

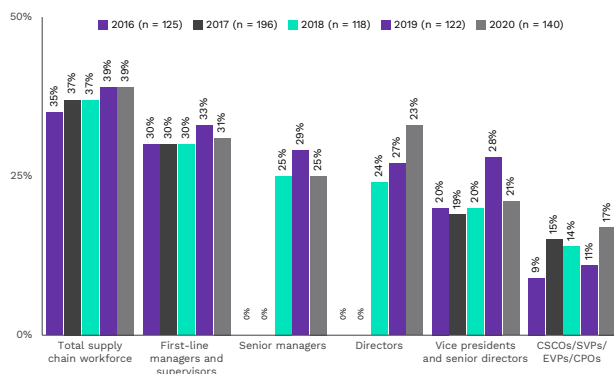
Whitepaper

Five Ways to Increase Supply Chain Diversity and Compliance

Supplier diversity isn't a new concept, but it's one that has come into sharp focus in 2021. Historically, diversity initiatives focused primarily on ensuring that business continuity wasn't in jeopardy—e.g., if one supplier or region was unable to perform, there were other options to rely upon. And while this concern remains a priority for organizations, U.S. companies are entering 2021 with a new and expansive definition of diversity. They're looking to ensure their supply chains include goods and services from a diverse base of historically underrepresented minority, disabled, veteran, LGBTQ, and woman-owned businesses.

In fact, recognizing the need for diversity might have been one of the few silver linings in 2020. While the COVID-19 pandemic disrupted global supply chains last year, the U.S. also faced social unrest as citizens protested the deaths of Breonna Taylor, George Floyd, and others at the hands of law enforcement.

Women in supply chain leadership roles year-to-year comparison



Q: Thinking about all the full-time employees in your supply chain organization/business unit, what percentage are female?

Source: Gartner Women in Supply Chain 2020

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Gartner

In addition, industries across every sector saw waves of women leave the workforce in 2020. This trend has been keenly felt in supply chain organizations. According to [Gartner's 2020 Women in Supply Chain Survey](#), the number of female senior managers and directors in supply chain leadership dropped 4% from 2019 numbers and vice presidents and senior directors decreased by 7%. [Diversity is a key driver of innovation](#), and diverse teams lead to higher revenue and are more adaptable to changing consumer demands. As organizations bring supplier diversity to the forefront, supply chain businesses can contribute to the change by having a more diverse set of leaders. The hope is that such examples will then encourage more underrepresented and minority groups to own businesses and contribute towards the development of an ecosystem of diverse suppliers.

Now, let's focus on supplier diversity itself. We're already seeing companies like Apple, Hewlett-Packard, Microsoft, and others use their financial power to support racial equity and social justice. These corporations are reducing the barriers that existed across their businesses, from efforts to increase representation in their employee base to re-examining contractual relationships with suppliers to increase diversity.

Companies that serve different markets globally know that supplier diversity initiatives are a critical competitive advantage, helping to mitigate risk across supply chains, win new business, retain customers, and reinforce brand reputation. As more companies embrace diversity initiatives in their contractual relationships, contract lifecycle management (CLM) technology will play a critical role in tracking supplier diversity and, ultimately, ensuring that these initiatives succeed.



“ We will use our balance sheet and engagement with suppliers and partners to extend the vision for societal change throughout our ecosystem, creating new opportunities for them and the communities they serve.”

Microsoft CEO Satya Nadella

Contracts define how organizations run, and by structuring and connecting contract data to the systems contracts touch, companies can not only save millions in leakage and accelerate the buying process, but also ensure that contracts are compliant with the diversity standards put in place. For organizations that want to incorporate diversity, equity, and inclusion (DEI) into every aspect of the business, from the boardroom to the shop floor to the purveyors of their raw materials, contracts provide unmatched visibility into how well they, their partners, and their suppliers are doing at putting these plans into practice.

Here are five things you can do to increase supply chain diversity and compliance:

1. **Clearly define your DEI supply chain policies and tracking mechanisms.** To change the trajectory for DEI in the supply chain, industry organizations will first need to implement comprehensive, broad-based DEI policies that create an environment of inclusion. Often, companies expand the impact of their diversity policies by requiring their suppliers to create their own diversity initiatives.



Retail giant Target spent \$1.4 billion on goods and services provided by first-tier diverse suppliers and influenced its first-tier suppliers to buy over \$800,000 worth of offerings from second-tier diverse suppliers.

These types of policies can have a far-reaching impact but only if they are properly documented and tracked. Determining the tools and systems your organization will use to hold itself accountable to these policies is a necessary first step of any successful supplier-diversity program. As organizations are increasingly scrutinized externally and held more accountable for their supply chain diversity practices, clearly defining and implementing strong DEI supplier policies can become a real competitive advantage.

2. **Identify contracts with supplier-diversity commitments.** In any supplier-diversity program, it's imperative to know what has been committed to by understanding which agreements currently contain clauses supporting disadvantaged business

enterprises (DBEs). A CLM system powered by artificial intelligence can be extremely beneficial because it can digitize and parse legacy and third-party contracts to surface DBE clauses for review and store those agreements in a central contract repository, allowing for a deeper and more efficient audit when necessary. Such a system helps to identify not only contracts with diversity clauses but also those with underlying obligations, such as periodic reporting or delivery of certificates.

Once supplier-diversity commitments are identified, organizations can manage those contracts along with all associated documents, such as supplier DBE certifications and invoices, to ensure what's happening in the supply chain complies with what was committed to in the contract. Advanced CLM software even provides portals where contractors can upload documentation directly to the system for easier compliance tracking.

- 3. Ensure that contract clauses support supplier-diversity initiatives.** Using CLM software to automate contract authoring improves consistency and governance with rules engines that enable the dynamic creation of contracts from templates and clauses. With this functionality, companies can make good on their commitments by including standard DBE clauses in the clause library to ensure that supplier-diversity provisions are included in all appropriate contracts.

Furthermore, advanced CLM systems enable companies to incorporate supplier-diversity requirements into their category

and spend strategies. As companies' sense of urgency about delivering against DEI commitments grows, these intelligent capabilities allow them to onboard new suppliers more quickly while ensuring compliance with diversity initiatives.

- 4. Leverage diversity compliance technology during the supplier onboarding process to hold your organization accountable to its supplier-diversity commitments.** One of the most important steps to ensure that your organization can track and meet diversity commitments is the supplier onboarding process. By implementing and collecting the right information as new suppliers are added to a network, organizations can set the right precedents for future success and ensure compliance with internal and jurisdictional rules—including company initiatives and regulations regarding diversity. Applications that focus on supplier diversity and compliance during the onboarding stage can automate an organization's ability to:
 - Define supplier policies, including documentation and data requirements, to improve compliance early in the process
 - Gain visibility into diversity compliance status by triggering event-based compliance monitoring and alerts for any violation
 - React to fast-changing market conditions or new diversity policy initiatives

- 5. Utilize data to showcase supplier-diversity success.** Having a diverse supply chain can be a competitive advantage that drives affinity for a brand. CLM technology can help companies to showcase DBE success stories, especially when diversity initiatives are married to contracting metrics. A flexible CLM system allows seamless integration with third-party customer relationship management, procurement, and spend-management systems, enabling the transfer of purchase orders, invoices, or payment data. This is critical to telling a holistic diversity story because many of these systems contain crucial data about the commercial relationships between an organization and its suppliers.

Utilizing AI and obligation-management technology, organizations can evaluate performance data for diverse supplier relationships and track performance against key supply diversity metrics more easily. These data-driven insights are particularly valuable to companies looking to demonstrate to potential partners, customers, and stakeholders how they're delivering on their supplier-diversity efforts.

2020 was a year defined by disruption both economically and socially, but we're emerging stronger and will be applying the lessons learned to build a more equitable world for the next generation. Organizations are going into 2021 with renewed focus and purpose—because the world is watching. Contract management technology provides the means to redefine supply operations and identify ways the contracting process can support supplier-diversity initiatives and facilitate success across the supply ecosystem.

About the Icertis Supplier Onboarding and Diversity Compliance Application

Looking for ways to streamline your organization's efforts to advance a diverse and inclusive supply chain? The Icertis Supplier Onboarding and Diversity Compliance application, built on top of the Icertis Contract Intelligence (ICI) platform, allows organizations to quickly identify DEI-compliant suppliers and rapidly onboard them. It also provides capabilities for collaboration with suppliers to ensure they are compliant with organizational policies and regulations, thereby reducing supplier risk. Learn more by downloading the [Icertis Supplier Onboarding & Diversity Compliance Application Datasheet](#).

About Icertis

With unmatched technology and category-defining innovation, Icertis pushes the boundaries of what's possible with contract lifecycle management (CLM). The AI-powered, analyst-validated Icertis Contract Intelligence (ICI) platform turns contracts from static documents into strategic advantage by structuring and connecting the critical contract information that defines how an organization runs. Today, the world's most iconic brands and disruptive innovators trust Icertis to fully realize the intent of their combined 7.5 million+ contracts worth more than \$1 trillion, in 40+ languages and 90+ countries.

Offices

