



supplier io

2023 State of Supplier Diversity Report

Benefits. Challenges. Data.



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Introduction

Welcome to Supplier.io's sixth annual State of Supplier Diversity Report. We surveyed hundreds of supplier diversity professionals about business, executive support, program management, data, results, and more. We also asked questions about current issues impacting programs right now.

While this report includes trends we've been tracking for years, it also contains insights into several recent developments:

- Changes in how leaders are managing data
- The impact of the economy and politics on programs
- The relationship between supplier diversity and ESG programs

This mix of ongoing trend tracking and current issues makes the 2023 State of Supplier Diversity Report relevant and actionable. We hope you enjoy it.

A message from the CEO

I am thrilled to share with you the 2023 State of Supplier Diversity Report. This report captures the latest trends in corporate supplier diversity programs and ensures that we are listening to the voices in our community. With this survey, we can learn about supplier diversity leaders' experiences, challenges, best practices, and triumphs. This is our sixth report and our largest data sample yet. We hope you find the results as helpful as we have and that you take these findings to help drive improvements in your own programs.

2023 marked a significant shift in the supplier diversity community. With improvements in data and processes, leaders are tracking and managing supplier diversity the same as any other key function in the company, like costs and revenue. Environmental, Social, and Governance (ESG) initiatives have made strides in leveraging supplier diversity as a strategic pillar, reinforcing its pivotal role in business growth.

As a mission-driven business, we are thrilled to see the continued support of supplier diversity in spite of a number of new challenges, including the economy and politics. As you dive into the findings of this year's State of Supplier Diversity Report, it will become clear that more companies are embracing supplier diversity as a successful business strategy.

Rather than checking compliance boxes, supplier diversity enhances brand image and improves supply chain competitiveness, all while leadership's

focus on the program is at a high and programs are compiling clear goals and metrics.

This is the moment the supplier diversity community has been waiting for, and you have successfully driven the change. With a strong business, technology, and data foundation, we now need to keep the momentum going! With growth and success comes new challenges. Expectations and accountability are higher, supplier diversity's strategic role has increased, and like any other business function, that means the need for continued progress.

Thank you for your interest in this report and for your continued support of the value supplier diversity delivers. We are in awe of the accomplishments in supplier diversity and excited about the future. The spotlight is on us now more than ever, so it's time to show our dedication to meeting goals, ensuring accurate and reliable data, partnering with our ESG counterparts, and continuing to connect to the broader business value. We at Supplier.io are dedicated to providing resources and tools to assist you in your journey towards supplier diversity excellence. Together, we can continue to push the boundaries and achieve great heights in our industry.

– **Aylin Basom**
CEO, **Supplier.io**



Executive summary: 3 major findings

1

Executive support & business results

When supplier diversity is seen as a business driver, executive support across the company grows. But with more support comes more accountability and scrutiny.

2

Data is taking center stage

Data was a key theme across this year's entire survey. It has been the biggest improvement, priority, challenge, and opportunity. At the same time, accuracy is key.

3

The economy & politics aren't slowing us down

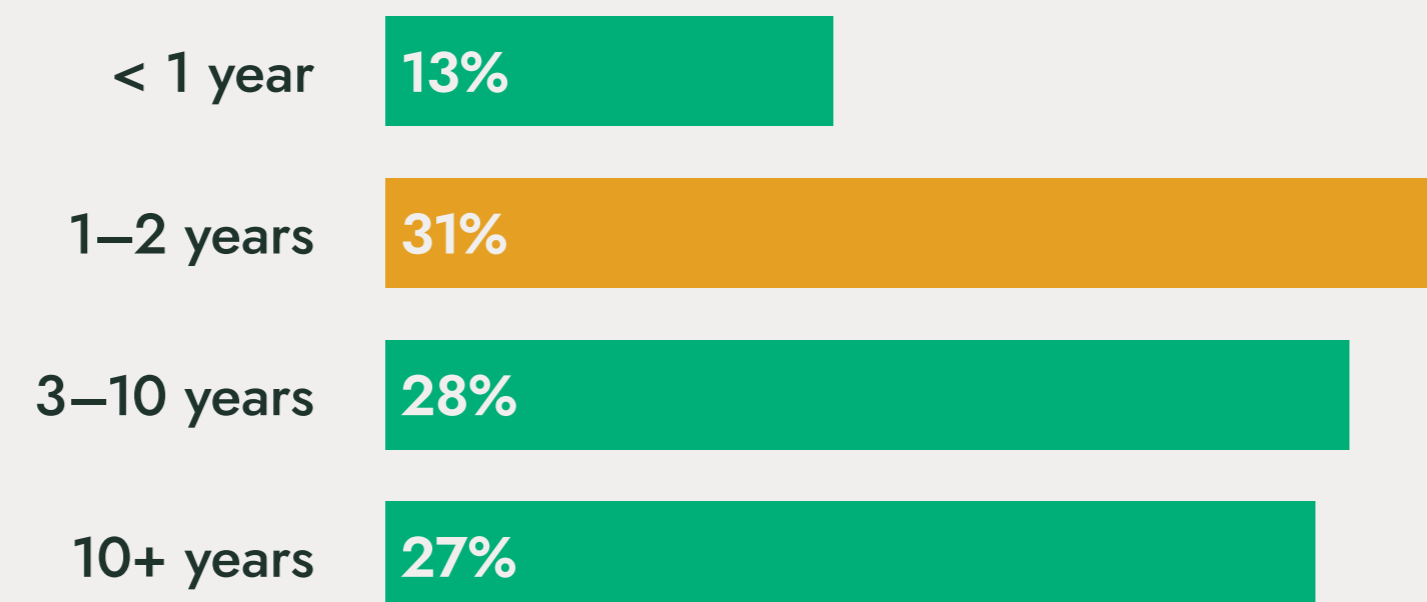
We expected this year to be more difficult because of the economy and programs like ESG pulling resources. Luckily, leaders have continued to get support despite headwinds.



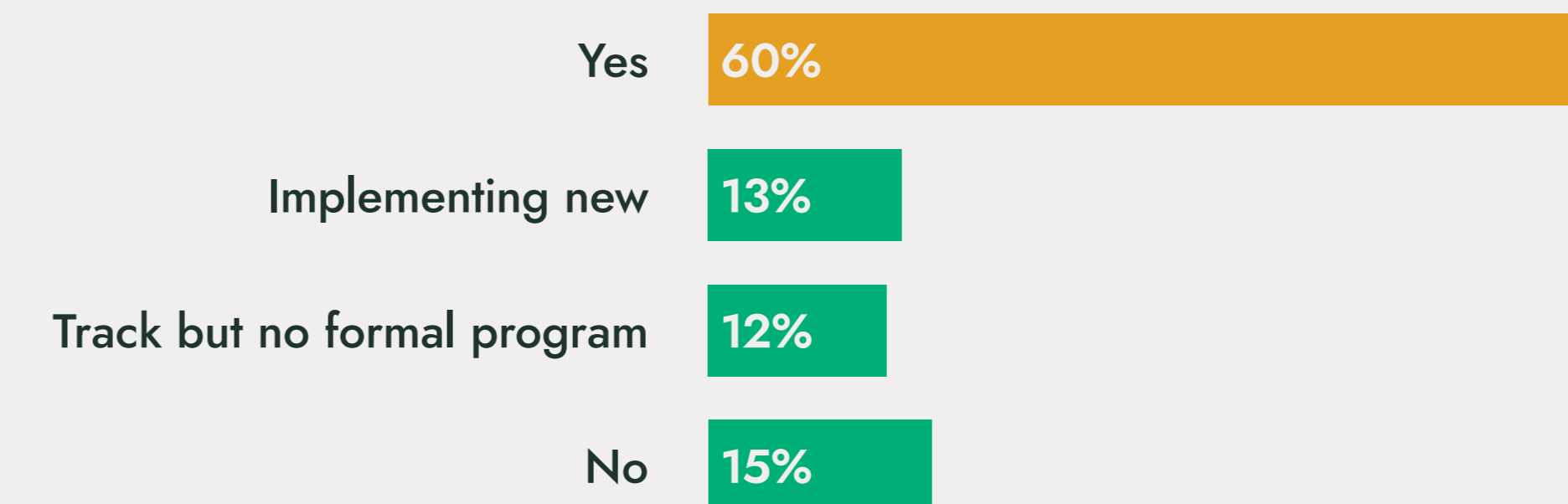
Respondent demographics

In this year's report we heard from 216 respondents across a wide variety of industries, spend, and level of maturity with their program.

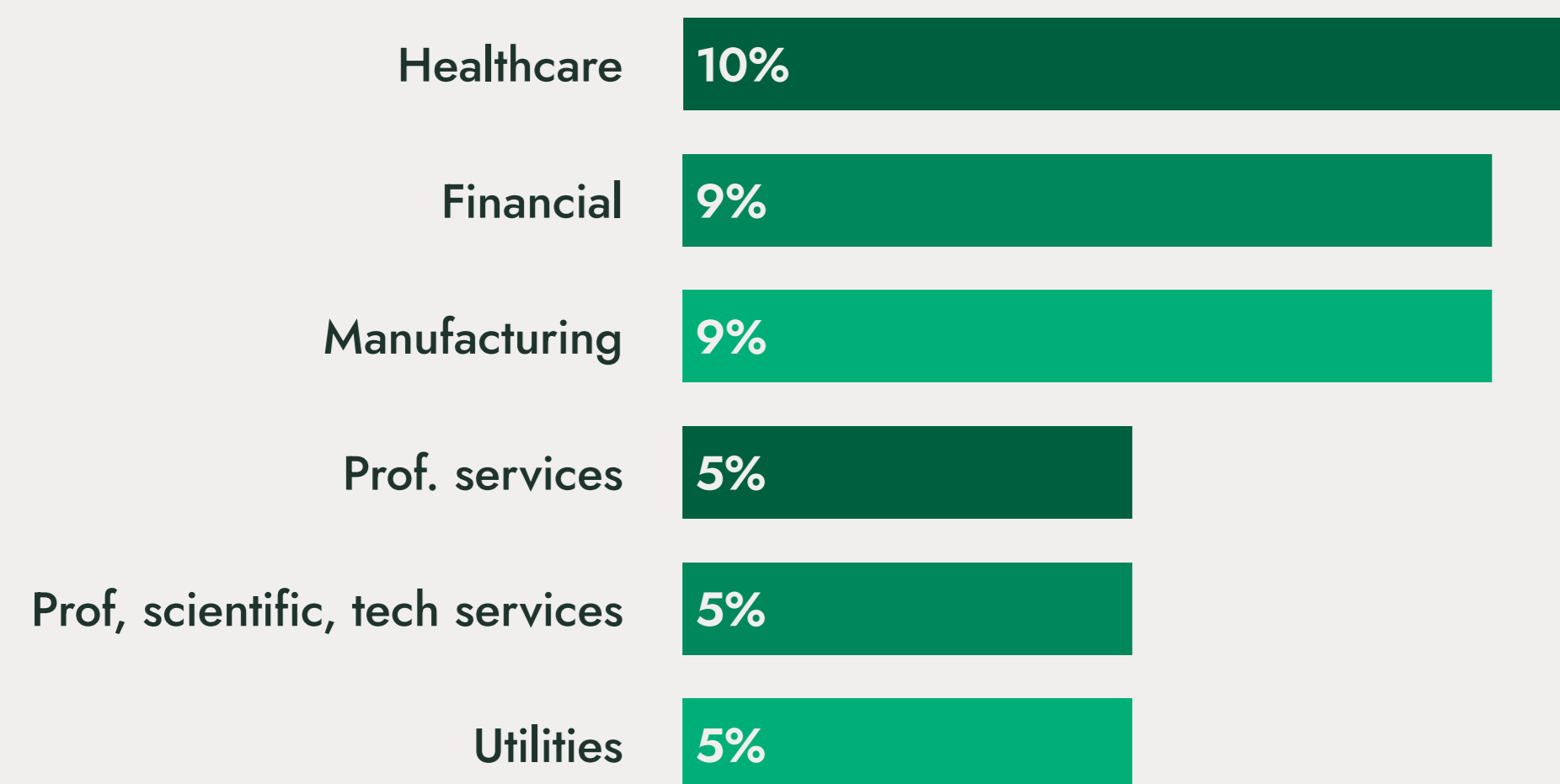
AGE



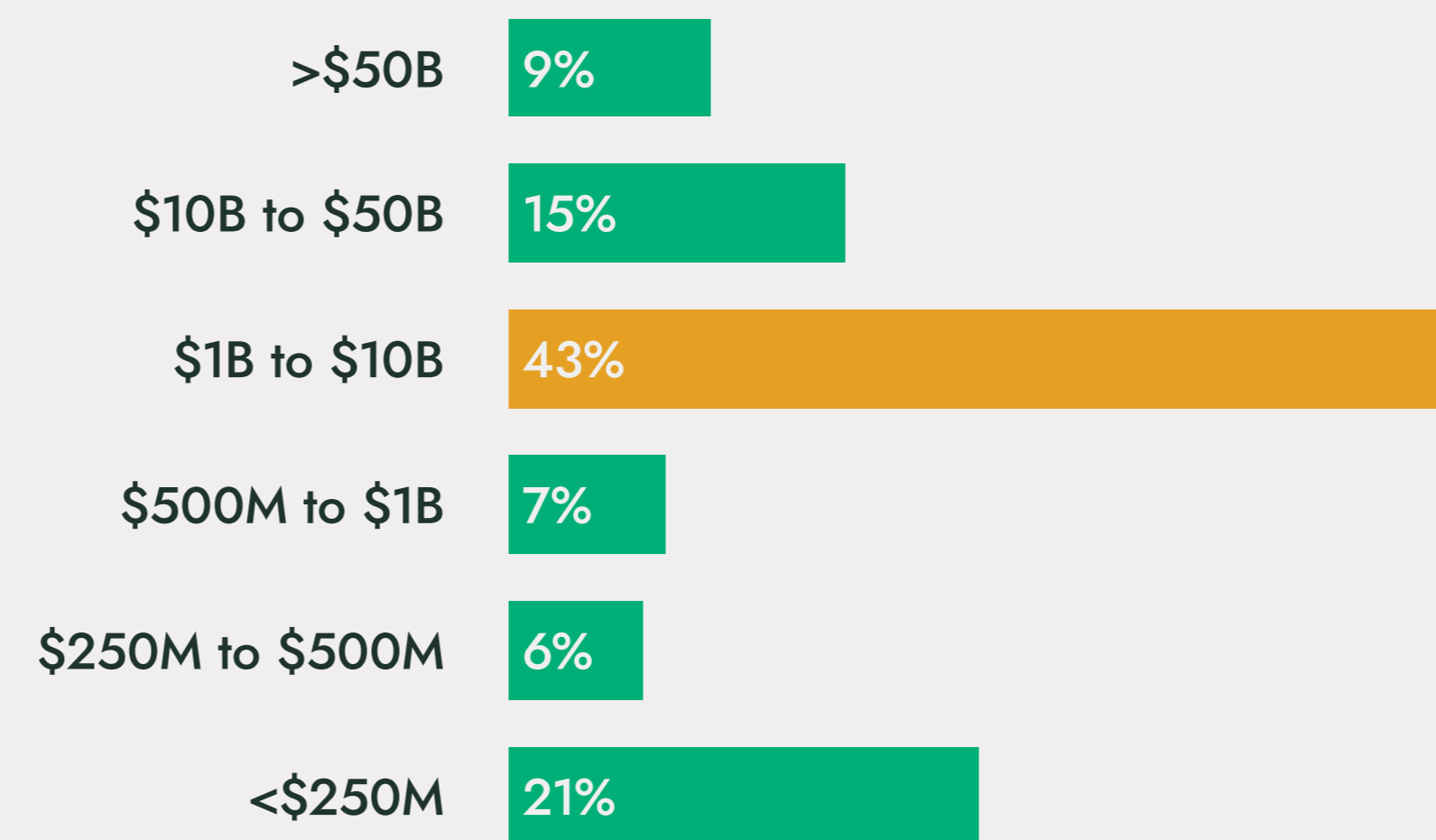
FORMAL PROGRAM



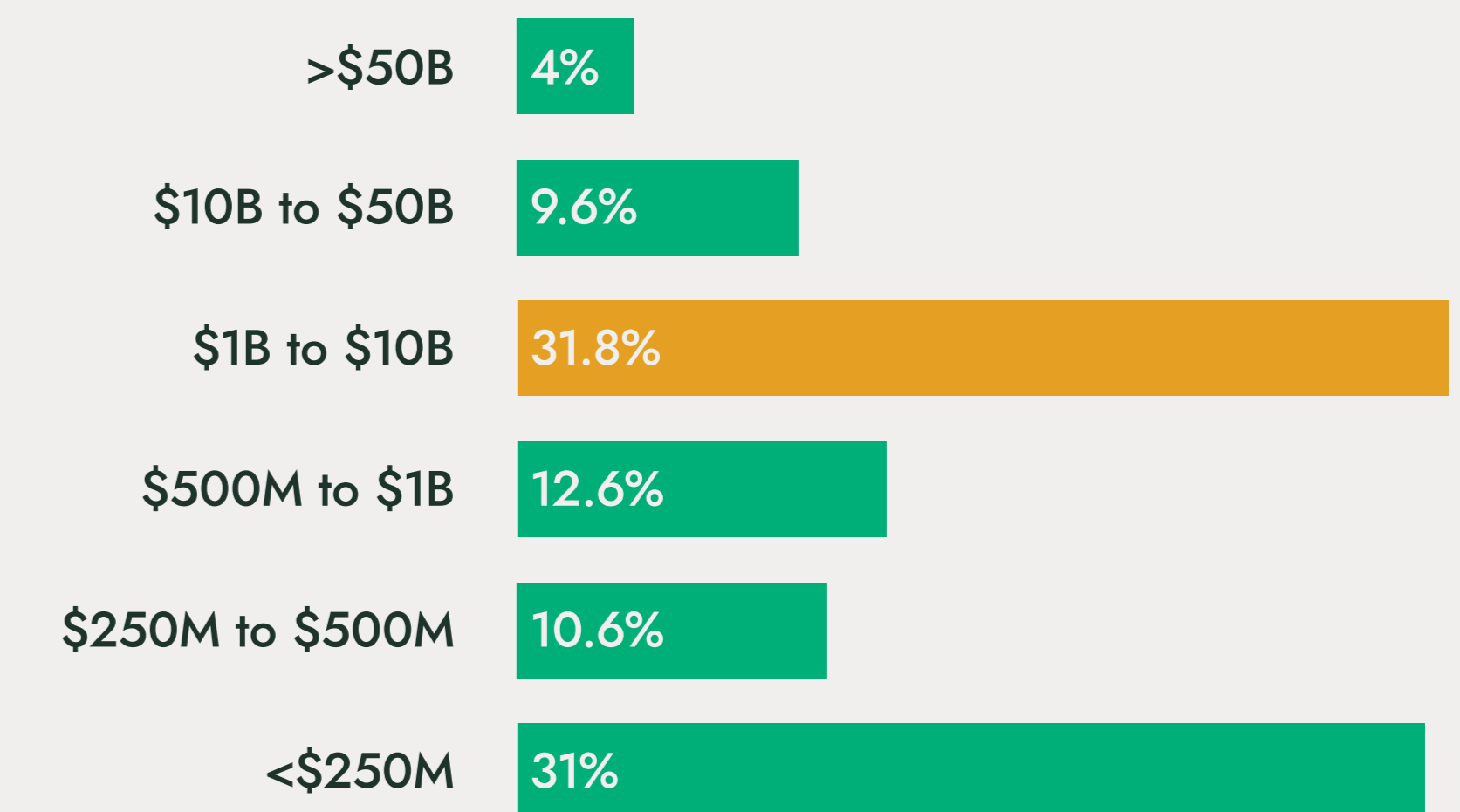
INDUSTRIES (TOP 6)



SIZE



SPEND



#1 Executive support and business results

Supplier diversity and the broader business are more connected than ever before.

Positive impact on the supply chain and brand

The economic and political landscape presented challenges to supplier diversity over the last year. But organizations know supplier diversity is a business driver, and this year's results supported that.

Six years in a row we've seen improvements in how supplier diversity impacts the competitiveness of supply chains and brands.

- **Supply chain** competitiveness benefits from supplier diversity programs, even in a challenging economy.
- **Brands** are positively impacted when both companies and consumers spend their dollars in alignment with their values.

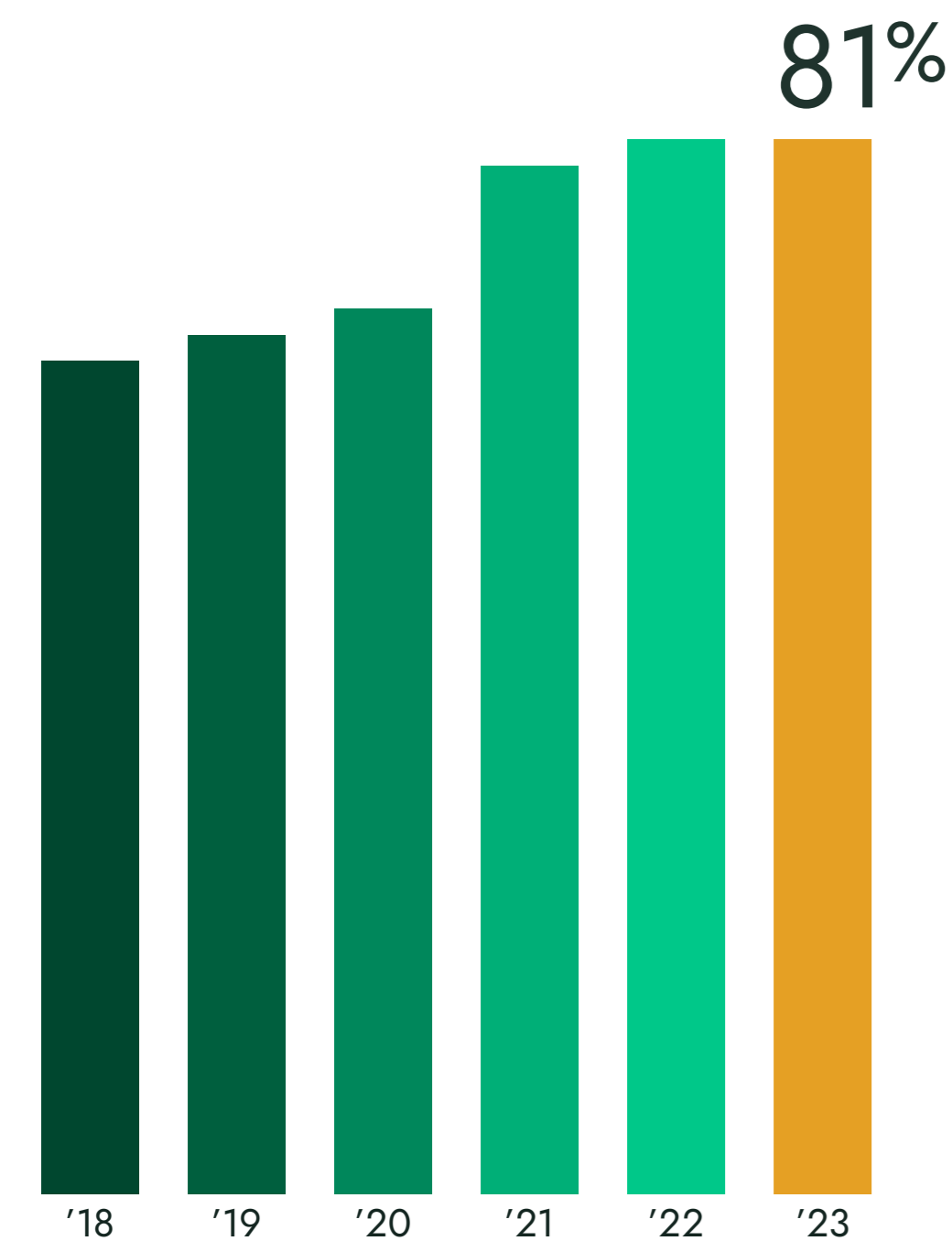


Primary program drivers

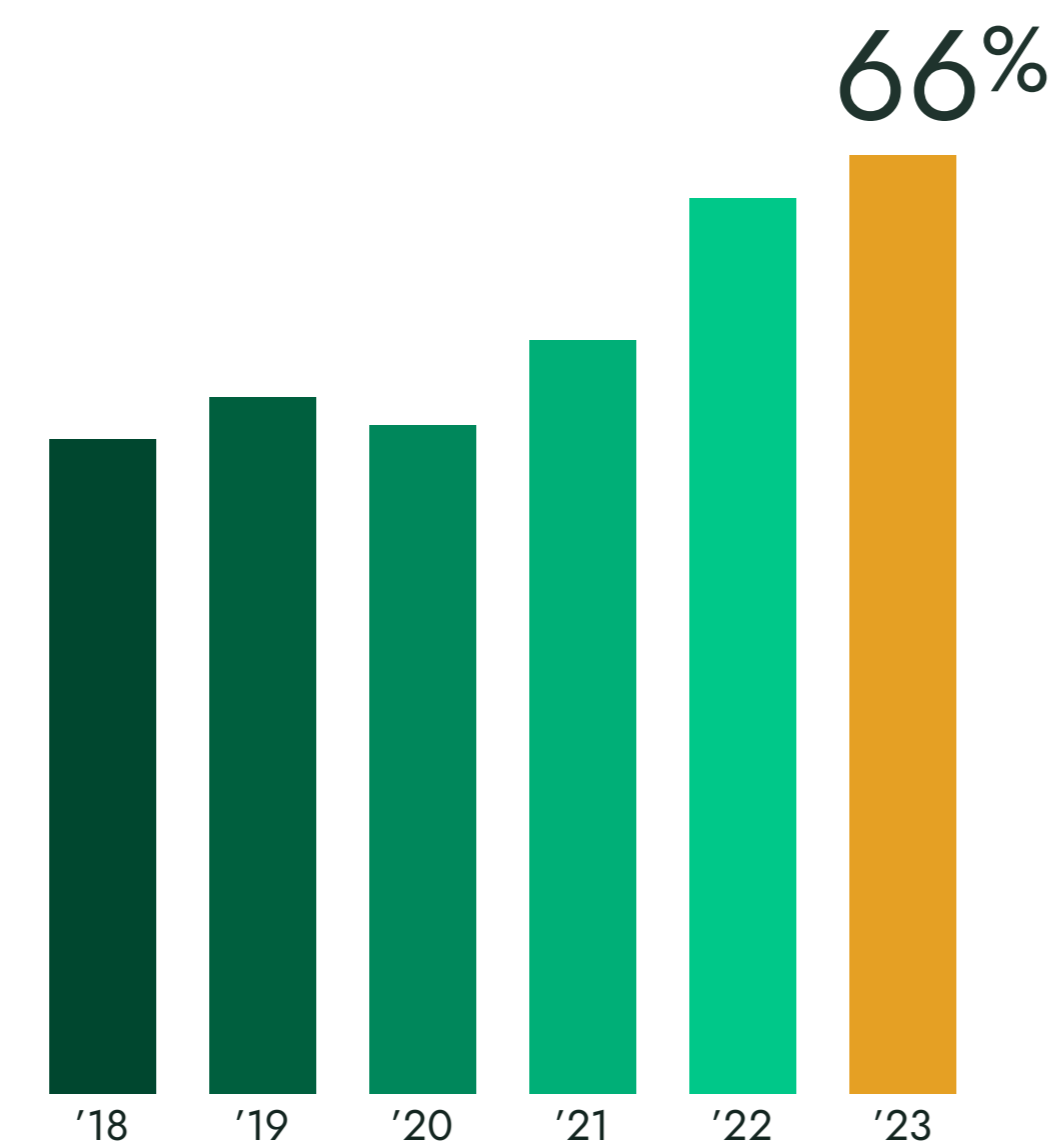
While companies may initially buy in to supplier diversity because they want to “live their values,” it’s clear that it has a positive impact on the business. Companies report supplier diversity helping with both supply chain competitiveness and brand image.

And for yet another year, we see fewer companies supporting supplier diversity simply because the government or their customers require it.

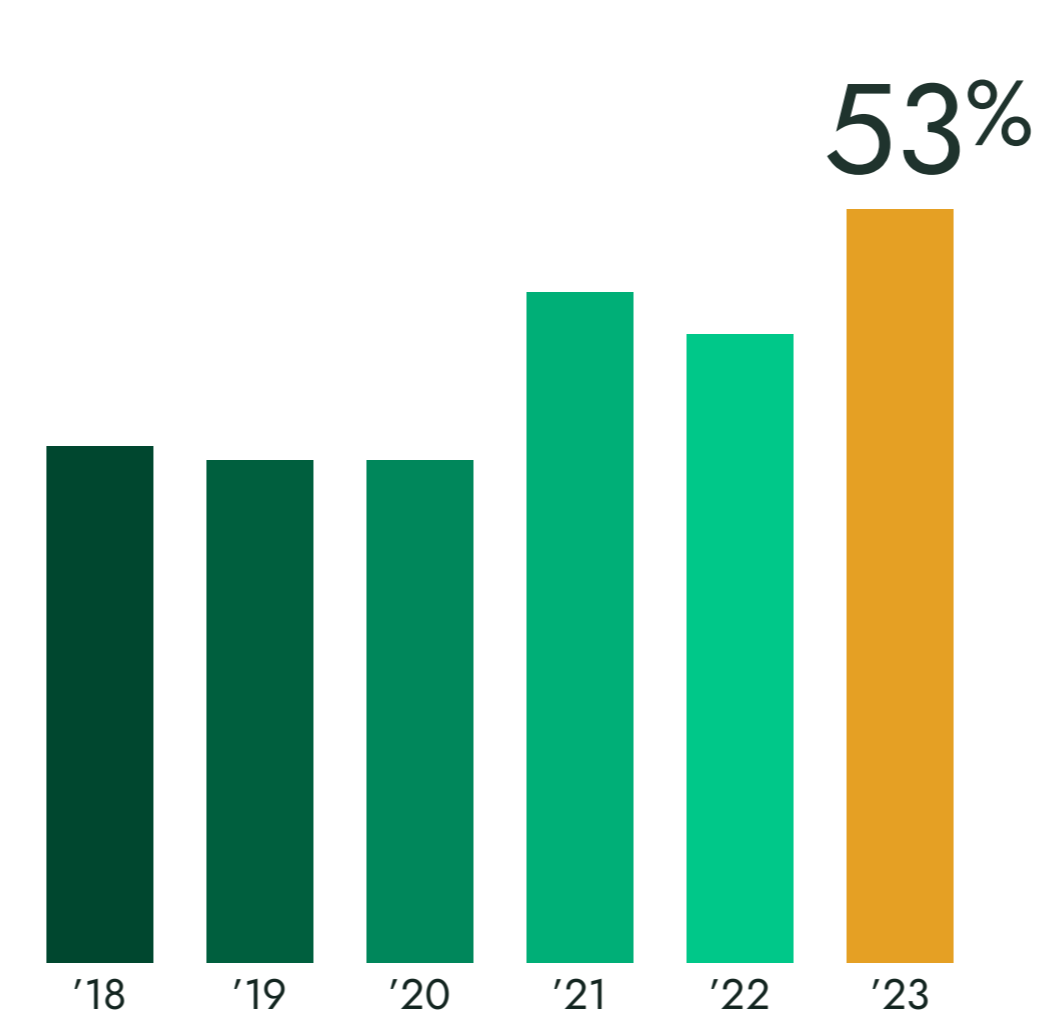
↑ Alignment with **Corporate Culture & Workforce Inclusiveness**



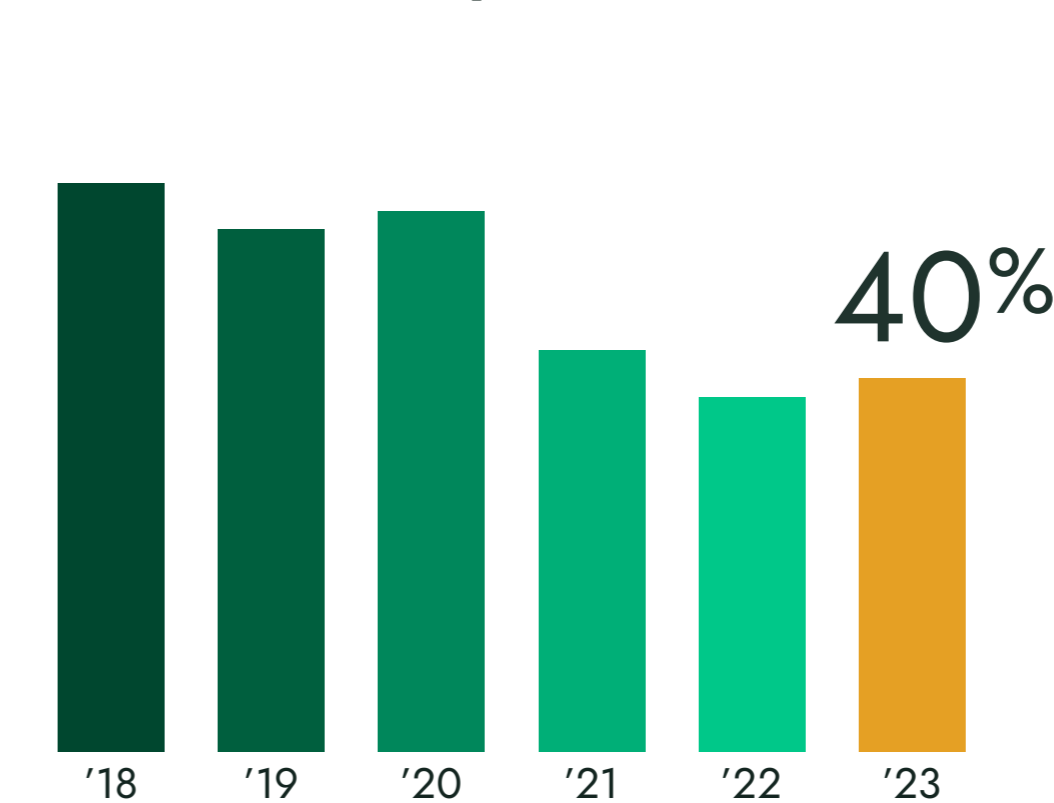
↑ Improve Supply Chain **Competitiveness**



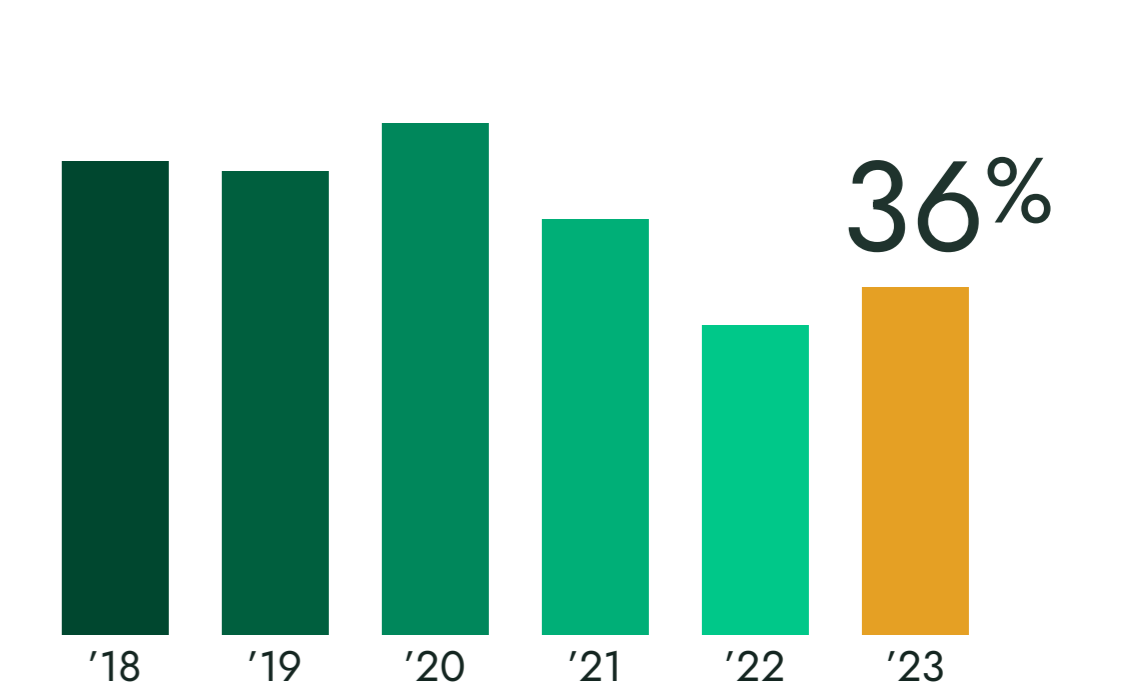
↑ Enhance **Brand Image**



↓ Customer **Requirement**



↓ Government **Compliance**



Executives and other leaders support supplier diversity

Executive support

CEO support is down slightly compared to last year. However, many respondents commented on the support they get from their CFO.

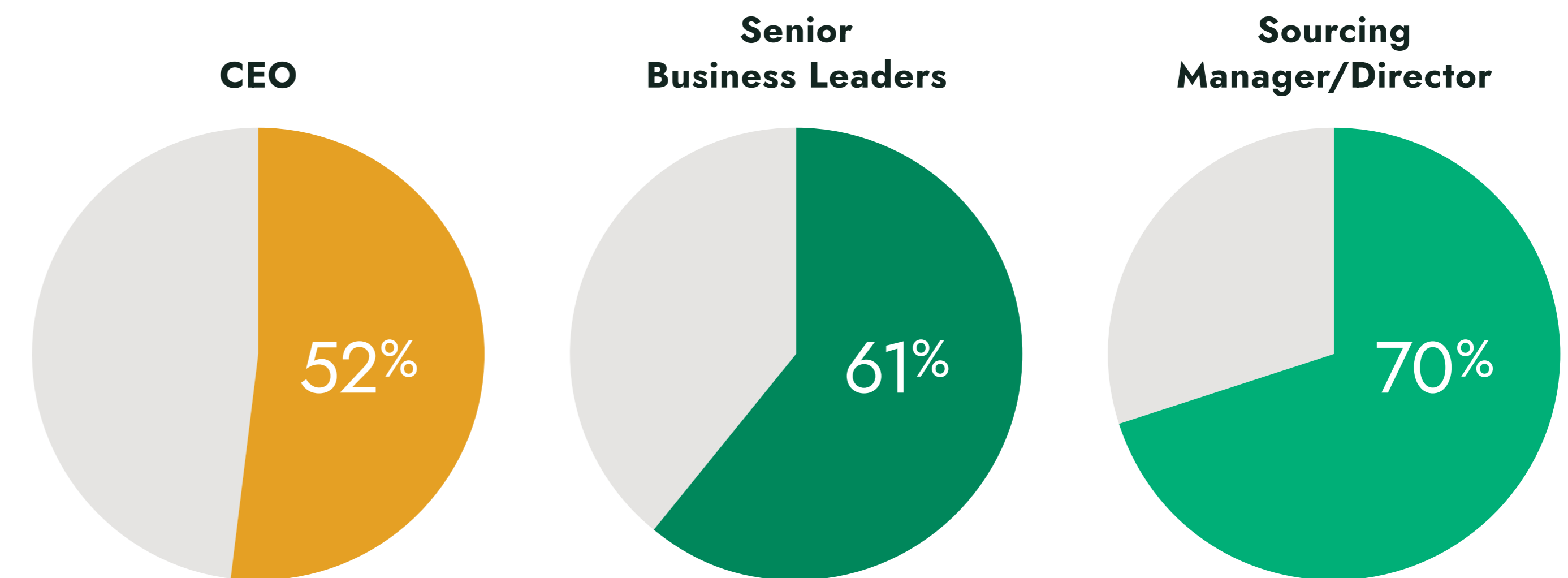
Business leader support

As for senior business leaders, 61% are engaged with their companies' supplier diversity initiatives. Some respondents mentioned that these leaders are also key members of their supplier diversity council.

Sourcing support

Sourcing managers and directors are the most supportive level of management (70%). Last year, only about half of the buyers were even trained on a supplier diversity program or goals.

LEVEL OF MANAGEMENT ENGAGED WITH THE COMPANY'S SUPPLIER DIVERSITY INITIATIVES



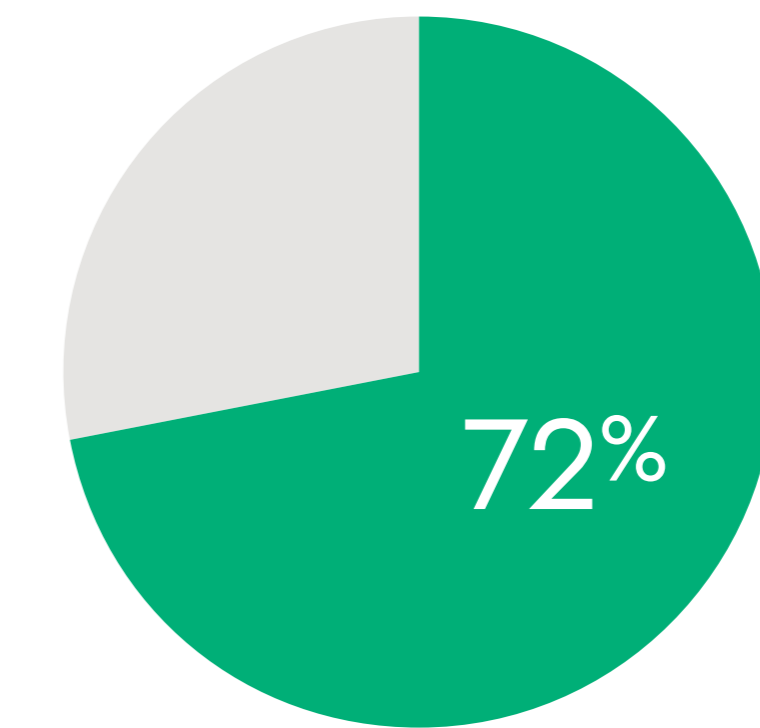
Accountability is on the rise

If you measure something, it will improve.

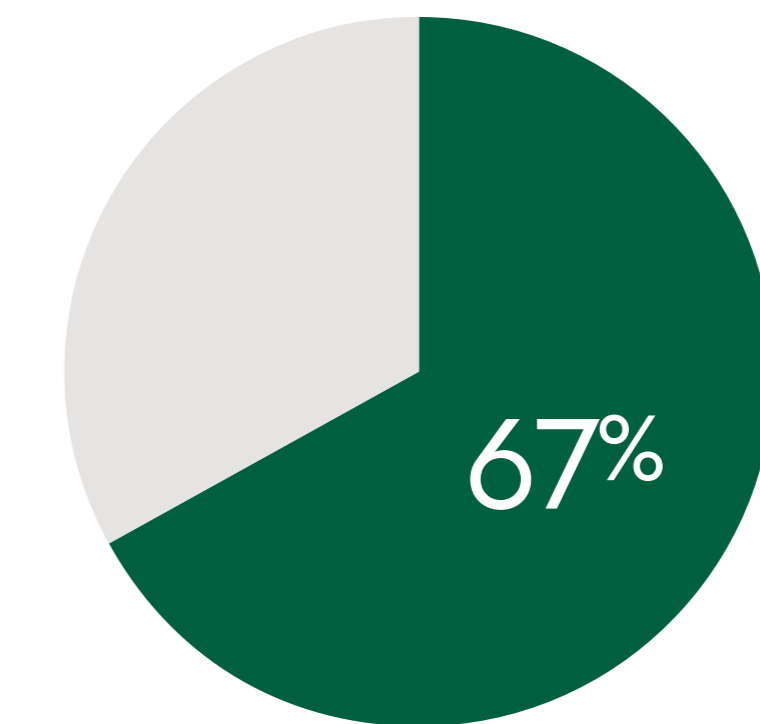
An old adage says that whatever you measure will improve because leaders see the results and want to make progress.

Some organizations thought of supplier diversity as a “nice to have” metric that didn’t historically have the same level of rigor as other business metrics like sales, shipments, or even cost savings. But this year we saw a significant increase in the number of programs that have clear goals and leaders who are subject to some kind of accountability.

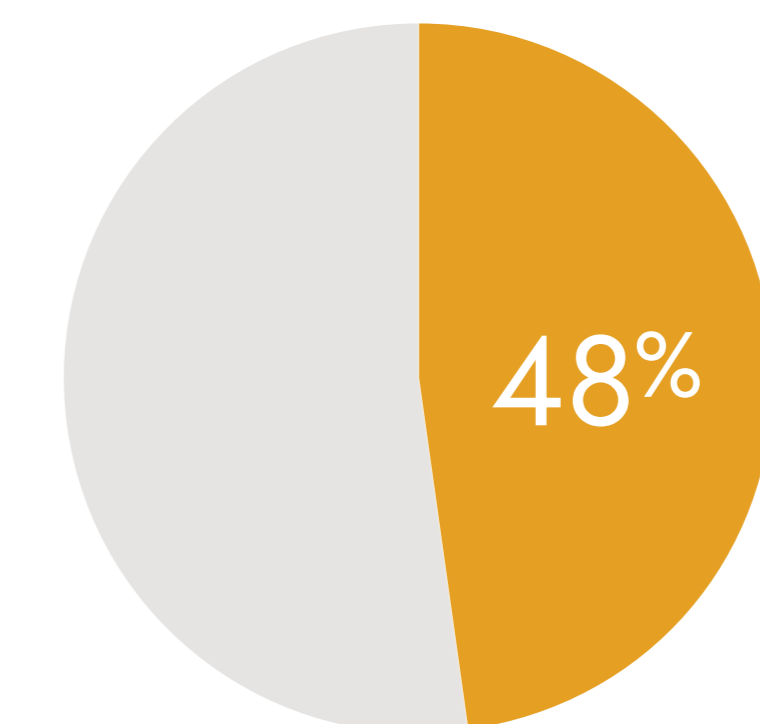
It’s clear now that supplier diversity is being treated the same as other business metrics, like sales, margin, costs, and others.



have **clearly defined** supplier diversity **goals**
(up from 68% from last year)



create an annual supplier diversity plan



include supplier diversity **metrics** in management's performance objectives
(up from 36% from last year)

#2 Data is taking center stage

It presents more opportunities and challenges every year.

Data is everywhere

Data and themes of tracking, metrics, and accuracy came through across a variety of questions this year. Data represents the biggest area of improvement, the top priority for leaders, and the greatest challenge to ensuring accuracy.

This is a big shift from what we saw last year, when leaders had to focus on just identifying diverse suppliers. Why the big change? The use of third-party data is a factor.

We saw a split in responses in how organizations manage their data. There are two camps: those using third-party data and those who do not.



Data is driving progress

Big improvements. Bigger effects.

According to leaders, which program areas improved over the last year? With economic and political headwinds, we were looking for good news, and we found it.

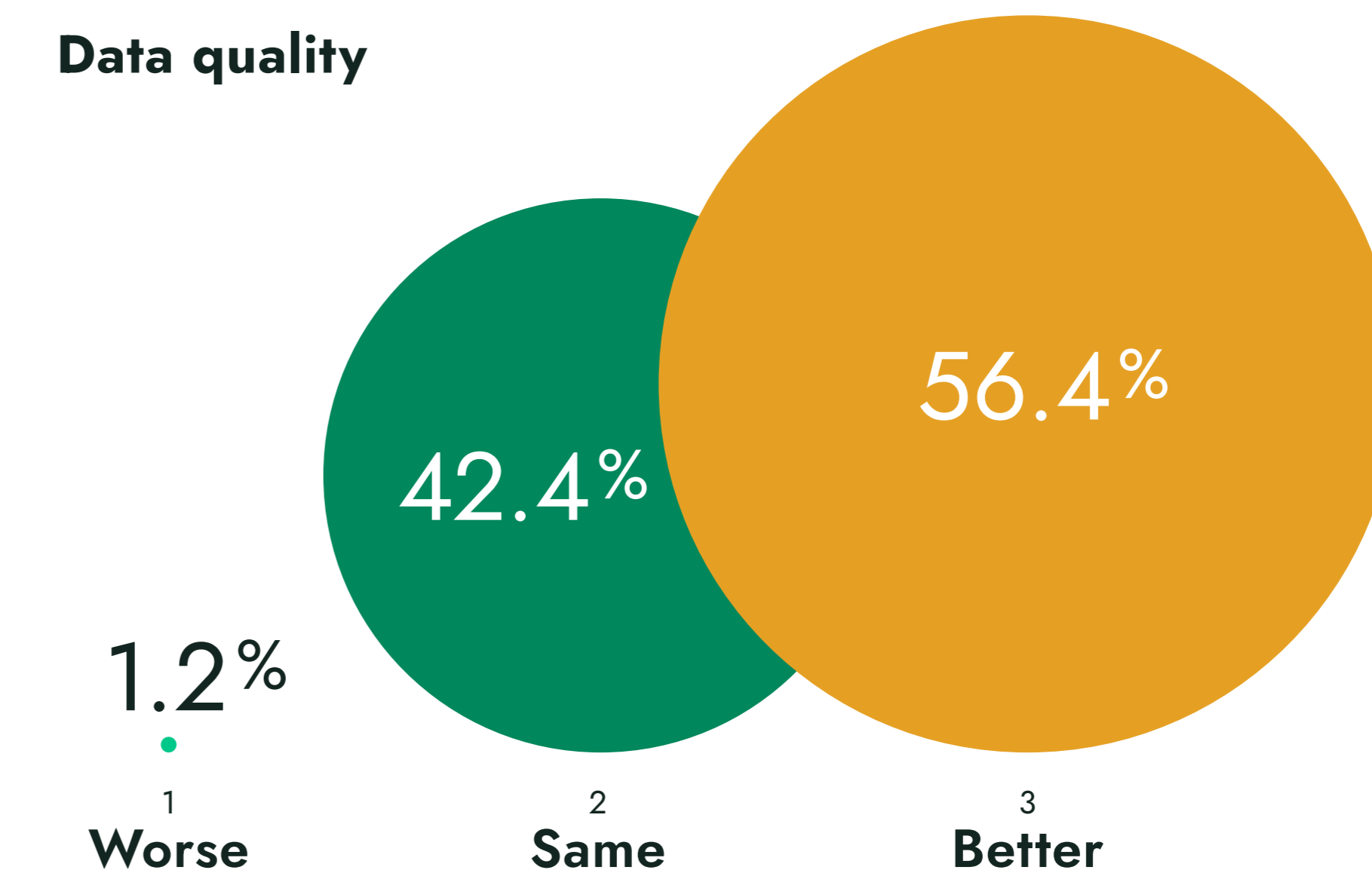
The biggest improvements leaders reported were in data quality and program processes. This is great news—these two areas were clearly the biggest challenges we saw last year as programs tried to mature data.

We'll talk about this more in a moment, but we also saw data as a challenge for programs, with the biggest challenges being:

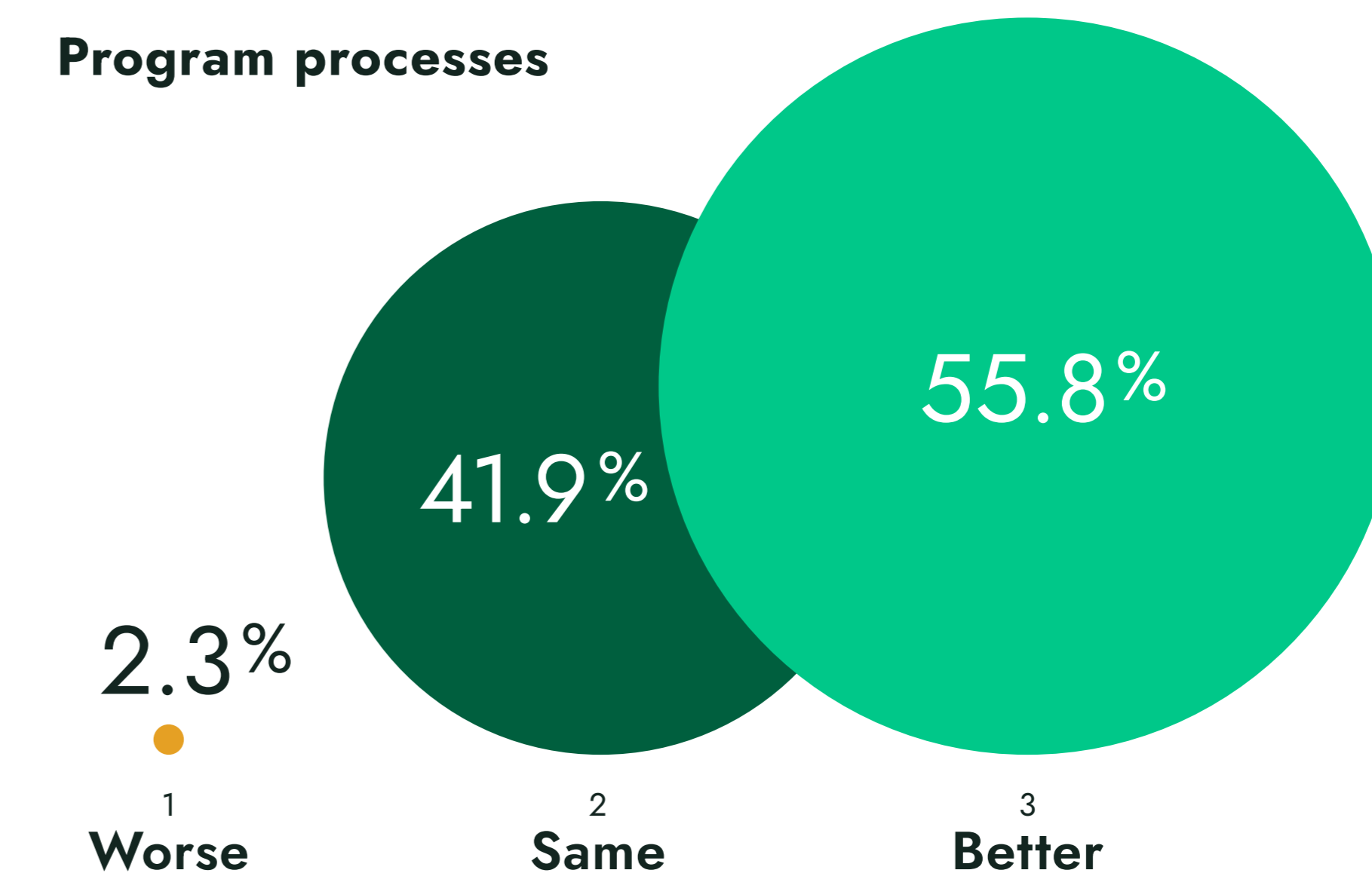
- Ensuring accuracy (29%)
- Including leadership (17%)
- Audits (5%)

TOP 2 CHALLENGES FACING PROGRAMS

Data quality



Program processes



Leaders are prioritizing data

Data priorities and challenges

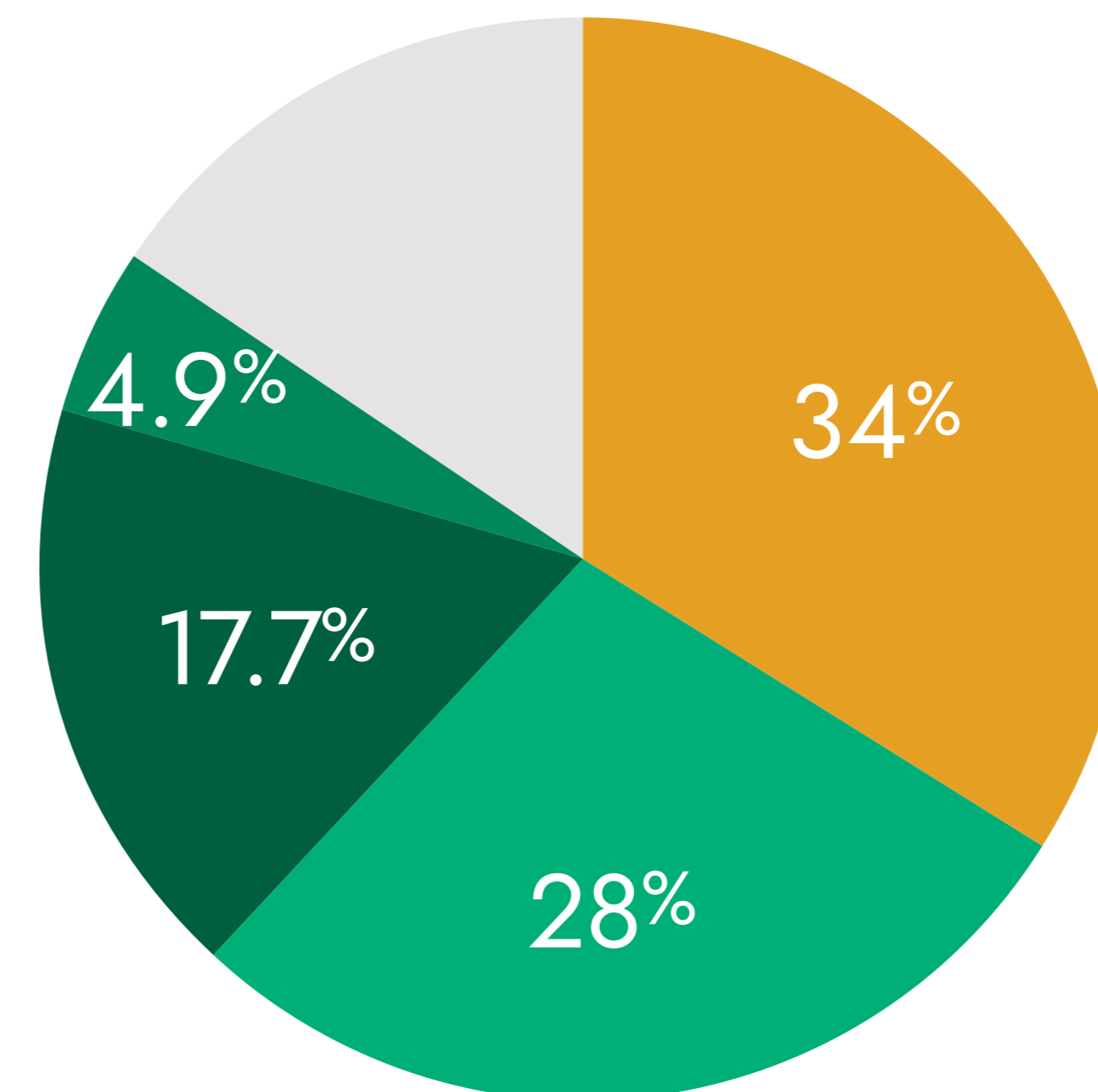
When respondents were asked to force rank their top priorities, data was #1, with tracking and reporting as the clear winner. Working with business peers and supplier discovery were almost tied for second place.

When asked about challenges, “too much work” turned out to be the biggest, and data took up spots 2 – 4. With supplier diversity more prevalent across the business and because leaders are more responsible for executive reporting, it’s no surprise that accuracy is becoming a much bigger issue.

When we asked for more detail, some respondents shared the specific challenge of managing the amount of data available to make timely decisions. Others mentioned the lack of historical comparisons that became available as data quality improved, as well as the need for different slices of data.

TOP PRIORITIES (in order)

1. Tracking and reporting metrics
2. Advocating and meeting with businesses
3. Supplier discovery
4. Onboarding new suppliers
5. Other



BIGGEST CHALLENGES

1. Too much work — **34%**
2. Don't trust accuracy — **28%**
3. Proving accuracy to leadership — **17.7%**
4. Passing an audit — **4.9%**
5. Other — **15.4%**

Tracking diverse suppliers

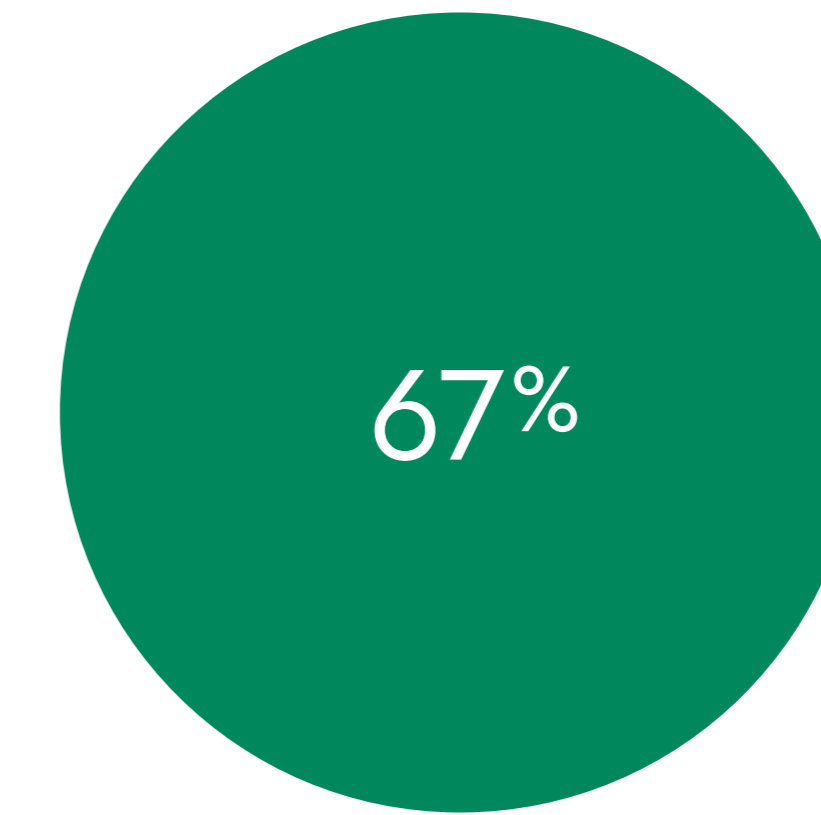
Taking data to new heights

This year, we saw a big shift in how companies gather and use their data. This is key because other Supplier.io research shows that supplier diversity data can be volatile. It changes about 23% annually as certifications lapse, owners take on equity, and other developments.

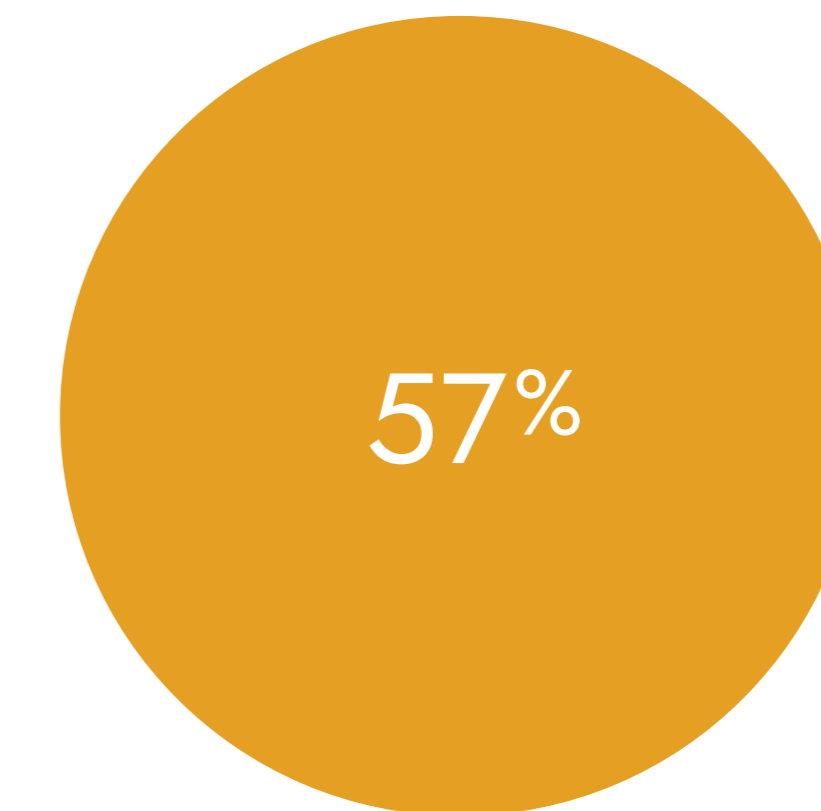
This year, 67% of respondents reported using third-party data to monitor supplier diversity status. In fact, it was the #1 way they tracked status this year, up from #3 last year.

The use of third-party data is one of the few topics we saw a significant split in results. Sixty-eight percent of organizations using third-party data said their data quality was better this year compared to 34% of organizations that aren't using third-party data.

As leaders have focused more on data and processes, we're also seeing more than half of organizations integrate their supplier diversity metrics into their spend reporting platform.



Use third-party data services
up from #3 last year to #1 this year



Supplier diversity metrics integrated into spend reporting platform

Third-party data presents unique challenges

Different data, distinct challenges

Programs that **don't use** third-party data are mainly focused on accuracy, passing audits, and proving results.

Programs that **use** third-party data spend more time on their programs in general, focusing on tasks like benchmarking, data usage, and management.

What is your biggest challenge in the supplier diversity space?

NOT USING THIRD-PARTY DATA

1. Don't trust accuracy
2. Gathering second-tier spend
3. Keeping the information current
4. Passing an audit
5. Proving accuracy to leadership

USING THIRD-PARTY DATA

1. Benchmarking with others in the industry
2. Dealing with non-certified suppliers
3. Decentralized data
4. Ensuring third-party data is incorporated into the analytics platform
5. Ensuring reporting is kept up to date

#3 The economy and politics aren't slowing us down

Leaders kept their spirits up during a tough year.

Headwinds are not obstacles

At the start of last year, many leaders were concerned. Would ESG pull resources away from growing supplier diversity programs as the environment became a bigger issue? And could the economy and slowing results force the closure of early programs?

A year later and the results are in.

As the year progressed, we saw another potential headwind in politics. After the Supreme Court ruling on Affirmative Action, supplier diversity programs came under fire. So we had to ask what impact, if any, this might be having on programs and leadership support.



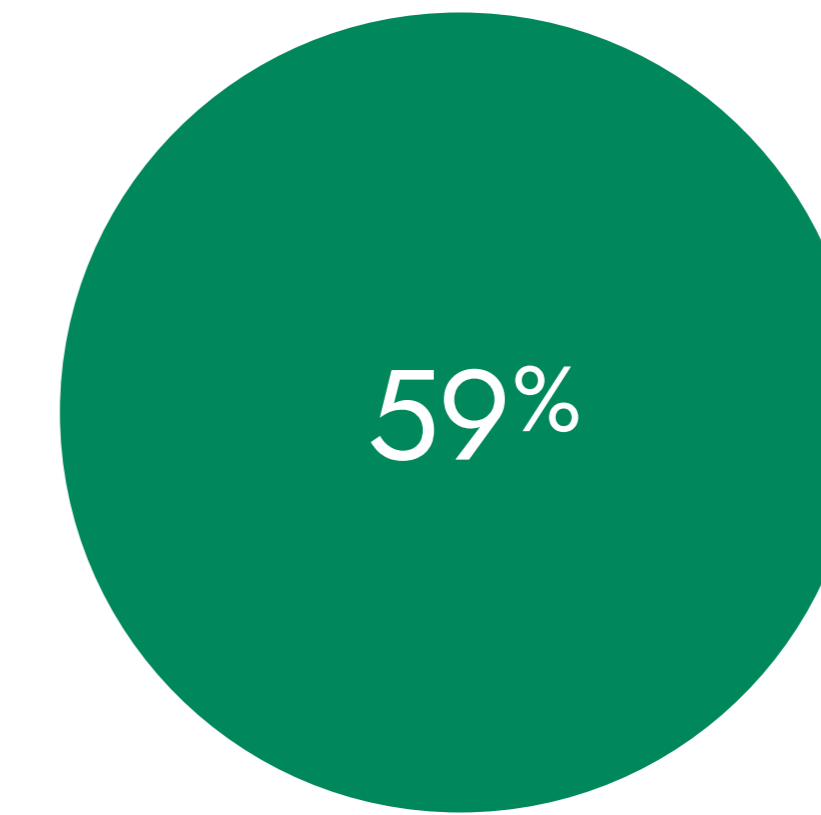
Leadership's support remains strong

Doubling down on supplier diversity

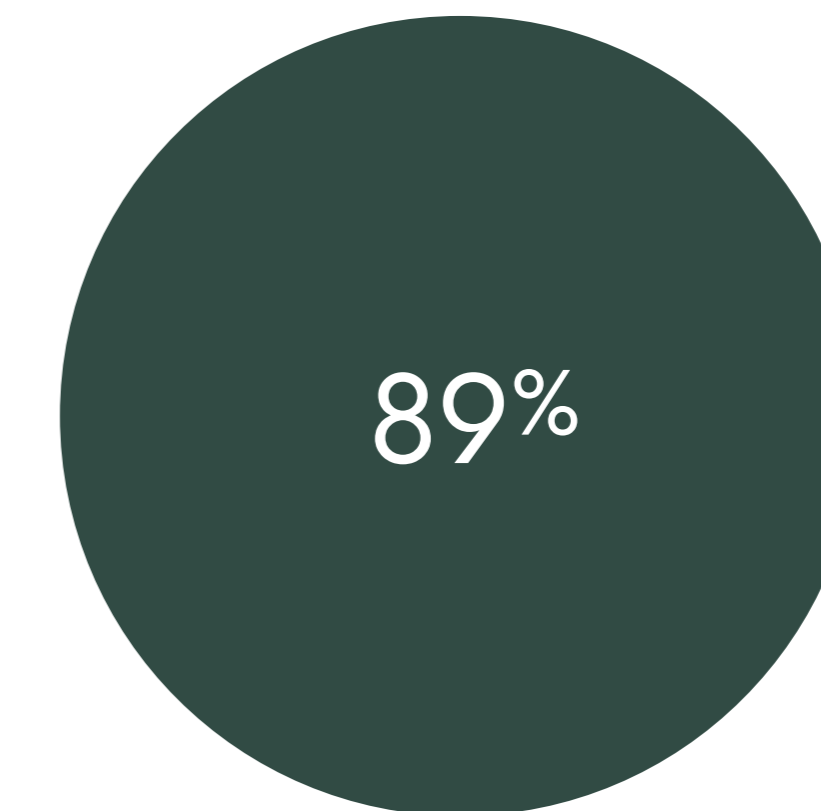
Do you worry about the economic and political landscape affecting leadership's support of supplier diversity? You're in luck.

The majority of leaders in this year's survey said the economy had little negative impact. And 23% said the economy was actually helping accelerate their program.

As the year progressed, we also saw politics take aim at supplier diversity programs. Eighty-nine percent of leaders reported that politics were not hindering their organization's resolve. In fact, 20% reported even more support as a result of recent political pressure. And 16% of respondents said their companies will be more public about their supplier diversity programs.



The economy is not slowing us down
23% said it helped accelerate it



Politics has not impacted our resolve
20% reported even more support
16% will be more public

The challenge? Budgeting and staffing.

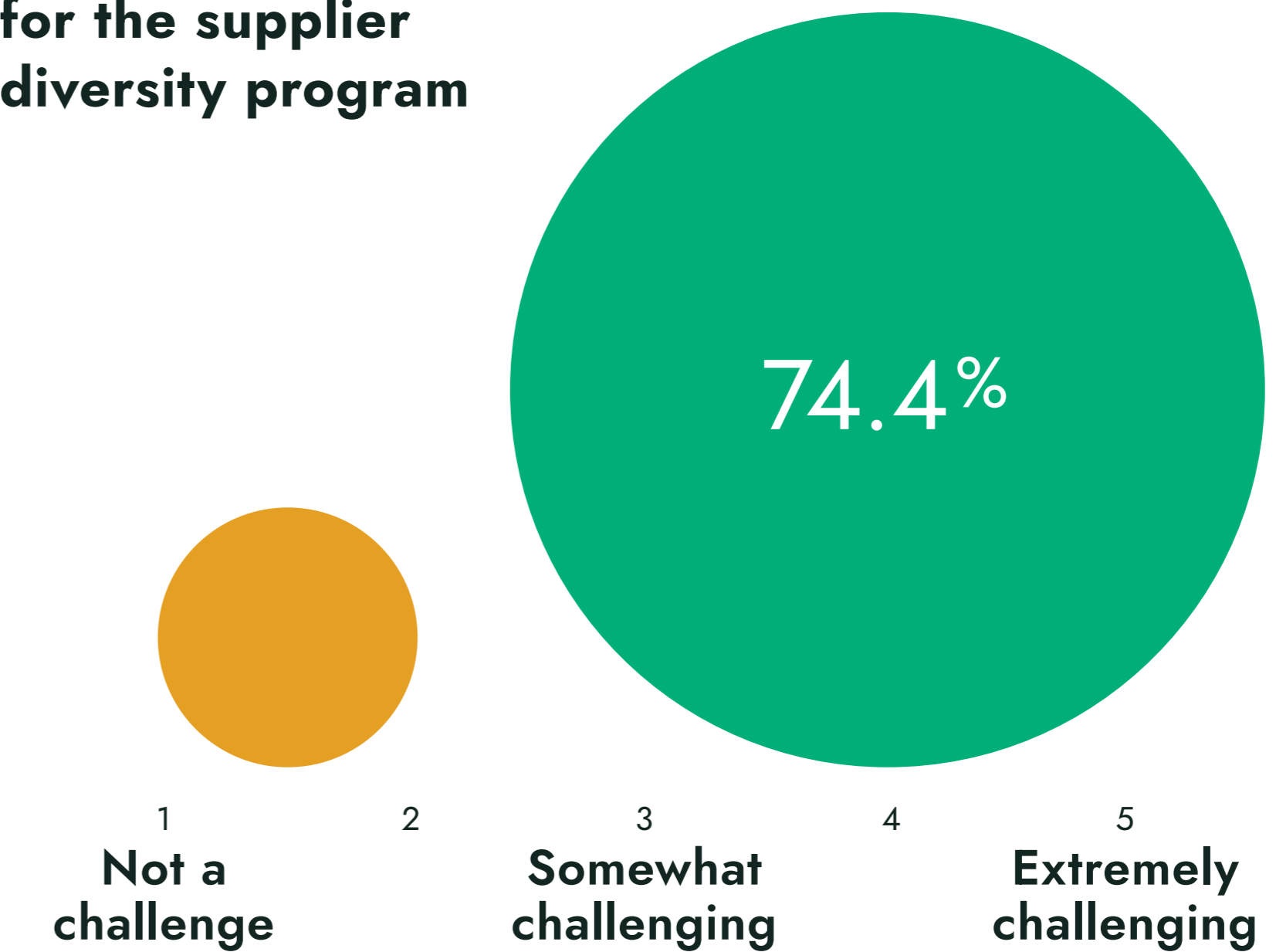
Getting data is a lot of work

When we asked about challenges with supplier diversity data, the number one issue cited by respondents was too much work to get the data (34%).

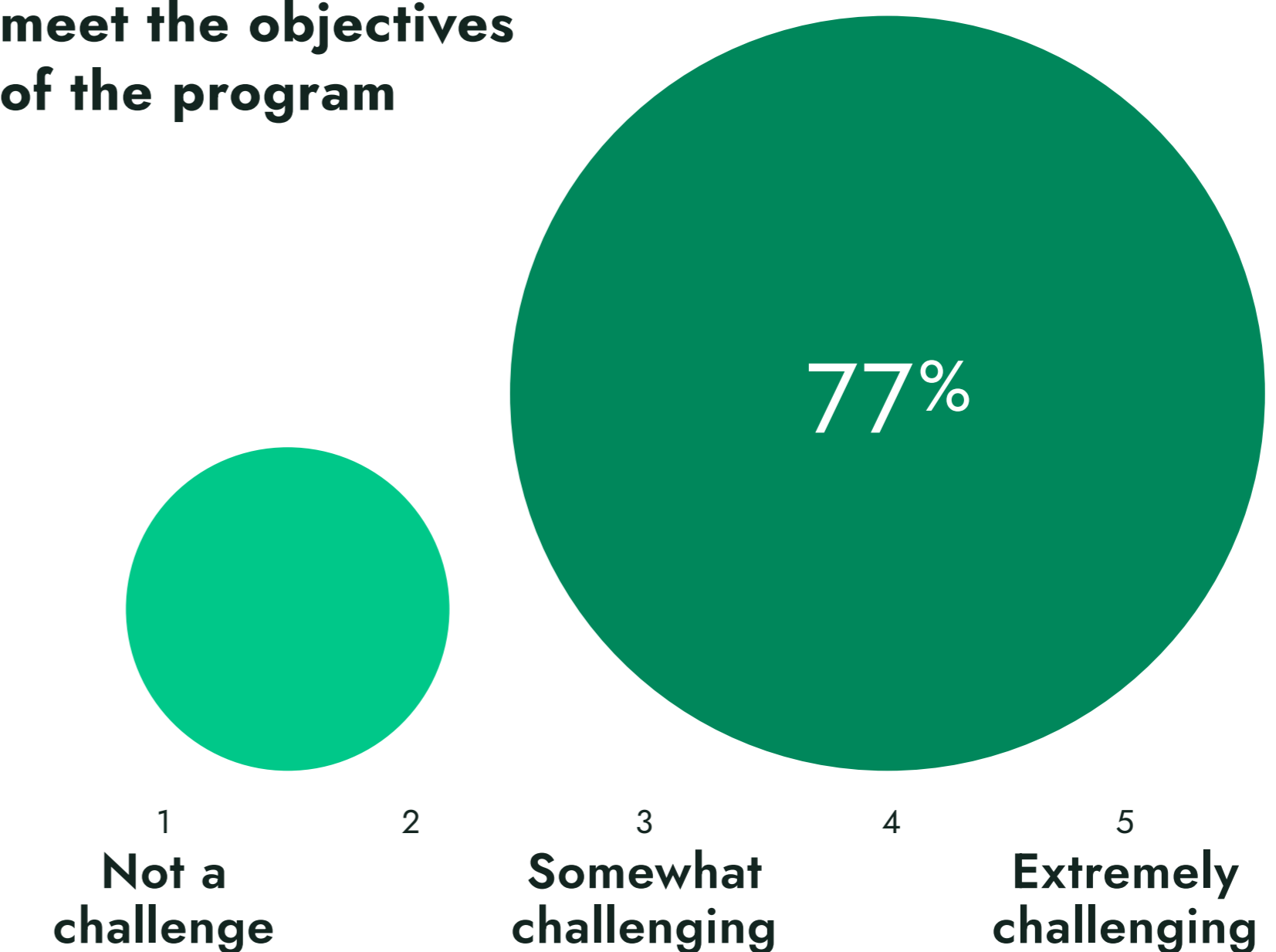
When we asked about challenges in general, we saw that staffing and budget were the clear leaders. This is not a surprise—most departments this year have felt the effects of staffing and budget cuts in response to the economy.

Companies continue to support their supplier diversity programs, but these programs aren't immune to the challenges faced by any other part of the business when resources are low.

Adequate staffing for the supplier diversity program



Adequate budget to meet the objectives of the program



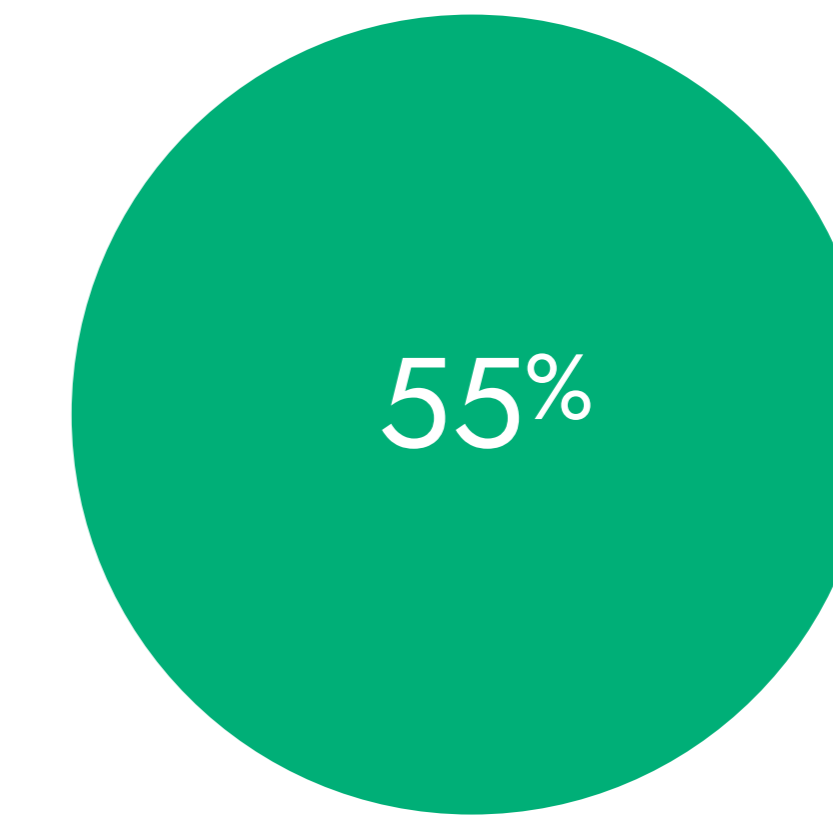
ESG is a helpful partner

ESG is not the enemy

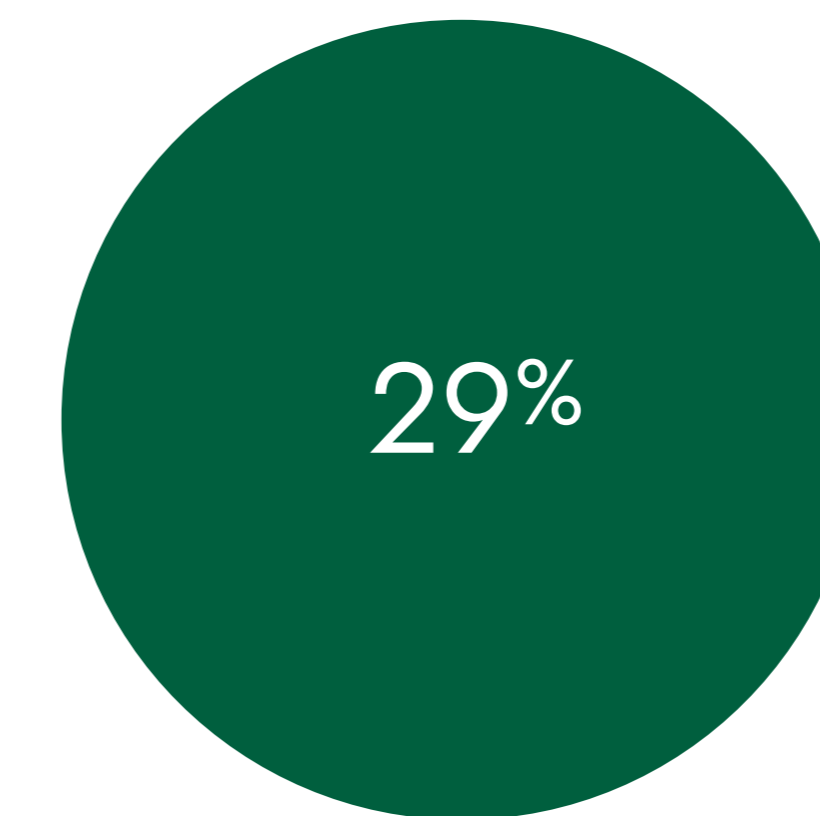
Last year, some leaders were concerned that ESG and environmental regulations might pull focus away from supplier diversity programs, especially early-stage programs.

However, that was clearly not the case. The majority of supplier diversity leaders report ESG programs are helping. In fact, almost one-third actually report into the same organization now. And more than one-third of supplier diversity leaders now manage and report on social and sustainability spend.

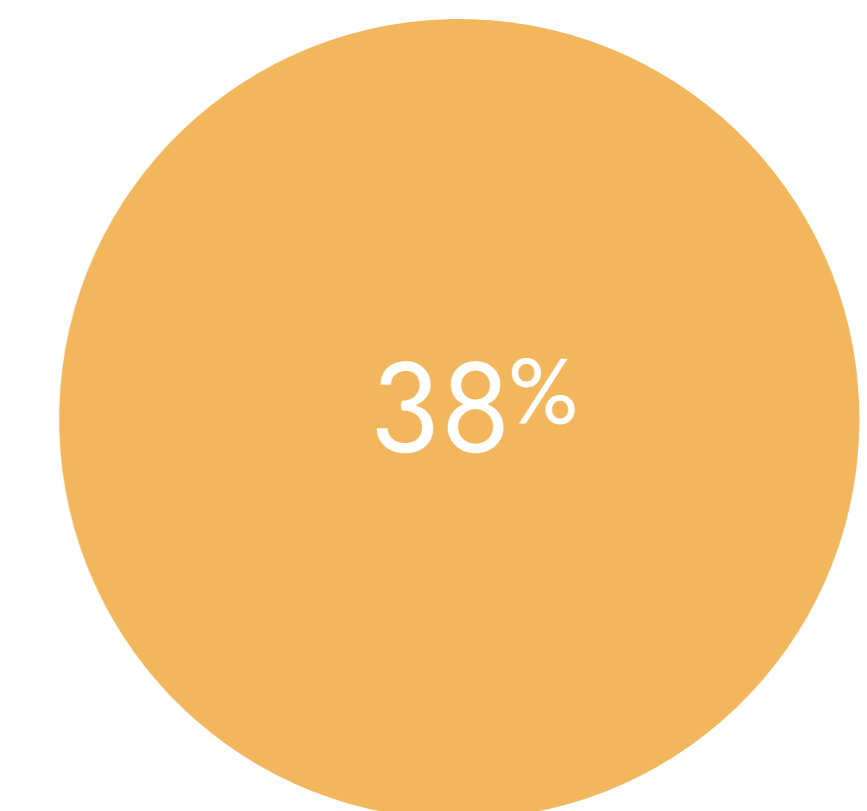
Support and partnership with ESG



ESG helps supplier diversity program



Report to the same organization
Only 3% of supplier diversity programs are owned by ESG



Manage and report spend on social and sustainable suppliers
16% also manage Scope 3 greenhouse gas emissions reporting

Conclusion

3 major takeaways

1

Executive support is rapidly increasing

Supplier diversity leaders made amazing progress in the last year, continuing to leverage executive support to build sustainable programs, efficient processes, and reliable data. This was a big shift from just one year ago, and it's something to be very proud of. Now we need to meet their high expectations.

2

Look for valuable partnerships

Looking to next year, we need to continue to show our dedication to meeting goals, ensuring accurate and reliable data, partnering with our ESG counterparts, and continuing to connect to the broader business value. There is clearly a lot of opportunity to partner with business leaders and ESG teams across the company.

3

Tie supplier diversity to the bottom line

At the same time, we need to watch out for continued budget and staffing reductions and mounting political pressure. We need to focus on the business value these programs have to help improve supply chain competitiveness, brand image, as well as their impact on closing sales, reducing costs, and increasing innovation.



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Visit us at supplier.io for more information.