

Research Alerts & Press Releases



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The Hackett Group: Supplier Diversity Does Not Drive Increased Costs

World-Class Procurement Organizations that Turn to Women- and Minority-Owned Businesses Don't Sacrifice Savings; Some Leaders Even See Role of Supplier Diversity in Driving Revenue Growth

ATLANTA, August 17, 2006 - Increasing the reliance on women- and minority-owned businesses as suppliers does not cost leading procurement organizations more, according to new research from The Hackett Group, a strategic advisory firm and an Answerthink company (NASDAQ: ANSR). In fact, some cutting-edge companies find quite the opposite is true, and are finding ways to use supplier diversity to drive new sources of revenue.

Hackett's research shows that world-class procurement organizations which focus heavily on supplier diversity don't sacrifice procurement savings to do so. In addition, these leading procurement organizations have slightly higher adoption rates of supplier diversity programs as typical companies, yet are able to generate 133%percent greater return on the cost of procurement operations than average performers, driving an additional \$3.6 million to their company's bottom line for every \$1 million in procurement operations costs.

Hackett's research showed that typical companies today dedicate 8% of their spending to women- and minority-owned suppliers, and that these suppliers make up 9.7 % of the total supply base. World-class procurement organizations perform slightly better in both of these areas. Most companies focus on supplier diversity voluntarily, as part of an overall program to improve their corporate image. Government and commercial requirements are also among their leading rationales.

"Many people will tell you that they don't use more minority suppliers because they can't afford to," said Hackett Senior Business Advisor Kurt Albertson. "They automatically assume that supplier diversity programs are an administrative nightmare, a burden that increases spending. But that's simply not true. Companies that focus in this area, driven by a sense of social responsibility, government mandates, or a range of other factors, are just as able to run effective procurement operations as their peers that ignore supplier diversity."

According to Hackett Procurement Practice Leader Chris Sawchuk, "Some companies even turn their commitment to supplier diversity to a strategic business advantage. Top performers in this area often heavily promote them, internally and externally, because they believe it's something their employees and customers care about. While the direct revenue impact of these programs is very difficult to measure, we've seen cases where companies directly attribute supplier diversity programs to specific improvements in market share."