'.

When procurement ensure diverse businesses are invited to RFx or tender processes it increases the likelihood that contract award will rise. In short, a non-diverse group of procurement professionals could make a huge difference to diverse suppliers, and to the organisations within which they operate.





PROCUREMENT – BOARD AND BEYOND

Throughout the 2020 pandemic, procurement has been crucial in determining the growth and survival of companies worldwide. In order to continue this upward trajectory more must be delivered and DEI is that lever.

“Procurement leaders need to demonstrate real value against strategic objectives. Procurement teams must be championed by their strategic leaders as enablers, business partners and who understand business needs are core to the success of their organisation, and who are aligned with the social responsibility and ethics agenda.”

Malcolm Harrison, Group CEO, CIPS¹⁴

Procurement leaders need to reposition as ambassadors of change. Leveraging DEI will drive higher standards aligned to social responsibility and the ethical agenda, marking Procurement as a stand-out function.

Successful integration and normalisation of working with a more diverse group of suppliers is not just the ‘right thing to do’ but economically sound and potentially a question of an organisations sustainability.

DEI is a win-win-win that benefits everyone. Procurement has the capability, but the open question is; will Procurement become a strategically positive disruptor? It seems the natural next step to further solidify that place at board level and DEI is a perfect lever.

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ABOUT THE AUTHOR

Nicola Greenwood,

As a dynamic leader, Nicola is focused on changing the status quo within Diversity, Equity and Inclusion across the organisational landscape. Her goal is to create diverse ecosystems that reap benefits for all.



With more than 20 years’ experience, she brings energy, passion and extensive knowledge in procurement and supply. She has a talent for transforming organisations, armed with a diversity transformation methodology and a background in developing strategic programmes. She is no stranger to the delivery of world-class strategic structures. This experience has included building capabilities that have impacted the bottom line of complex and global corporations such as HSBC and driving strategy for government organisations while making multi-million pound savings in the process.

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CONTACT US



Warren Ward

Director, Barkers Commercial Consultancy

+44 7949 026020

warren.ward@barkersprocurement.com



Warren Kozera

Director, Barkers Commercial Consultancy

+44 7594 658205

warren.kozera@barkersprocurement.com



Tel: 0330 133 0418

Email: info@barkersprocurement.com

Website: www.barkersprocurement.com

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