

# GO ROGUE!

A Supplier Diversity Mandate for Events Industry Professionals





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A Supplier Diversity Mandate for Events Industry Professionals a collaborative publication from the Society for Sustainable Events and Astrapto



Dr. Aurora Dawn Benton



My sustainability alter-ego as built by VIRIDESCENT

Dear Reader, Change Maker, Thought Leader, Industry Mover and Shaker,

In Spring of 2021, the <u>Society for Sustainable Events (SFSE)</u> approached me about a Leadership Series. The central tenant of the program was the Circular Economy; the three topics: Carbon, Consumption, Supply Chain. When asked if I would lead the Supply Chain panel and cohort, I immediately replied "yes!"

Our focus: increasing spend with disadvantaged businesses. This also falls under the concepts of supplier diversity and buying local, topics near and dear to my heart. In fact, the core framework in this paper comes from my doctoral research, in which I studied barriers faced by mission-driven food startups.

After a panel of experts presented the foundations of supplier diversity, we held a series of four cohort conversations. A variety of planners and suppliers joined in and shared their experiences and challenges. Their desire, like many I encounter in events sustainability, is to drive real change. There is an "enough is a enough" mentality rippling through our midst. We have spent years pushing for change and we are impatient and unsatisfied with the lack of results. This restlessness and urgency is what lead to our mandate to **GO ROGUE!** 

This is a call to top executives and large event organizers who have the power to drive change throughout the events ecosystem. We eagerly await your response and action! At the same time, we assume that most of you reading this are not in positions of great power and your only and best option to drive change is to **GO ROGUE!** 

This is not easy work. It does not happen fast. But it does need to advance now. I invite you to reach out - whether to me or any of the thousands of qualified event impact consultants - and engage in meaningful steps forward.

SFSE is proud to co-publish this Supplier Diversity paper. It is authored by Dr. Aurora Dawn Benton. SFSE produced a leadership series focused on Carbon, Consumption and Supply Chain and this paper a wonderful resource that has a risen from the Leadership Series under Dr. Benton's expertise and guidance.

Progress on supplier diversity has a positive impact not only on society but the company. It supports innovation and competition in support of a thriving and equitable society. The Board wishes to acknowledge the intellectual gift and contribution this paper offers to our community.



### **About the Author**

<u>Dr. Aurora Dawn Benton</u> is Founder of Astrapto LLC, which advances positive impact in the workplace. Her passion is to make sustainability practical and approachable for those who have a passion to improve the social and environmental performance of their operations and supply chains. Aurora's clients include World Wildlife Fund, Sodexo live!, Baltimore Convention Center, Green Seal, Hospitality Sustainability Revolution, the Events Industry Council, and various hotels and restaurant groups. Aurora loves helping people realize their potential while discovering a greater purpose for good in business. She has helped over 130 college students launch green teams and has been a thought leader and volunteer in industry organizations. Aurora has a doctorate degree in Social Impact Management and has a Sustainable Event Professional Certificate. Learn more here.

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# Gratitude

I am eternally grateful for the SFSE committee's faith in me to lead this endeavor and their support in editing and publishing this paper. Below you will see a list of people who contributed and helped out, but I want to especially express my gratitude to Donna Rogers, Jody Brandes, Paul Salinger, David Fiss, Chance Thompson, Chiriga "Zoe" Moore, and Molly Crouch for their ideas and encouragement.

Thank you to the SFSE Board of Directors Christophe Ley, Anna Rembold, Jody Brandes, Dana DePonzi-Haas, Julie Lindsey, Angeline Nouhoumon, Yvonne Serra, Pat Swan, David Fiss, and Donna Rogers for your efforts to elevate social and environmental impact in events.

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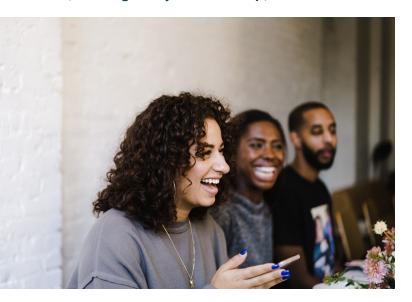
# Introduction

The core tenant of the SFSE Leadership Series was the circular economy, which is a framework for designing out waste, increasing material reuse and repurpose, and restoring natural systems. An expanded view of the circular economy is one in which equitable participation in and distribution of opportunity and benefits is essential. Small and disadvantaged businesses have long been excluded from the event ecosystem so we saw this as an opportunity to address supply chain inequity.

When we started this endeavor, we set out to create a toolkit or checklist for supplier diversity in events. Everyone loves when complex initiatives can be boiled down to a few practical tips. We get it and that's what we wanted to deliver to you; however, in our process we made a valuable discovery.

We had a dialogue about what it would take to do something as seemingly simple as introduce a new donut provider in a venue. What emerged was a consensus that the fundamental systems of corporate procurement are not conducive to change or innovation.

The sentiment was summarized well by Donna Rogers, Director of Convention Sales - West Coast with Visit Salt Lake, who serves on SFSE's Education Committee. "Presidents and CEOs have no idea what it takes in their companies to buy a different donut. We don't have time to go through a checklist, we've got to just blow it up," she observed.



This was a *head nod moment* among those in the cohort working session, who represented events from both the organizer and supplier viewpoints. With the realization that we were dealing with a problem that was deeply embedded in the culture and systems of corporations, we shifted our intent from tip sheet to industry mandate: **GO ROGUE!** In this paper, we tell you a story which will likely be all too familiar. We unpack some of the dynamics that prevent our industry from supporting more small and disadvantaged businesses (see terms below).

Words of warning: Driving change is never easy. Supplier diversity is complex. The problems we encounter here are systemic and institutional, running deep into all levels of society. We don't expect you to be in a position to solve all of them, but we do ask that you do your part in transforming our industry.

GO ROGUE! because history was never changed by those who politely followed the rules and made excuses for why things are how they are. Our mandate calls for you to think differently, be bold, and push boundaries in a flawed system.

This paper is just a beginning and is part of a larger body of work being put forward by industry associations and groups who have increasingly turned an eye towards diversity, equity, inclusion, accessibility, and justice education and advocacy.

We hope that this spurs greater interest in establishing and refining metrics and data collection best practices, standardized practices for finding and vetting small businesses, setting up ongoing relationships with connecting organizations (e.g., minority chambers, etc.), and other factors that will lead to greater equity in supply chains.

Let's open with a story. This story comes to us from a real-world scenario shared by a seasoned foodservice veteran, who works for a global corporation. We'll call them Alex.

### **Alex's Story**

I want to buy delicious jams with unique flavors from **Alicia's Kitchen**. I love her story and her mission and I've been telling some of my event clients about her and now they're excited. So I start with Sam, the local Purchasing Person at our property. I explain why Alicia's jams are so special, why she founded the company, and how Alicia's Kitchen impacts the community.





Alicia's Kitchen is a fictional business; however, using an amalgamation of many small business we know, we created the following profile: Alicia came to the U.S. with her mom when she was 4 years old. She grew up in the rich tradition of her home country, enjoying time in the kitchen with her grandmother and aunts. Alicia became a mother herself at a young age and struggled to complete her education. Thanks to the strong women who surrounded her, Alicia found her way and vowed to be the strong woman others in her situation do not have when things get tough. Drawing on her fond memories of time in the kitchen, she founded Alicia's Kitchen and provides job training and childcare support to young mothers who help her create recipes for the most delicious jams and sauces! Alicia sources ingredients from local, diverse farmers and features the unique flavors and spices of her native land.

Without doing any research, Sam says, "We already have jelly vendors in place. Those contracts were set up by the corporate purchasing team."

Then Sam asks, "Have you contacted NPC to see if they'll carry it for you?"



### NATIONAL CONTRACTED PURVEYOR (NPC)

is a made up vendor name but represents the national and larger regional distributors that many hotels, venues, and caterers use for most of their contracted procurement (e.g. US Foods, Sysco, Avendra, etc.).

Sam is asking because the organization requires 90% compliance with existing NPC procurement agreements, no matter the size of the property, seasonality, location of the vendor, or other factors. It's Sam's job to keep the property in compliance, and it's not an easy job!

I'm committed to this so I call NPC and they ask, "how many jars of jam can we move through there? How many cases of jam are you going to buy?"

I say: "Well, I don't know. I know how many I might buy for this one event. If everyone likes them, it could be on the standard menu, especially for planners looking for more local and sustainable options."

NPC says, "Then you're going to need to deal with them directly."

Barriers at every turn!

I decide to try an NPC competitor. Same story, they recommend I deal with Alicia directly.

I go back to Alicia and ask, "has a broadline supplier or a chain supplier ever approached you about carrying your jams?"

Alicia says: "no, I don't like those people; they aren't good for the environment and they won't even give me the time of day."

Although mission-driven SMEs like Alicia's Kitchen need orders like the one Alex wants to place, they may set high standards for the social and environmental performance of the organizations they work with.



Is this just a complete waste of my time?



This is sad and frustrating. I want to support Alicia but it's just too difficult. I'm not ready to give up so I'm going to try this another way. I've already told Sam that buying Alicia's Jams will help with local procurement numbers and support our company's impact goals. Sam says, "I don't know what to tell you, I can't help you."

What's the definition of insanity?

So, I go over
Sam's head and talk to
the corporate Compliance
Person. Of course, they
ask "Have you gone to
NPC?"

Along the way in this loopy maze, people pawn me off until finally someone sends me to the person "who buys weird things." ("I don't know what that person does but somehow they're able to get weird things.").

I go to "Weird Procurement" Person and say, "I want to buy jams from Alicia's Kitchen and here's the spiel about why we should work with this Black, woman-owned business."

"Weird Procurement" Person says, "That sounds cool. I love it. Let me reach out to Alicia."

Existing systems are so inherently rigid when it comes to allowing for diversity, the only way to meet these goals is to *go outside the system*.

"As a supplier I was constantly swimming against the stream. People would say 'here comes Marianne with some crazy request.' Find who's in your corner, those who like the challenge and

want to be part of the solution."

Marianne Schmidhofer, Managing
 Director – Whats Your Purpose,
 Sustainable Meetings & Events

"Weird Procurement" Person has a conversation with Alicia. But nothing really changes.

Weeks go by, and I check in and they say, "I tried but we don't have another way to move these jams, so just make a one-off purchase for this event."

this feels like to nowhere a

To do that I need to use a corporate credit card. I don't want to run it through the "system" because it messes up compliance. I feel bad for Sam, who's already working so hard to be compliant, and now I'm just a nuisance with my little impact project.

"In Nashville, we wanted Hattie B's Hot Chicken so we worked with the hotel to buy it on our behalf and we paid the premium. The impact and guest experience are worth the effort."

– Jody Brandes, Group Manager, Genentech



Missed opportunity!

This is such a challenge! Everyone wants Alicia's Jams – the client, the venue, the CVB, and now even the mayor... so why is this still such a problem?! I know that if I can overcome all these hurdles, it opens more doors for Alicia and other social enterprises!

The point of all this is <u>not</u> a one-off purchase!! If that were all I wanted, this might not be so frustrating. An ongoing contract is what really moves the needle for those who benefit from Alicia's work in the community. Not to mention the continued benefits with my event clients who are asking for CSR components in their events.

I've learned that to make a fundamental impact, I have to go where the heart is and create FOMO. The more I explained the Alicia story, the more interest there was, **but the hurdles were still there**. If the client or vital stakeholders ask for it, it helps, but it doesn't always make it easier...

### so how do I drive lasting change?

# Looking for the happy ending?

Alex's story ends here... rather, it loops over and over with similar results. There are many one-off stories of workarounds and successes, in which an event features a local small business. Those are happy endings and we do celebrate those. But, we don't need "endings." We need systemic shifts that lead to permanent and ongoing benefits for oppressed and disenfranchised communities.

Small changes are inspirational but are not sufficiently moving the needle (read further in the next section).

We appreciate the honesty and transparency of "Alex" (a real person!). This whole process is iterative and complex. It is rife with institutional barriers. These are systemic issues and the people who can make the radical, organization-wide decisions are few. There's a very small, select number of executives who could actually change the way the whole system works because it requires changes to management structures, incentive pay structures, procurement systems, payment systems, and more.

If you are one of those in power, we hope this paper compels you to take an honest look at the systems in your organization's ecosystem and leverage your position to move the needle (for context on how much the needle needs to move, please read on).

If you are not in power, please keep reading. This work also requires other advocates, activists, and everyday ordinary people who decide to be change-makers in their own way, one step at a time.

# Systemic Problems Call for Systemic Shifts

No doubt, many of you reading the story above will be nodding your heads and thinking "yep, that's exactly how frustrating and convoluted this can be!" While it is beyond the scope of this paper to unpack the full history and causes of systemic barriers, we offer a brief bit of history (see sidebar) and context so you can comprehend the obstacles from the disadvantaged business owner point of view.

First, what is a "disadvantaged business"? Why do we use this term? We use this term because it is a designation used by the U.S. government<sup>2</sup> which defines *disadvantaged businesses* as those 51% owned by or controlled by a socially disadvantaged person.<sup>3</sup> These are historically marginalized groups who have been denied access to resources and opportunities.

# Disparity in Business Equity for Blacks in the United States

Overall Population 12.8% Number of Firms 2.2% Sales 1% A report from the Milken Institute, drawing from 2016 US Census data, showed the disparity between the overall popula-

tion of Blacks in the United States (12.8%) and number of firms (2.2%) and sales (1%)<sup>4</sup>. The report contains similar data for Hispanic, Asian American, and White business ownership compared to their percent of the population, all of which are out of proportion – Whites owning more than their share of businesses and other groups less than their share.

Even when there is not a "social disadvantage", small and medium enterprises (SMEs) face barriers. According to a global study of public procurement from The Donor Committee for Enterprise Development<sup>5</sup>, SMEs receive a disproportionate share of government spending. An interesting finding in this report was a study that showed if a small business won one contract per quarter, it resulted in more than 2% growth in the business in that quarter. This underscores the significance of driving institutional procurement towards SMEs.

A study by JP Morgan Chase<sup>6</sup> comparing race, liquidity, and survival rates of small businesses in Florida, Georgia, and Louisiana, found Black and Hispanic-owned businesses had lower revenues and profit

### Historical Context by Chiriga "Zoe" Moore, M.S., CDP

Sadly, some will blame the widening gap on the community most impacted. They'll claim that everyone has equal opportunity or the same 24 hours in a day. The data alone will not dispel their biases, but knowledge of history might. The term "Supplier Diversity" was a result of the Small Business Act of 1953 and The Small Business Investment Act of



1958. Two pieces of legislation that did not include minority business owners until after The Civil Rights Act of 1964. Up until that point discrimination on the basis of race, color, creed, and nationality was legal. Five years later in 1969, The Office of Minority Business Enterprise (OMBE) was formed to strengthen enforcement of the anti-discriminatory laws. Not only did they increase opportunities for minority owned businesses, they developed capacity building programs that improved their technical and operational infrastructures. Throughout the 1970's racial affinity chambers of commerce, and organizations like the National Minority Supplier Diversity Council (NMSDC) opened their doors. Although not standardized across the business ecosystem, additional legislation established contracting goals at a low 5%, a benchmark that remained the same during the 90's to incentivize the procurement of Black, Indigenous, Asian, Latine and Women owned businesses. The momentum of supplier diversity was sparked by protests within the automotive and manufacturing industries by Black Americans seeking economic equality.7 As the hospitality industry emerged as a major contributor to the Gross Domestic Product (GDP), its privately owned businesses resisted social change until large corporations such as Marriott and Hilton began competing for government contracts to host and lodge the workforce of rapidly growing government agencies. Supplier diversity continues to evolve as it spreads into the private sector, with hospitality suppliers announcing contracting goals and reporting progress.

# Systemic Problems Call for Systemic Shifts

margins. Cash flow, a vital and problematic aspect of running a small business, was also a disparate factor – Black and Hispanic businesses had 7 and 5 (respectively) fewer days of cash buffer, as well as higher failure rates, and lower levels of financed growth than White business owners.

This may be a result of issues related to access and trust among small business owners of color and banks. A study by Small Business Majority<sup>8</sup>, showed pre-pandemic minority business owners were much less likely to have a business banking relationship-31% of Black, 28% AAPI, and 26% of Latino business owners lacked business banking. This study also showed minority business owners in these categories were less likely to receive requested PPP funds (the Paycheck Protection Program was a loan option put in place to help businesses survive the COVID crisis). According to an Urban Institute study, the pandemic also disproportionately impacted revenues of minority business owners9; however, they also point out problems inherent with collecting and reporting representative experiences in the data.

To put an economic value to the disparity, McKinsey & Company claims 10 "Healthy Black-owned businesses could be a critical component for closing the United States' Black-White wealth gap, which we project will cost the economy \$1 trillion to \$1.5 trillion (in 2018 dollars) per year by 2028. The COVID-19 crisis, however, has further stressed Black-owned businesses and may cause the racial wealth gap to widen. This gap includes a \$290 billion—and growing—opportunity to grow overall wealth by achieving revenue parity between Black- and White-owned businesses..."

This leaves little doubt about the role of the global events industry - indeed YOU as a change agent in that ecosystem - to positively impact communities and demand greater equity in supply chains.

# The Four Cs

There are many reasons barriers have arisen in procurement systems; some are legitimately due to the inherent risk and difficulty of working with small businesses. Rather than seeing these as criteria you cannot meet, we suggest seeing these as the status quo to question and an impetus for robust supplier diversity programs that eradicate such barriers. Most barriers are based on the same business principles and theories, cultural mindsets, myths, and unconscious bias11 that led to inequitable banking practices pointed out above, and other "ism" barriers. Gwen Migita, our keynote panelist in the SFSE Leadership Series for Supply Chain Kickoff event, urged us to shift from "less bad" to a focus on complex social impact. She emphasized that a lack of transparency is a barrier. It is not difficult to see how lack of transparency could be the outcome of the bureaucracy demonstrated in Alex's Story above, but it's important to recognize that this is also a "feature" of systems designed to oppress and exclude.

"We were asked by a B Corporation to create a team activity and dinner. Their original ideas and directive had no sustainability agenda. In fact, the initial requests were for an activity that had received bad press for their environmental actions. We needed to educate the company on the best social and environmental options. It was disappointing to experience. It is clear the messaging and good practice B Corporations adhere to are not filtering down to events. When companies outsource, they are passing on the responsibility to their supplier, wiping their hands clean of the decisions they're making, as the planner is doing the booking and organisation."

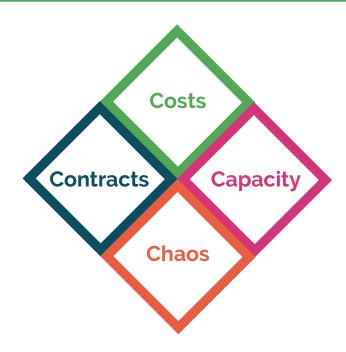
– Emma Wellstead, Founding Partner, <u>Warwick</u> <u>Events</u>, a Certified B Corporation

# The Four Cs

Through her doctorate work, Dr. Aurora Dawn Benton, the lead author for this effort and SFSE cohort host, developed a framework called the Four Cs. These are challenges (and therefore opportunities) in working with SMEs.<sup>12</sup>

In the following sections, we unpack these categories of barriers – Costs, Contracts, Capacity, Chaos – from the perspectives of the Buyer (most likely you) and the SME. Then we share tips for overcoming these and driving positive impact in your supply chains.





# The Struggle is Real

As we see from the vignette described above, the efforts to diversify procurement (or for that matter, make other positive changes in purchasing) are indeed challenging! We are not denying the difficulty you may face in working with disadvantaged small businesses; however, there are steps you can take to overcome barriers. Let's start with the problems from the buyer's perspective, through the lenses of the Four Cs, and later we present suggestions for dealing with each:

### Costs

We start here because it tends to be the first objection presented by buyers, even when they have not done price comparisons or research. While sometimes a myth, the claim that smaller businesses' products and services are more expensive is not an unfounded statement. For reasons we will further elaborate in the next section, small (especially disadvantaged) businesses have higher costs with lower economies of scale, and therefore struggle to price match larger competitors.

"The larger issue here is there is a lowest-bidder rather than values-based approach to procurement," says

# Common *myths* that produce instant roadblocks:

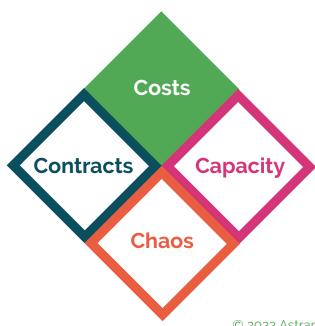
"They're too small"

"I can't find them"

"They don't provide quality."

"They're too expensive."

"It's not a 'real' minority supplier."



Kim Bryden, Owner and Founder of Cureate and one of our session panelists. Bryden suggests being more transparent about overall, or per person, budgets when working with smaller suppliers.

A Bain & Company Inc. framework for B2B elements of value places price at the bottom of a pyramid with 40 different types of potential value in a B2B relationship. On the one hand, we can use this to show how often we overlook the many other potential aspects of value a new vendor could bring to bear. On the other hand, they call price "table stakes" – if small businesses cannot price match, they may not even get a seat at the table to demonstrate other elements of value. Incidentally, at the top of that pyramid is Purpose.

Jeanette Pierce, Founder and Executive Director of Detroit Experience Factory and another of our panelists, encourages a "'quality over quantity' mentality. Why not one excellent muffin per person rather than two or three crappy muffins per person?" Furthermore, when you pair a tasty muffin with a fascinating origin story about the business owner and examples

of how they are improving lives, you have a truly quality experience for guests!

Ultimately buyers and planners need to ask themselves if price is more important than purpose. They need to build a holistic business case, but admittedly the data for social impact is difficult to gather and takes a long time to play out. Still, basic metrics for social and economic impact can be obtained and justifications related to marketing, storytelling, wellness, and other experiential factors can be made.

Liz Whitehead, a business development consultant in the supplier diversity space notes that, "There is also plenty of research that shows engaging with diverse suppliers increases the bottom line. When you look at the process holistically, working with diverse suppliers can improve brand perception as well as drive sales. According to the Hackett Group, *Companies that allocate 20% or more of their spend to diverse suppliers can attribute 10%–15% of their annual sales to supplier diversity programs.*" (emphasis added)



Kim Bryden's firm, <u>Cureate</u>, shifts the dollar back into local communities by embedding as the local purchasing team at foodservice locations, developing entrepreneurship education programming, and providing strategic counsel to reimagine the retail experience. Their focus is on the food & beverage industry, which deeply touches all of our lives, and where there is an immediate need to change how we do business.

Jeanette Pierce is the Founder and Executive Director of Detroit Experience Factory which engages people in Detroit's stories - helping them understand its complex history and connecting them to people, places and projects. In 2018, she launched City Institute to help other communities adopt this approach to more fully understand and appreciate what a city has to offer, thereby promoting supplier diversity in events.



### **Contracts**

Agreements tend to be set and in place for long periods of time and are quite restrictive in terms of using other vendors in that purchasing category. Large companies can afford hundreds of thousands (or even millions) of dollars to sweeten the pot and close these contractual deals. Smaller companies simply cannot offer such incentives.

Corporate Diversity, Equity, and Inclusion (DEI) mandates have not necessarily been translated into contract terms. Pay and reporting structures set up to monitor contract compliance leave little room for new and innovative partnerships or vendor exploration. These structures helped create the impossible bureaucracy described in Alex's Story.

Key gatekeepers, such as the CVB, are often not familiar with businesses in their community other than those who pay for membership or appear on preferred vendor lists that haven't been refreshed in years. These exclusivity arrangements can result in a stale, monochrome offering within a destination.

Associated with the contract dilemma are all the steps that lead up to it – the RFP, the vetting process, negotiation – and the vendor management activities that follow. These have been set up, intentionally or not, to favor larger competitors. How is the RFP distributed? Did you develop specifications and requirements based on what you are familiar with (i.e., "normal" corporate conditions)? To what extent does your organization continue doing business with the same vendors? Continuity is not a bad thing, but if it comes at the expense of equity, you should revisit your practices.

A concept related to contracts is policies, whether stated or implied, which create the impression that a new or different vendor is not "allowed." These can oftentimes come down to preferences of key decision makers, such as an Executive Chef, based on their history of working with certain brands. Both contracts and policies can lead to a hard "NO" when attempting to introduce alternative options for procurement.

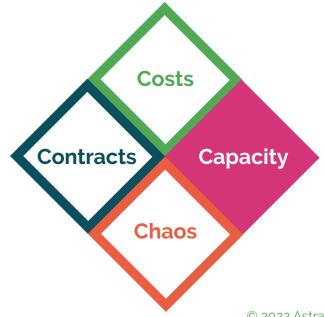
### Capacity

Many large corporations have set goals and are reporting their spend on diverse suppliers. Often, we see these commitments in absolute numbers, such as Starbucks' intention to spend \$1.5 billion by 2030 with diverse suppliers, which represents nearly doubling their current spend with diverse suppliers. Perhaps companies announce plans in absolute numbers because the percentages tend to be less impressive. A 2021 study by the Hackett Group of 100 large companies showed a median diversity spend goal of 8%<sup>16</sup>.

These large organizations may not be able to find sufficient diverse suppliers to meet their global supply chain needs – hence the common reaction of "there aren't any" – but more likely they find it more time consuming and expensive to aggregate dozens of vendors for a component, rather than deal with one global supplier, not to mention the additional risk associated with additional suppliers.







The concept of capacity is also related to the need many organizations have for vendors to deliver high volumes at identical specifications and quality across many locations. Small businesses, especially those who do not have access to capital for expansion, may not be able to scale to meet the needs of larger event orders or customers. Like many of the excuses, this becomes a quick "no!" when a vendor is deemed too small to accommodate a request. "Furthermore," explains Bryden, "requests are too prescriptive and block out providers that cannot precisely meet your requirements. It stifles innovation."

The example she shares is a specific request for a continental breakfast with frozen mini-bagels, individual packages of yogurt, orange juice, and coffee for a 2,000-person event. Being so specific with requirements prevents local, small, diverse providers from partnering and offering a unique menu and experience for attendees.

### Chaos

Most people in the business world feel they never have enough time to do the work at hand, or that they fall short of being as organized as they would prefer. We all face daily "fire drills" that divert our attention from the worthy causes we had hoped to pursue in our work. Furthermore, the organizational structures and systems described in Alex's story are prolific and cause confusion – Who can help me? How do I get this done?

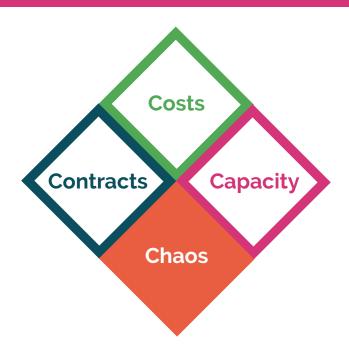
This leads us to cut corners, apply a copy/paste approach to planning, skip due diligence, avoid risks at all costs, and put aside other practices that help us find the path of least resistance. There's no time for thinking outside the box. These behaviors can cut the lead time to integrate social impact elements. It can take significant effort to find, vet, and approve new vendors. And then what if the small business doesn't deliver or perform, etc.?

A survey conducted by the Association of National Advertisers (ANA) on supplier diversity<sup>18</sup> resulted in 68% of respondents chose "finding diverse suppliers" as the number one challenge, followed by "visibility to opportunities to recommend diverse suppliers" (52%). Incidentally, the ANA study revealed that "more expensive" was one of the lowest obstacles (23%).

Unless the large companies that dominate the events ecosystem commit to supplier diversity programs that facilitate innovation, and minimize costs and risk, and resolve to develop the capacity of diverse suppliers, it will continue to be challenging for global organizations to make and keep supplier diversity promises.

It is not a coincidence that Alex's Story is about food. Not only is F&B a central and strategic element of event design, it is an event procurement category conducive to identifying and piloting diversity opportunities. According to a 2021 study from Minority Supplier Development UK, 27 of the top 100 minority businesses in the UK were in food & drink. The next closest category was hospitality at number 8<sup>17</sup>.





"When the systems are already established, elaborate, and complex, trying to introduce new ways of doing things is tough."

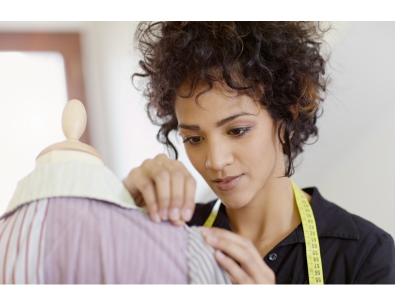
 Joshua Hernandez, Senior Operations Coordinator, MAS

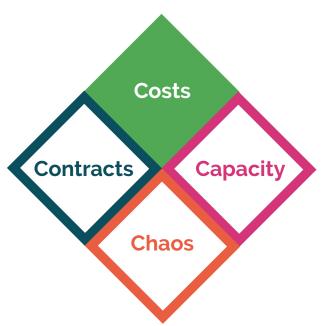
In the case of finding diverse suppliers (external research) and finding opportunities (internal research), both require time and energy to forge new relationships – both inside and outside the organization. The chaos of busy schedules and complex, global organizational structures cloud our vision and limit our impact.

It appears the larger ecosystem is equally chaotic.

The Washington Post conducted an analysis of corporate commitments to racial justice after George Floyd's murder. The article states, "It will be difficult to assess whether corporations deliver measurable results. There is no single entity tracking the corporate promises. Nor are corporations required to report on where all of their money is going or its impact." <sup>19</sup>

# The System is Flawed





The problems from the seller's perspective are just as challenging. As noted at the outset, our lens is particularly tuned to the disadvantaged business; however, these are obstacles for other small and local enterprises that may support your social, environmental, and business goals – regardless of race, ethnicity, ability, or other factors.

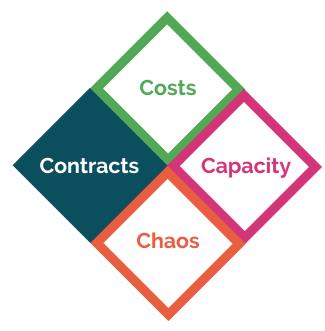
### Costs

SMEs often have higher prices because they have higher costs. In recent years, every business and consumer has felt the impact of global supply chain shortages. Even before the pandemic, small businesses had to compete with larger firms for limited supply of some ingredients or components, particularly those such as organic or grass-fed in the food space, or that meet certain quality or certification standards. Jeanette Pierce reminds us, "Local small businesses are more likely to have an ethos that drives up costs. They buy organic or from farmers whose practices they know. They pay a living wage. They work with other local and small businesses."

Costs may be more difficult to control for a small, disadvantaged business. For example, small food businesses that produce a manufactured or prepared product are at the mercy of co-packer fees and specifications that could drive up costs (e.g., formulation requirements, package size, run size, etc.). Smaller businesses rely on shared kitchen rentals, which also have limitations such as availability of equipment or cold storage. To scale from shared kitchen to co-packer is a big leap that such businesses cannot take without the reliable order stream from a regional or major

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retailer or an event venue or hotel. Another challenge for small businesses may be lack of budgets for marketing campaigns, membership fees, sales teams, and other investments that help them get in front of event buyers. If they can't get a seat at the table, the cost argument is moot. And if "pay to play" is the way most markets operate, small, disadvantaged businesses lack the resources or networks to be considered.



### **Contracts**

Cash flow is utterly essential to small businesses so while your one-off event business is welcomed, what they really need is predictable income; they need a contract! Bryden emphasizes "a \$1,600 per week order can be a game changer for a small business!"

Unfortunately, contract terms can be insurmountable. For example, minimum insurance riders, bank balances, extended payment terms (e.g., 60- or 90-day pay terms), and other requirements that are too rigorous and out of reach for small businesses. Contracts contain complex legalese that a small business owner may not fully understand without proper legal representation.

And as stated above, associated with landing a contract are the lead up activities of responding to RFPs, fielding questions from prospective clients, and meeting all the requirements. First, depending on the type of small business, they may be focused on a different vertical and not necessarily aware of event or hospitality related B2B opportunities. Lather Founder,

It is challenging for small businesses to reach the economies of scale that allow them to compete with larger organizations, but what they lack in cost efficiency, they make up in flexibility and creativity. However, as noted earlier, if price is the entry level consideration, they often miss the opportunity to demonstrate their true value.

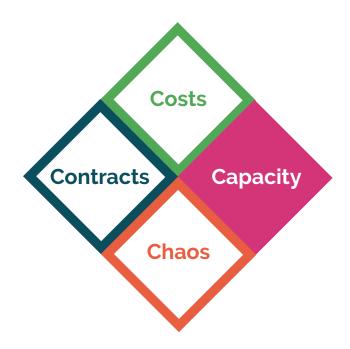
The Donor Committee for Economic Development Technical Report<sup>5</sup> included the following list of **barriers for SMEs in these procurement stages** (page 18, selected items listed):

- ♦ Pre-bidding:
  - » Restricted communication and publication of contract opportunities
  - » Overly narrow pre-qualification criteria
  - » Uncompetitive bidding processes
  - » Access to relevant information
  - » Quality and understandability of information provided is limited
- ♦ Application:
  - » Excessive bureaucracy and documentation requirements
  - » Excessive requirements of financial guarantees (i.e. bid security deposit)
  - » Lack of capability in writing a formal bid proposal
  - » Unclear selection criteria
- ♦ Selection:
  - » Preference for large bidders with long track records
  - » Institutionalized discrimination
  - » Too much focus on the price, and not on value for money
  - » Absence of rationale for awards
  - » Unsuitable payment terms offered
  - » No feedback shared for future learning

Emilie Hoyt, started out with a retail store in southern California and made her way into hotels because the wife of a hotel owner loved Lather's sustainable bath products. In an interview with Dr. Benton, Hoyt explained that she had to learn how to service an entirely different kind of customer.

Second, even if SMEs are already playing in the hospitality space, they may not be on the radar for obtaining RFPs or may read them and immediately feel disqualified based on exact specifications. As Bryden pointed out with the breakfast menu example, the prescriptive nature of RFPs leads smaller suppliers to self-select out of opportunities.

# The System is Flawed





As a study by the Kaufmann Foundation demonstrates, some minority business owners did not even pursue financing based on an assumption of being denied. This same study showed Black entrepreneurs were more than twice as likely to be negatively impacted by high cost of capital.<sup>20</sup> A study by Small Business Majority<sup>8</sup>, showed pre-pandemic minority business owners were much less likely to have a business banking relationship—31% of Black, 28% AAPI, and 26% of Latino business owners lacked business banking.

### **Capacity**

Small businesses are limited in their space, staff, resources, supply chains, equipment, etc. – in short, they have limited capacity. If the small, disadvantaged business produces a physical product, it is essential they are able to scale to meet the demands of a large corporate contract. Migita pointed out that "suppliers are afraid to discuss this as it may be assumed that it means they can't handle the business or scale."

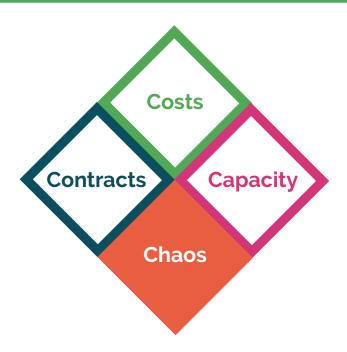
An aspect of scaling that can be detrimental to small businesses is the cost of and/or access to capital. Obtaining funding for business growth is a difficult proposition in the best of circumstances; the inequalities in banking and venture capital make it an even greater challenge for disadvantaged businesses. As a study by the Kaufmann Foundation demonstrates, some minority business owners did not even pursue financing based on an assumption of being denied. This same study showed Black entrepreneurs were more than twice as likely to be negatively impacted by high cost of capital.<sup>20</sup>

There may be other requirements SMEs are unable to meet that are not related to the number of products they can manufacture or guests they can serve. For example, they might be asked to provide certifications or reporting that they do not have the funds or the skillsets to provide. When we consider the term "climate justice" we may need to consider the trade-offs if disadvantaged business owners are less able to comply with environmental reporting expectations.

For example, if you are selecting a vendor for event transportation, the heightened emphasis on climate action may lead you to prioritize, first and foremost, a provider with an electric vehicle fleet. However, statistically speaking, that vendor is likely to be owned by a White man. What if that market has a Latinx family-run shuttle business with excellent customer service ratings?

What if the main reason this business cannot compete on the environmental factor is their inability to secure a loan for an upgraded fleet? What if this is a factor of the family's race or ethnicity? We may not want to think that would be the case, but the research presented throughout this paper does not enable us to ignore this reality.

# The System is Flawed



### Chaos

According to the US Census (based on data from 2018), about half of women-, minority-, and Hispanic-owned businesses employ 4 persons or less<sup>21</sup>. These small business owners are so strapped for time and resources; they can't be in all places at once. Try as they may, they are not able to successfully wear all hats at once (accounting, human resources, operations, leadership, strategy, sales, service, etc.). Consequently, they suffer in areas such as response time, customer service, consistency, and work-life balance.

With limited resources, many small businesses focus on a single channel or product because the prospect of changing lanes can be daunting. Charlynda Scales, Founder and CEO of Mutt's Sauce, resisted e-commerce for years, due to success in events and concerns over being able to handle online business well. When the pandemic struck and live events were shuttered, she pivoted to online sales. Such a disruption is the end for many small businesses; only the most resilient entrepreneurs survive such chaos. In fact, in the US, about 20% of small businesses fail within one year and 50% within five years.

Chaos can also manifest in a lack of organization or business acumen. Entrepreneurs, by nature, tend to have shiny object syndrome. This can make them unpredictable in terms of design, packaging, messaging, and overall direction. They often start a business because they have a great brownie recipe or love art or invented a device, not because they're a whiz at accounting or business planning. Migita observed that "small businesses need help with first, second and third impressions and may need coaching on how to work with your internal stakeholders."

On the flipside of this chaos are unbelievable nimbleness, creativity, and customization, not to mention amazing stories that add to a brand's or event's sustainable procurement messaging.

# The Possibilities are Endless

"Be committed to implementing uncomfortable strategies that disrupt an unhealthy culture. For example, you may have employees who are unable to work within a diverse environment and accustomed to stereotypical roles rooted in historical biases. There has to be a commitment to rid the workplace of employees or practices that are not aligned within new policies. Additionally, leadership must be willing to implement recommendations that are suggested by equity and inclusion professionals." Jason Dunn, National Coalition of Black Meeting Professionals, as quoted from an interview with Corporate Event News, published June, 2020

In this section, we offer some solutions and tips for these challenges. The barriers and red tape outlined in Alex's story reveal how exasperating it can be to move supplier diversity forward. We must make it easier for small businesses to work with large businesses. And we must make it easier for larger businesses to work with small businesses. We must use whatever power and influence we have to drive change. For example, when a client wants it, there is a greater impetus to push "weird requests" through a system that is not amenable to "weird requests." *And when money is involved, somehow, we figure it out!* 

The consensus of our cohort was that the systems are so rigid and difficult to maneuver for successful diversification and equity balance in our supply chains, that we must **GO ROGUE!** To the extent that you can, we implore you to pull any levers to address costs, contracts, capacity, and chaos. After the call to **GO ROGUE**, the following sections provide some tips and inspiration.

# **G**alvanize

Action begets action, empower others, be a leader, leverage existing commitments and resources to get traction. Ask others to join the cause and go from rogue to movement!

# Outside the box

Question the status quo, be flexible on requirements and configurations to meet needs, push your rogue procurement through agencies or suppliers where there are fewer barriers.

# Replicate and report

Figure out how to integrate it into policy, processes, operations, and training. Commit to consistency and scale, not just a one-time effort. Measure your impact and share the story.

# Overcome

Be tenacious and bold to see it through. You will have to overcome some lame and frustrating crap, deep-seated beliefs, and unconscious bias. Remove antiquated barriers that block impact.

# **G**ain Momentum

Nothing worth doing happens overnight. Change is a journey. Plant seeds, nurture, give sunlight, and stay diligent. One step at a time, always moving forward.

# **U**nusual Partners

This is relationship driven and requires effort and flexibility. Tap into a support ecosystem you may not be accustomed to. *Culture Add* rather than *Culture Fit* results in innovation.

# **E**quity

The ROI of Supplier Diversity is job creation, economic development, monetary circulation, local reinvestment and both direct/indirect spend, *and* a seat at the table.



### Costs

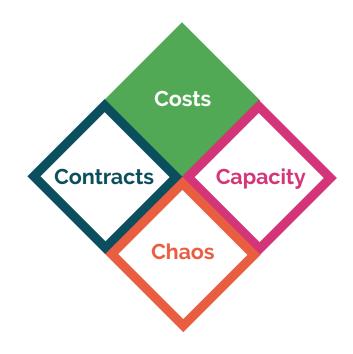
Justify the need to meet social and environmental corporate goals by making the triple bottom line business case.

- Measure and report the local economic and job impact. If you are not already, begin tracking the location, race and ethnicity, and other diversity factors of your vendors. Work with them to understand how your business with them directly ties to their ability to grow and add jobs.
- Evaluate the social impact of your supplier diversity. This is not always easy or straightforward and may take weeks, months, or years for the full impact to be realized. Partner with the local municipality or a nonprofit organization that specializes in quantifying social impact.
- Earn higher margins on the unique and differentiated items that small, disadvantaged businesses offer. Particularly, maximize exposure of their story for marketing and brand building that benefits both you and the SME.
- Consider the impact of a local vendor on your overall carbon budget. As events are increasingly seeking a carbon neutral status, shorter supply chains are an important feature.
- Be more transparent about budgets and price tolerance so SMEs can offer you a complete package of value, inclusive of product and purpose.
- Get creative on where the money comes from. You may not be able to pull from a particular budget (e.g., event F&B budget) but if another budget is set aside for DEI initiatives, use that.
- Get creative on where the money goes. If you can't justify the 20% higher cost for that item, can you instead earmark funds for a mentorship or scholarship program for the entrepreneur?
- Recognize where implementing supplier diversity drives sales and get a holistic view of the value, not just the cost.

### **Contracts**

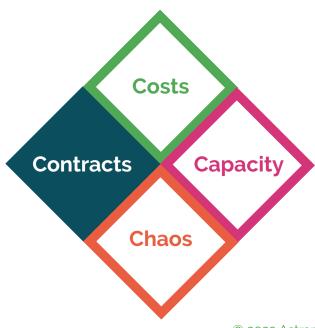
Provide life-changing opportunities for small, disadvantaged businesses through contracts and long-term relationships.

Start at the beginning of the process and start changing RFPs to reflect what you eventually want written into contracts and programmed into corporate systems. Adjust RFPs to include social



### Differentiate. Elevate. Invest.

Procurement from diverse suppliers can enhance event experiences, amplify unique voices and perspectives, and grow local economies.



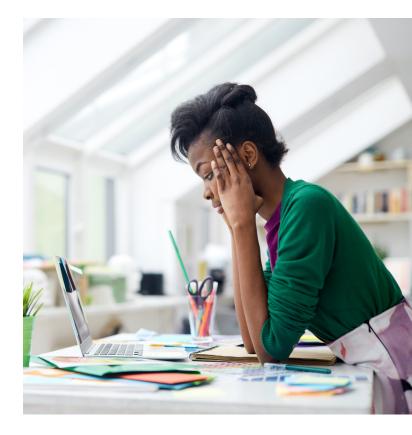
- impact and diversity questions, in balance with economic and environmental factors.
- Update vendor vetting procedures such as site visits, demos, tastings, etc. to include expectations for supplier diversity. Use a weighted matrix to show the difference when more emphasis is placed on diversity.
- Hire a DEI specialist to review RFPs and procurement processes and make recommendations; it might be easier to get the attention of higher up executives when it comes from a third party expert.
- ♦ Train your staff to be on the lookout for approaches and practices that create barriers to disadvantaged businesses. Give them a safe place to raise difficult questions about RFP language, vetting, and contracting practices. Train cross-functional teams on supplier diversity so that as contract negotiations move across different people's desks, they will be less likely to remove clauses and protections for small businesses.
- Understand the actual limitations of contracts and policies before you just assume the "no", and just shut the door to further conversations.
- Set policies, which are essentially contracts (commitments) to require diversity certifications such as DBE, WBE, and others.<sup>25</sup>

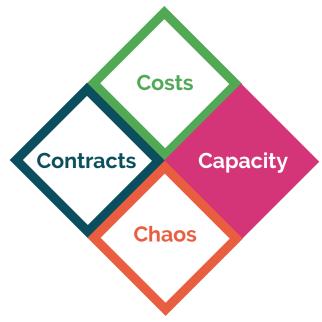
### **Capacity**

Invest in ecosystem improvements that enable disadvantaged businesses and SMEs to scale and thrive.

- ♦ Leverage the resources already at your disposal. For example, during the pandemic the Hyatt Regency Atlanta offered kitchen space to a local minority owned business, Anna Belle's Mac, which allowed for national expansion<sup>26</sup>.
- Develop your own internal capacity to be more conducive to working with DBEs. Who in the organization is ready for change and ready to have these conversations? Remember that in many organizations DEI is still young and is not fully integrated into the culture such that it will impact transactions.
- Encourage partnerships among many smaller players so they can collectively meet your large order needs. Following the example presented above of the "prescriptive" breakfast order, ask for a solution to a problem; let the creativity and expertise of suppliers present you with options you

Provide a safe space for staff to question existing RFPs, vendor vetting, and contract processes.





- could never have imagined. Rather than a corporate standard, allowing each location to procure smaller batches locally
- Set up supplier diversity investment funds. Incubate and accelerate businesses so they can scale with your needs.
- Support the overall ecosystem. The authors of Banks & the Black Community suggested supporting Historically Black Colleges and Universities' (HBCUs), especially their entrepreneurial programs, and to support Community Development Financial Institutions (CDFI) lead by people of color.<sup>27</sup> This study included data from 2013 that showed only 16% of CDFIs were led by people of color.
- Choose quality over quantity and enjoy the ability to have custom-designed flavors, packaging, scents, etc. Leverage the exclusivity and experiential elements of working with SMEs.

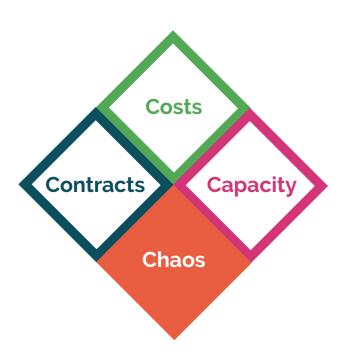
### Chaos

Support disadvantaged businesses through education, mentorship programs, and partnerships.

- ♦ Partner with the right organizations (e.g., chambers, HBCUs, CDFIs, etc.). Join and support minority and specialty chambers, economic development groups, diversity councils, foundations and nonprofit DEI efforts, and industry diversity initiatives. The ANA report includes a list of examples of such initiatives in media production. Most communities have some type of organization, whether public or private, established to support minority business with mentorship, and sometimes even funding. For example, the Foundation for Business Equity in Boston supports Black and Latinx business owners. Search for similar organizations in your community.
- Develop a supplier diversity program that matches corporate teams to mentor disadvantaged businesses (but to be sensitive to the realities of doing business as a person facing certain barriers). Offer educational programs for small, disadvantaged suppliers – both prospective and existing. Supplier diversity programs should include environmental education or use your environmental consultants to help them establish and define scope/metrics.
- ♦ Contract with value-add providers who can help bridge the gap between business need and small disadvantaged businesses.

### Partnering with Advocates

Support the ecosystems that support small, disadvantaged businesses. Gwen Migita, our keynote speaker, reflected on her own experience with organizations such as minority chambers, HBCUs, and CDFIs. "Initially they are polite, but it takes years to build relationships with more honest dialogue about what they face," she said. Be patient. Be willing to invest time in listening and building long-term relationships.



- ♦ Leverage the nimble nature of such businesses to capitalize on new trends, "new" ingredients, new formats, new systems, etc.
- Determine success criteria for an ongoing business relationship with the disadvantaged business and build in support and feedback that ensures they become and sustain success. Choosing the vendor is just the beginning; see it through!

### **Call to Action**

Don't **GO ROGUE** alone. Join and support **Organizations promoting and facilitating supplier diversity**, such as:

- AAHOA (Asian American Hotel Owners Association)
- **♦ Council for Supplier Diversity**
- CSDP (Council for Supplier Diversity Professionals)
- **♦ Disability:IN**
- ♦ **GSDA** (Global Supplier Diversity Alliance)
- ♦ <u>ISM</u> (Institute for Supply Management)
- NABHOOD (National Association of Black Hotel Owners, Operators and Developers)
- **♦ National Organization on Disability**
- Navoba (National Veteran Owned Business Association)
- ♦ **NGLCC** (National LGBT Chamber of Commerce)
- MMSDC (National Minority Supplier Development Council)
- <u>USHCC</u> (United States Hispanic Chamber of Commerce)
- USPAACC (US Pan Asian American Chamber of Commerce)
- WBENC (Women's Business Enterprise National Council)
- ♦ WEConnect International

...just to name a few. See <u>this page</u> for a full list of useful acronyms and terms you can use to search organizations in your industry or region.

Seek out minority business councils and chambers near you. Many states and cities also have "made in..." programs that promote local entrepreneurs. The state agriculture or economic development agencies sponsor programs to assist small businesses and often have directories or can facilitate introductions and negotiations. Really, the possibilities are endless!

### Who will you partner with?

While the system change we hope for requires major adjustments in how we do business, change can happen one story at a time, one vendor at a time, one policy at a time, one RFP at a time.

### What's your story of change?



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