

Making the Case for Minority Business Development in American Corporations

Donet Graves
Director of Public Policy
Business Roundtable

Jeremiah Boyle
Community Affairs Program Director
Federal Reserve Bank of Chicago



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Donet Graves is director of Public Policy for Business Roundtable, where he also serves as the executive director of BusinessLINC®. Previously, Mr. Graves was a policy advisor at the U.S. Department of the Treasury for domestic policy issues, prepared speeches for the Secretary, and represented the Department on a number of White House task forces. Prior to his position at Treasury, Mr. Graves was an associate in the Washington D.C. office of the law firm of Graves & Horton, based in Cleveland, Ohio. Mr. Graves was also the vice president and director of the Washington office for the Organization for a New Equality. He currently serves on the Boards of Directors of the Community Reinvestment Fund and the Metropolitan Community Development Corporation, the Advisory Boards of the Center on Business and Poverty and Wall Street Without Walls. Mr. Graves is a mentor with For Love of Children in the Shaw neighborhood of Washington, D.C.

Mr. Graves holds a B.A. in political science and history from Williams College and Juris Doctor from the Georgetown University Law Center.

Jeremiah P. Boyle is community affairs program director for the Federal Reserve Bank of Chicago’s Consumer and Community Affairs division. Mr. Boyle is the project coordinator for the Housing Opportunity Partnership for Southeast Wisconsin, and contributing editor of the Federal Reserve Bank of Chicago’s Profitwise News and Views publication. Before joining the Fed, Mr. Boyle served as: assistant commissioner of planning and development for the City of Chicago; economic development coordinator for the Village of Arlington Heights, Illinois; and several positions with the North River Commission in Chicago. Mr. Boyle is a former director of the Chicago Association of Neighborhood Development Organizations (CANDO).

Mr. Boyle holds a certificate from the American Institute of Certified Planners, a B.A. in political science and a masters degree in urban and regional planning from the University of Illinois at Urbana-Champaign, and an M.B.A. from North Park University in Chicago.

The views expressed in this paper are those of the authors, and do not necessarily represent the views of Business Roundtable, the Federal Reserve Bank of Chicago, or the Federal Reserve System.

Executive Summary

The role of the American CEO as the long-term steward of an organization's capital and resources is increasingly threatened by growing pressure to deliver short-term returns to shareholders. This paper challenges the conventional business view of supplier development, arguing that minority supplier development rightfully belongs in a CEO's arsenal of long-term growth strategies to preserve the competitiveness and profitability of the firm.

As a result of this paper, we hope that business leaders will reexamine their companies' approaches to supplier diversity, and become more involved in meaningful business-to-business partnerships. The Federal Reserve Banks of Chicago and Boston, and Business Roundtable are exploring the potential of strategic approaches to minority business development. As a result of this paper, we hope you will get involved with a local BusinessLINC[®] coalition or consider undertaking a similar effort in your community.

In this paper, we do not highlight specific practices that might be adopted by a corporation, nor do we propose policy changes. We simply hope to reinforce the case for minority business development in American corporations. We believe that minority supplier development is a profitable undertaking for corporations when the CEO makes supplier diversity an enterprise-wide, strategic initiative and when the advantages of supplier diversity permeate the corporate culture.

CEO engagement in minority supplier development and a corporate culture that aligns performance benefits with the goals of supplier diversity can help make a corporation's minority supplier development strategy a long-term competitive advantage.

We believe that minority supplier development is a profitable undertaking because it:

- **Protects a company's ability to deliver.** Developing a deep stable of domestic suppliers safeguards the corporation from sudden market shifts, geo-political developments, and catastrophic disruptions in suppliers' ability to deliver as promised.
- **Taps domestic growth opportunities.** Minority-owned companies in America's urban centers present opportunities for corporations to strengthen their supplier networks and offer one of the last, untapped growth areas in domestic markets.
- **Creates affinities with emerging markets.** Doing business with minority-owned companies improves employment opportunities in minority communities, increasing their purchasing power and, potentially, creating an affinity for a company's brands or products within these fast-growing markets.

While compelling demographic trends reveal market potential, local and national economic trends argue for more investment in minority suppliers and domestic emerging markets. If minority-owned companies cannot grow through increased opportunities with American corporations, the economic impact on both local communities and the national economy could be devastating.

Introduction

The Federal Reserve Banks of Chicago and Boston, and Business Roundtable have undertaken a three-year effort to accelerate the growth of and improve the competitive outcomes for minority-owned businesses in American corporations.

This paper frames the issues for the first of three annual conferences in the *Promoting Economic Growth and Corporate Leadership* series. The first conference will focus on the role of corporate executives and board members in minority supplier development strategies. The second conference will focus on minority business enterprises' readiness to enter the supply chain. The third will focus on public policies to facilitate market-driven strategies for minority supplier development.

The Federal Reserve Banks and Business Roundtable are working with the White House National Economic Council, Minority Business Roundtable, National Urban League, Urban Entrepreneur Partnership, Ewing Marion Kauffman Foundation, and the National BusinessLINC® Coalition to address minority supplier development issues in a comprehensive manner.

We believe that, just as American corporations contributed to greater economic productivity by driving quality control and cost control innovations through their supply chains, corporations can enhance the viability and competitiveness of minority-owned businesses by fully incorporating those businesses into their supplier networks.

Corporate executives should take the lead in addressing minority supplier development because:

- Economic and demographic trends are changing the market environment for corporations, their customers, and their suppliers.
- Effective minority supplier development strategies increase competitiveness in corporate supply chains, and can increase profits.
- Developing domestic suppliers' capacity and competitiveness can help to secure the

supply chain or can help a company recover quickly after a disruption in the supply chain.

We believe that, just as American corporations contributed to greater economic productivity by driving quality control and cost control innovations through their supply chains, corporations can enhance the viability and competitiveness of minority-owned businesses by fully incorporating those businesses into their supplier networks.

The Economic Imperatives of Minority Business Development

“The economic imperative is clear; given the changing demographics and increasing importance of job creation, U.S. economic growth will be stymied by the failure to mobilize all of its business resources. To maximize the Nation's growth, including consumption, Gross National Product, and tax base, U.S. policies must ensure that businesses owned by minority entrepreneurs are brought into the economic mainstream.”¹

- There are 3.3 million minority-owned firms in the U.S.
- Of those firms, 2.5 million have less than \$100,000 in annual revenue.
- In 1997, only 84,000 minority-owned firms had annual revenues greater than \$1 million. Those firms accounted for 65% of all employees and generated 55% of all revenues of minority-owned firms.

Source: Minority Business Development Agency

According to the U.S. Bureau of the Census, minorities represent 26 percent of the total U.S. population and are projected to represent 37.4 percent of the population by 2020, “but minority small businesses represent only 13 percent of total businesses, 6 percent of gross receipts, and 2-3 percent of total corporate purchases.”²

Edward Dugger III, President of UNC Partners, summarizes the economic imperative this way:

“The development of the minority business sector of our economy is critical to our continued growth. The largest segment of our economy is small business – the segment that produces jobs. The fastest growing segment is minority business. If, over the next 10 to 15 years, you don’t see minority firms stepping up in terms of growth and viability, and capacity to create wealth, you’re going to have a gap. You’re going to effectively have a decrease in the capacity of that small business segment to grow and prosper, and produce the kind of economic growth the country needs.”³

Anita Cooke Wells, Chief of the Office of Business Development at the Minority Business Development Agency (MBDA), agrees. “Minority businesses are the fastest growing segment of the business community. Not getting minority businesses operating and growing at a much faster level will have an impact on the U.S. economy. It’s going to have an impact on funding things like pensions and Social Security.”⁴

“By removing the non-economic distortions that arise as a result of discrimination, we can generate higher returns to human capital and other productive resources.”

Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve System

While focusing on small businesses’ access to credit from financial institutions, Alan Greenspan, Chairman of the Board of Governors of the Federal Reserve System laid out the macroeconomic argument for making sure that small, minority businesses are fully participating in the economic mainstream:

“To the extent that market participants discriminate – consciously or, more likely, unconsciously – credit does not flow to its most profitable uses, and the distribution of output is distorted. In the end, costs are higher, less real output is produced, and national wealth accumulation is slowed. By removing the non-economic distortions that arise as a result of discrimination, we can generate higher returns to human capital and other productive resources. It is important for lenders to understand that failure to

recognize the profitable opportunities represented by minority enterprises not only harms these firms, it harms the lending institutions and, ultimately, robs the broader economy of growth potential. In this regard, we need to make further progress in establishing business relationships between the financial services sector and the rapidly growing number of minority- and women-owned businesses.”⁵

Surely, the same logic applies to industry sectors other than the financial services sector. To paraphrase – failure to recognize the profitable opportunities represented by minority enterprises harms both the small firms and larger corporations, ultimately robbing the broader economy of growth potential. By removing the non-economic distortions that arise as a result of minority firms’ exclusion from their supply chains, companies can generate higher returns to human capital and other productive resources. Ultimately, this higher return on resources implies a higher long-term return to shareholders.

“Forward-looking corporations see minority business development as a value-added way of doing business, as well as part of being a good corporate citizen.”

National Minority Supplier Development Council

While the macroeconomic arguments for minority business development strategies may be clear, the specific economic arguments for corporate emphasis on minority supplier development have yet to take hold in the majority of U.S. companies. Business Roundtable has taken the lead in making this case. “Growing partnerships with small, minority- and women-owned businesses taps new sources of intellectual capital, forges the way to stronger, economically effective partnerships, and opens markets for both the large and small businesses involved,” according to Donet Graves, Director of Public Policy for Business Roundtable and Executive Director of BusinessLINC®.

The National Minority Supplier Development Council (NMSDC) summarizes corporations’ broad self-interest in minority business development:

“Corporations also benefit from minority business development programs through expansion of their markets, a larger pool of qualified suppliers/contractors, and cost savings and higher quality, due to increased competition. Forward-looking corporations see minority business development as a value-added way of doing business, as well as part of being a good corporate citizen.”⁶

Reginald Layton, Director of Diversity Business Development at Johnson Controls, Inc. (JCI), puts a finer point on those arguments describing three things that JCI “learned” about minority supplier development 10 years ago: “Our customers want this; the demographics will affect our markets; and it is going to be a competitive advantage.”

According to Layton, the economic and demographic arguments from the corporate perspective are:

“Minority suppliers hire minority employees to a far greater extent than majority companies. About 75 percent of folks who work for minority companies, happen to be minority. Couple that with the fact that corporations buy things from suppliers. Suppliers have a dual role. Suppliers are also employers. They employ people and households. When households get paid, they buy products and services from corporations. So economically, if you can equip those households that are growing 60 percent faster than the majority population, your revenue should increase. So there’s the economic driver.

“And then there is the demographic driver – \$1.6 trillion of purchasing power, 100 minority majority cities. There are several reasons to support the business case.”⁷

While Layton succinctly lays out the economic case for corporate minority business development strategies, he prefers to emphasize the *business case*. “JCI’s not doing this for philanthropy. It’s good that it has social benefits, but that’s not why we’re doing it. JCI discovered that it gives us a competitive advantage with our customers. It’s about exceeding our customers’ expectations.”

Increasing Competitiveness & Profits

Johnson Controls, Inc. is one of 12 members of the “Billion Dollar Roundtable,” a group that has purchased \$1 billion dollars in goods and services from minority vendors in a given year.⁸ JCI’s Layton states that JCI has gained \$3 billion in business over six years, specifically because of the added value of its minority supplier initiatives.

“We discovered – \$3 billion dollars later! – that offering a process to work with minority- and women-owned companies to our customer, actually gets us business. Then we added up how much it cost JCI. We have seven coordinators; we have a tracking system; we have brochures. I mean, you’re talking pennies compared to proceeds. So in JCI’s mind, that whole return on investment piece is phenomenal.”⁹

Ramani Ayer, Chairman, President, and CEO of The Hartford Financial Services Group, states that attention to minority business development is, “the right thing to do from a corporate responsibility standpoint. And, frankly, it is the smart thing to do from a competitive standpoint. Shareholders clearly benefit from our ability to partner with the brightest, most creative talent available, which we might just miss without this type of outreach program.”¹⁰

Business Roundtable identifies, for its corporate members, the potential benefits of more fully developed minority supplier development programs:¹¹

- Reaching new markets and increasing share.
- Creating greater opportunities (especially in mature markets).
- Partnering with smaller, more agile, innovative companies.
- Cultivating a more diversified world-class supplier base.
- Success in industries that call for inter-firm collaboration.
- Creating a stronger business environment and stronger communities.

If increasing the participation of minority-owned companies in corporate supply chains holds so many potential benefits, why has it not

taken hold as a strategic imperative in American corporations? Here we propose three possible responses to that question, all of which require executive-level attention and strategic, as opposed to operational, responses within corporations:

- American companies have been narrowly focused on increasing supply chain efficiency – increasing speed and lowering costs – potentially neglecting the longer-term sustainability of those supply chains.
- While minority supplier development is not currently a high-profile issue in society, economic and demographic trends will almost certainly elevate the issue. Most corporations continue to treat minority supplier development as a compliance issue more than a strategic issue, and have a negative perception of minority-owned businesses' capacity to perform.
- American CEOs are increasingly judged by short-term returns to shareholders while presumed to function as long-term stewards of their organizations' invested capital and other resources. Compelled to balance these two competing influences, the CEO's role as the corporation's lead strategist becomes even more important.

“We believe in minority- and women-owned business development for several reasons. First, it helps the community... Second, it helps Texas Instruments... Development of minority- and women-owned businesses is an economic issue that is directly related to TI's ability to compete and win in a global marketplace ... a diverse, robust supply chain that doesn't just grow our business [but] grows our customers' and our suppliers' businesses... helps us compete and win and that makes money for our shareholders.”

Tom Engibous

Chairman and former CEO of Texas Instruments

Getting Beyond Cost Cutting & Outsourcing

The Harvard Business Review (HBR) recently published a six-part series of articles focusing on supply chain management in the twenty-first century.¹² Introducing the series, HBR asserts the following:

“Managing the modern supply chain is a job that involves specialists in manufacturing, purchasing, and distribution, of course; but today it is also vital to the work of chief financial officers, chief information officers, operations and customer service executives, and, certainly, chief executives . . . The end-to-end, top-to-bottom transformation of the twenty-first century supply chain is shaping the agenda for senior managers now and will continue to do so for years to come.”¹³

In the same issue of HBR, Hau L. Lee, Thoma Professor of Operations, Information and Technology at the Stanford Graduate School of Business, argues that the best supply chains – those that deliver a “sustainable advantage over their rivals” – look beyond speed and cost to become more agile and adaptable, and align the interests of all elements of the supply chain. According to Lee, many of the super-efficient supplier networks that he has studied don't respond well to unanticipated changes in the marketplace and/or break down during new product launches.

One of the characteristics of an agile supply chain, according to Lee, is its ability to “recover quickly from sudden setbacks.” Lee illustrates this point with the case of cell phone makers, Nokia and Ericsson, responding to a fire at a major supplier in 2000. Nokia was able to quickly implement a back-up plan, using back-up suppliers, to capture additional market share from Ericsson. Ericsson “had been weeding out back-up suppliers because it wanted to trim costs, resulting in production delays and the delayed launch of a major new product.”¹⁴

Lee also emphasizes that, “Smart companies tailor supply chains to the nature of markets for products,” and that those supply chains “must develop new suppliers that complement existing ones. When smart firms work in relatively unknown parts of the world, they use

intermediaries . . . to find reliable vendors.”¹⁵ Research carried out by Michael Porter’s¹⁶ Initiative for a Competitive Inner City and Social Compact¹⁷ portray minority and urban domestic markets as just such unknown markets for American corporations.

NMSDC is a very effective intermediary in helping its corporate members find suppliers that are certified as minority-owned and controlled. NMSDC also develops guidelines and best practices for minority supplier development programs, including its “Second Tier Initiative.” Business Roundtable’s BusinessLINC[®] coalition functions as an intermediary in 20 local coalitions. BusinessLINC[®] brings minority-owned companies and corporate executives together to develop market-specific and industry-specific partnerships and strategic alliances. (A list of BusinessLINC[®] coalitions, with contact information, is located on page 12 of this publication.)

Lee summarizes the challenges to developing “Triple-A supply chains” in a manner that closely parallels one of the challenges to developing more effective supplier development programs:

“Most firms already have the infrastructure in place to create Triple-A supply chains. What they need is a fresh attitude and a new culture to get their supply chains to deliver Triple-A performance. Companies must: give up the efficiency mind-set, which is counterproductive; be prepared to keep changing networks; and, instead of looking out for their interests alone, take responsibility for the entire chain. This can be challenging for companies because there are no technologies that can do those things; only managers can make them happen.”¹⁸

Truly embracing minority supplier development means moving the initiative from a compliance mindset to profit-making, strategic initiative that promises long-term returns to shareholders.

Likewise, only the CEO can adjust the culture of an entire enterprise and align performance incentives to truly embrace a minority supplier

development strategy. By truly embracing a minority supplier development strategy, we mean elevating the strategy out of a purchasing department program to an enterprise-wide strategy for which every person with significant spending authority is accountable for its contribution to the minority supplier development goals. In short, we mean moving the minority supplier development initiative from a compliance mindset to a profit-making, strategic initiative that promises long-term returns to shareholders. Easier said than done . . .

More Than Compliance – It’s a Strategic Imperative

Two obstacles seem to inhibit minority supplier development’s rise to a strategic level in the corporation: the negative perception of minority-owned businesses’ ability to perform; and corporations’ long learning curve with regard to the socioeconomic impact of domestic, emerging markets.

“Shareholders clearly benefit from our ability to partner with the brightest, most creative talent available.”

*Ramani Ayer
Chairman, President, and CEO, The Hartford*

At a conference held in Milwaukee last year, Joe Tucker, President of Milwaukee-based Victory Personnel Services, voiced a concern for many minority-owned companies:

“When a CEO turns to someone within a corporation saying, ‘We’re going to mentor this company,’ it suggests that this minority firm lacks understanding or the intellectual capacity to grasp certain things. It has to be about helping the minority firm overcome the barriers. It has to be about listening and understanding what those barriers and challenges are, and bringing to bear on those situations the vast resources of those majority corporations to make that difference.”¹⁹

One minority supplier development coordinator we interviewed bluntly stated that the more important role of the coordinator in that corporation was to overcome the negative

Table 1: The Five Stages of Organizational Learning

When it comes to developing a sense of corporate responsibility, organizations typically go through five stages as they move along the learning curve.

Stage	What Organizations Do	Why They Do It
Defensive	Deny practices, outcomes, or responsibilities	When it comes to developing a sense of corporate responsibility, organizations typically go through five stages as they move along the learning curve
Compliance	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
Managerial	Embed the societal issue in their core management processes	To mitigate the erosion of economic value in the medium term and to achieve longer-term gains by integrating responsible business practices into their daily operations
Strategic	Integrate the societal issue into their core business strategies	To enhance economic value in the long term and to gain first-mover advantage by aligning strategy and process innovations with the societal issue
Civil	Promote broad industry participation in corporate responsibility	To enhance long-term economic value by overcoming any first-mover disadvantages and to realize gains through collective action

Source: Harvard Business Review, December 2004, “The Path to Corporate Responsibility,” by Simon Zadek.

perceptions, borne of latent racism, in the purchasing organization. “I don’t have to teach my minority suppliers nearly as much as I have to teach some of my purchasing decision-makers.”

One of the legacies of the compliance mindset of minority business development programs is the perception that minority businesses are not capable of competing with majority-owned firms. This perception has nothing to do with their ability to compete. Rather, minority businesses have historically had less access to capital, credit, and the opportunities that come from the ability to join the networks of buyers and suppliers that have tended to exclude minority businesses.

“The legacy that I want to put in place at Kodak is two-fold: one is that we can show demonstrated progress so people feel good about the benefits of our diversity effort. And two, so that every employee feels a right to demand diversity commitment from the management of the company.”

Daniel A. Carp
Chairman and CEO, Eastman Kodak Company

The purchasing decision-makers throughout corporations need to look beyond these perceptions to realize a longer term strategic advantage to incorporating minority suppliers into their supplier networks.

In addition to the economic and demographic arguments for greater inclusion of minority suppliers, issues of diversity and inclusion remain a serious and growing social issue for corporations as well. As with environmental issues, working conditions, and product safety issues, diversity and inclusion will be an issue for which corporations will be held to account.

Simon Zadek, a senior fellow at Harvard’s Kennedy School of Government and CEO of the London-based AccountAbility, developed a “Civil-Learning Tool” that melds the maturity of an issue in the broader society with organizational learning curves. “The more mature an issue becomes, the further up the learning curve an organization must be to avoid risk and to take advantage of opportunities.”²⁰

Zadek uses a scale – developed by pharmaceutical company, Novo Nordisk – that identifies four stages of issue development.²¹ Businesses typically go through five stages of learning in response to these issues, according to Zadek’s model. (See Table 1.)

Where is your organization on its learning curve with regards to minority supplier development? Do all purchasing, contracting, and investing decisions include minority consideration? Is the organization simply purchasing goods and services up to a predetermined “set aside” level, or is it actively mentoring, developing, and/or investing in minority companies in the supply chain? Is your company’s minority supplier development program “mitigating the erosion of economic value?” Or is it “enhancing long-term economic value?”

At a recent conference focusing on “Business Strategies that Promote Urban Revitalization,” there was an interesting exchange about minority supplier development programs’ roots in social and political activism, and the potential to return to such activism to build on the historical gains in minority business ownership. The conference’s keynote speaker, Ed Honesty of Best Harvest Bakeries, and formerly an executive at

McDonald's, shared this perspective on minority supplier development as a socioeconomic issue:

"If it doesn't make dollars, it doesn't make sense," he said. The genesis of the diversity purchasing efforts at best-in-class companies – the Billion Dollar Roundtable, Turner Construction, and McDonald's, among others – was in social activism.

"Organizations which are accountable to urban areas – specifically McDonalds, when I was there, 12 to 15 percent of the revenue came from urban areas – it made sense that they had diverse franchisees to become involved in those urban areas, and address those communities and build sales. I know the same push happened with General Motors, Ford Motors, to get dealers, employees – diversity. It made sense from an economic point of view.

"Now having said that, social activism is a great thing. I don't know if we can really bring down the house and break windows and do those things that we did in the '60s. But something that can be done is to publish the names of those corporations that are best-in-class. It's like a Good Housekeeping seal of approval. These are the guys that are doing it right. The message to the public therefore is, 'Buy from these guys.' . . . We need to market and that's a way of social activism in this millennium. We can get corporations to become responsible, to do the right thing and those who don't do it will be embarrassed by its absence."²²

How mature is supplier diversity on the scale of social issues maturity? Consider:

- The economic and demographic trends articulated above.
- The extensive research on domestic markets as "underserved" or "emerging."
- The government's focus on "new markets" and "emerging markets."
- The largest source of funding for minority-oriented venture capital funds is public pension funds, while state and local governments are also active funding sources.²³

- The Wall Street Project and the LaSalle Street Project.
- The shareholder activists and the media focus on executive actions and ethics.

CEOs need to ask whether their companies will realize the benefit of "aligning strategy and process innovations with the societal issue."

Taking the Long View

When discussing the keys to success, many participants in early BusinessLINC[®] business-to-business relationships emphasized that "the greatest benefits come over the long-term and often in unanticipated ways," and that "the business must be committed to the relationship at both the top management and staff levels, with appropriate incentives for performance."²⁴

"A growing number of CEOs are emphasizing their companies' long-term strengths, including non-financial strengths. They are just as committed to earnings growth. They just have a more grounded idea of how to achieve and sustain that growth over time."

John Castellani, President, Business Roundtable

The authors have no illusions about the difficulty inherent in such long-range strategies for today's chief executives. A CEO is the steward of the corporation's invested capital and other resources, and is expected to produce long-term growth and consistent returns to shareholders. Today's CEO, however, is increasingly judged on the short-term returns and stock prices movements.

Business Roundtable President John Castellani recently addressed this issue:

"The fundamental reality that CEOs face today is that they are long-term managers who must depend on short-term investors for much of their capital and financial strength . . . That creates the powerful temptation for companies to play to short-term investors with short-term fixes to a company's results. But a growing number of CEOs are putting up more resistance and emphasizing their companies' long-term

strengths, including non-financial strengths. They are just as committed to earnings growth. They just have a more grounded idea of how to achieve and sustain that growth over time.”²⁵

The CEO sets strategy.²⁶ That is why we begin our exploration of minority supplier development issues with the role of corporate executives. It is the quintessential role of the CEO and the Board of Directors to develop strategies that can deliver long-term returns to shareholders. The corporate executives are subject to age-old principles of leadership in this role.

“It is good to remember that chieftains are, in large, rewarded for the decisions they make,” according to Attila the Hun. “Huns, conversely, are, in large, rewarded for how well they support and carry out decisions.”²⁷

“A winning corporate culture can only be achieved in an environment that fosters the creativity, productivity, and mutual respect of all people. To be a leader, not only in our industry, but also across all businesses, we must go beyond simply accepting ‘equal opportunity’ as a legal requirement. We must embrace diversity as a strategic competitive advantage.”

J. Wayne Leonard, CEO, Entergy Corporation

In a modern context, author Peter Schwartz makes a similar argument, relating the story of Royal Dutch/Shell’s anticipation of oil price shocks in the early 1970s.²⁸ Through the development of various scenarios and the strategic discussions that followed at all levels of the corporation, Royal Dutch/Shell was able to profit and grow during the energy crisis in the mid 1970s.

While Schwartz’s retelling of the story centers around the role of Pierre Wack, a planner in the London office of Royal Dutch/Shell, Schwartz is quick to point out the pivotal role of the corporate executives who hired Wack and facilitated his work.

“The end result, however, is not an accurate picture of tomorrow, but better decisions about the future. The planner and the

executive are partners in taking a long view. Thus, while Pierre Wack’s seminal role is at the heart of this story, it is thoughtful and farsighted Shell executives who invited him into that role in the first place, provided him with the resources he needed, and paid him the compliment of listening to him and taking him seriously. . . The real value comes from the interaction with those who must decide and act.”²⁹

Conclusion

The boards of directors of American corporations and the executives they hire as stewards of those organizations are, “those who must decide and act.”

Can economic growth be sustained while minorities’ access to mainstream economic opportunities is constricted? The answer to that is emerging as a critical issue in the twenty-first century. By strategically incorporating the development of minority-owned suppliers, American corporations are poised to have a significant impact on the issue to the economic benefit of the corporation and its shareholders, the minority-owned companies and their employees, and the national economy.

In this paper, we do not highlight specific practices that might be adopted by a corporation, nor do we propose policy changes. We simply hope to have reinforced the case for minority business development in American corporations. We believe that minority supplier development is a profitable undertaking for corporations when the CEO makes supplier diversity an enterprise-wide, strategic initiative, and when the advantages of supplier diversity permeate the corporate culture. If the CEO engages directly in the minority supplier development strategy and aligns performance benefits with the goals of supplier diversity, then a corporation’s minority supplier development strategy is much more likely to become a long-term competitive advantage.

Notes

- 1 U.S. Department of Commerce Minority Business Development Agency (2004), *Accelerating Job Creation and Economic Productivity: Expanding Financing Opportunities for Minority Businesses*, p. 2.
- 2 National Minority Supplier Development Council (2001), *Guide to a Corporate Minority Business Development Program*, p. 2.
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- 5 Greenspan, Alan (1999), "Changes in Small Business Finance," Keynote Address in Business Access to Capital and Credit: A Federal Reserve System Research Conference, Proceedings of a Conference held in Arlington, VA, March 8-9, p. 43.
- 6 NMSDC (2001), p. 2.
- 7 Boyle (May 2005).
- 8 Other members of the Billion Dollar Roundtable include: IBM, Verizon, AT&T, Wal-Mart, SBC Communications, Ford Motor Company, General Motors, Daimler-Chrysler, JCI, Philip Morris, and Lucent Technologies.
- 9 Boyle (May 2005).
- 10 Business Roundtable (2002), BusinessLINC® Guidebook: Businesses, p. 8. Also, see National Minority Supplier Development Council (2004), Guidelines For Second Tier Initiative: Maximizing Opportunities for Minority-Owned Businesses, p. 13.
- 11 Ibid., p. 7.
- 12 *Harvard Business Review* (2004), October-December.
- 13 *Harvard Business Review* (2004), "The 21st Century Supply Chain," October, p.100.
- 14 Lee, Hau L. (2004), "The Triple-A Supply Chain," in *Harvard Business Review*, October, p. 107.
- 15 Ibid., pp. 108-110.
- 16 Porter, Michael A. (1995), "The Competitive Advantage of the Inner City," *Harvard Business Review*, May-June, pp. 55-71.
- 17 Merkel, Loula S. and William Testa (2000), "Emerging Urban Markets in the Midwest," *Chicago Fed Letter*, July, pp. 1-2; and Mari Gallagher and Lynn Riley Whiteside (1999), "Social Compact Makes an Impact on Chicago," *Profitwise* (Federal Reserve Bank of Chicago) Winter, pp. 1-4.
- 18 Hau L. Lee (2004), p. 112.
- 19 Boyle (May 2005).
- 20 Zadek, Simon (2004), "The Path to Corporate Responsibility," in *Harvard Business Review*, December, p. 129.
- 21 In the *latent* stage, when an issue receives little attention, businesses tend to ignore or dismiss the issue. In the *emerging* stage, political and media attention picks up, and a few leading businesses test innovative responses. In the *consolidating* stage, there is more activity around the issue, including litigation, and businesses collectively adopt standards in response. In the fourth and final stage, an issue becomes *institutionalized*, and responses to it are legislated and/or incorporated into "business excellence models." Simon Zadek (2004), p. 128.
- 22 Boyle (May 2005).
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Business Roundtable

Business Roundtable is an association of chief executive officers of leading U.S. corporations with a combined workforce of more than 10 million employees in the United States. The Roundtable is committed to advocating public policies that ensure vigorous economic growth, a dynamic global economy, and the well-trained and productive U.S. workforce essential for future competitiveness. Business Roundtable believes that its potential for effectiveness is based on the fact that it draws on CEOs directly and personally, and presents government with reasoned alternatives and positive suggestions.

The Roundtable believes that the basic interests of business closely parallel the interests of the American people, who are directly involved as consumers, employees, shareholders, and suppliers. Only through sustainable, non-inflationary, long-term growth in the U.S. economy will American companies be able to remain competitive around the world and thus provide the technology and jobs that will continue to improve our standard of living and extend the benefits of that standard to all Americans. Thus, CEOs, although they speak as individuals, have responsibilities that relate to many factors – including jobs, products, services, and return on investment – that affect the economic well-being of all Americans.

In general, the Roundtable focuses on issues it believes will have an effect on the economic well-being of the nation. The chief executives work on task forces on specific issues that direct research, supervise preparation of position papers, recommend policy, and lobby Congress and the Administration on select issues. The Roundtable seeks to identify issues early and tries to understand the problems faced by government as well as business. It has served as a catalyst in working with other groups to form coalitions and in stimulating individual business leaders to be more active in the public policy arena.

BusinessLINC®

BusinessLINC® is Business Roundtable's program aimed at stimulating economic growth in cities and distressed rural areas by helping to foster business-to-business partnerships. BusinessLINC® stands for Learning, Investment, Networking, and Collaboration that together can facilitate a full range of economic benefits. The goal of BusinessLINC® is to encourage large firms to help locally-owned, smaller firms to flourish by providing technical assistance, business advice, networking, investment, and/or joint venturing and contracting opportunities. The BusinessLINC® program targets small businesses in distressed urban and rural communities, especially minority- and women-owned firms.

BusinessLINC®'s work is done at the local level, where local coalitions have been formed to facilitate these relationships. Each coalition is chaired by a corporate CEO, hosted by a local business, community or civic association, and comprised of corporate partners.

BusinessLINC® Locations

Bellingham	Kate Clark (360) 671-6075 119 N. Commercial, Suite 195 Bellingham, WA 98225	Kansas City	Janet Watson (816) 221-2424 2600 Commerce Tower 911 Main Street Kansas City, MO 64105
Boston	Edward Dugger, III (617) 522-2160 x101 54 Burroughs St. Jamaica Plain, MA 02130	Milwaukee	Alton M. Bathrick (414) 482-2200 2625 South Greeley Street Milwaukee, WI 53207
Cleveland	Danny R. Williams (216) 579-9980 1422 Euclid Avenue, Suite 940 Cleveland, OH 44115	Mississippi Delta	Raymond L. Williams (601) 944-1100 308 E. Pearl Street, 4th Floor Jackson, MS 39201
Connecticut	John Giamalis (860) 547-4376 Hartford Plaza 690 Asylum Avenue Hartford, CT 06115	Nashville	Oliver Dent (615) 367-1436 1536 Doubletree Lane Nashville, TN 37217
Dallas	Liz Samuel (972) 621-0400 8445 Freeport Parkway, Suite 640 Irving, TX 75063	Richmond	Jack Berry (804) 644-0404 600 E. Broad Street, Suite 960 Richmond, VA 23219
Des Moines	Debra A. Carr (515) 283-0940 x 26 1111 9th Street, Suite 200 Des Moines, IA 50314	San Francisco	Penelope Douglas (415) 442-4300 539 Bryant Street, Suite 302 San Francisco, CA 94107
Flint	Jean L. Conyers (810) 235-5514 400 N. Saginaw Street, Suite 101A Flint, MI 48502	Southeast Arkansas	Ann M. Green (870) 535-0110 510 Main Street Pine Bluff, AR 71601
Georgia	Jerry McGaughy (770) 944-3198 1412 Crestmark Boulevard Lithia Springs, GA 30122	Washington, D.C.	Lindsay Godwin (202) 857-5934 1725 I Street, NW, Suite 200 Washington, D.C. 20006
Houston	Richard A. Huebner (713) 271-7805 6671 Southwest Freeway Houston, TX 77074		

the fact that the *de novo* synthesis of cholesterol is inhibited by the presence of dietary cholesterol. The effect of dietary cholesterol on the synthesis of cholesterol is mediated by the regulation of HMG-CoA reductase activity.

The regulation of HMG-CoA reductase activity is a complex process involving several factors, including the presence of dietary cholesterol, the presence of cholesterol in the plasma, and the presence of cholesterol in the liver.

The presence of dietary cholesterol in the diet leads to an increase in the concentration of cholesterol in the plasma, which in turn leads to an increase in the concentration of cholesterol in the liver.

The presence of cholesterol in the plasma and the presence of cholesterol in the liver both lead to an increase in the activity of HMG-CoA reductase, which in turn leads to an increase in the synthesis of cholesterol.

The presence of dietary cholesterol in the diet also leads to an increase in the concentration of cholesterol in the plasma, which in turn leads to an increase in the concentration of cholesterol in the liver.

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