



WHITE PAPER

The Key to Unlocking Supply Chain Resilience

Lisa Westgate and Tim Murphy

September 2023

Leading companies embrace supply chain diversity to improve resiliency and combat supplier groupthink.

“We must not only learn to tolerate our differences. We must welcome them as the richness and diversity which can lead to true intelligence.”

– Albert Einstein

In a rapidly evolving world, global supply chains face immense challenges. From black swan events such as the COVID-19 pandemic to more predictable but equally potent disruptors such as trade disputes or shifting regulatory landscapes, the modern supply chain environment has proven to be a crucible of change and uncertainty. And in these trying times, resilience has emerged as a cardinal virtue for supply chains. The quest for resilience has leading organizations embracing an unexpected tool - diversity.

In this paper, we explore the profound role that diversity, in its many dimensions, plays in fortifying supply chains. We delve into value beyond compliance with regulatory mandates or diversity spend goals. Instead, we consider diversity a strategic enabler for economic value creation, innovation stimulation, risk reduction, cultural enrichment, and market expansion.

We invite you on a journey that will challenge the traditional views of supplier selection and urge you to reconsider the value of divergent perspectives. With the frequency of disrupting events increasing, diversity isn't just a virtue; it's a necessity, a strategic tool that holds the potential to transform companies to be more resilient, ethical, and flexible.

We examine the historical evolution of diversity, highlighting the challenges and lessons learned, and propose a fresh perspective on diversity that transcends the conventional boundaries of race, gender, religion, or culture. It's about harnessing the power of different thoughts, perspectives, and ideas - a form of diversity that fosters innovation and broad solution sets.

With a focused section on the dangers of supply chain groupthink, we illuminate how homogeneity can undermine innovation, adaptability, and competitiveness. We call for an active commitment to diversity and fostering an environment that cherishes unique perspectives and innovative ideas.

Lastly, we examine the importance of listening, a crucial yet often overlooked aspect of harnessing the full power of diversity. By actively engaging and listening to your suppliers, your organization can tap into a wealth of knowledge, ideas, competitive intelligence, and insights; unlocking value and enhancing resilience.

Finding Value Beyond Compliance

An intentional supplier diversity program extends beyond compliance with regulatory mandates or customer requirements to meet diversity spend goals. At its core, each program should be a strategic business enabler with benefits ranging from economic value, innovation, improved



competitive advantage, risk avoidance, enriching company culture, reputation, and resiliency.

Expanding economic value is one of the most profound impacts of a well-executed supplier diversity program. Through the inclusion of diverse suppliers, companies can identify cost savings opportunities and understand new markets. Diverse and/or small business suppliers often operate smaller, leaner businesses, potentially offering more competitive pricing and flexibility, thus benefiting the procuring company. Companies can gain insights into different corporate and consumer perspectives, cultures, and communities by working with diverse suppliers. Leading organizations can leverage those insights to open new markets and expand relationships with current customers.

Access to a range of divergent perspectives can unlock innovation. With their varied perspectives and experiences, diverse suppliers bring fresh ideas to the table. They can provide innovative solutions that conventional suppliers may not consider, potentially leading to product differentiation and improved customer value. In times of crisis or disruption, broader diversities of prospective can yield more diverse solutions to supply chain

challenges. Over the past three years, many companies have grappled with narrow, insufficient solutions to their supply chain disruptions. Leading executives are seeking avenues to access a wider range of solutions to address the next disruption, supplier diversity is an important piece of that puzzle.

Supplier diversity programs contribute to enhancing a company's culture and reputation. In an era where corporate social responsibility is a significant factor in brand perception, a supplier diversity program demonstrates an organization's commitment to inclusivity and equality through economic opportunity. These initiatives foster a positive corporate image, improve employee morale, and help attract top talent.

In the post-pandemic world, the value of a diverse supplier base has become even more significant. The COVID pandemic exposed the vulnerability of highly concentrated supply chains, and diversification emerged as a critical strategy for building resilience. Accessing a divergent group of suppliers reduces dependencies on single sources, thereby decreasing potential risks. Shifting the view of diversity to encompass supplier size, geography,

and business model can provide companies with a more robust set of supply options and a higher probability of maintaining supply continuity in the face of the next crisis.

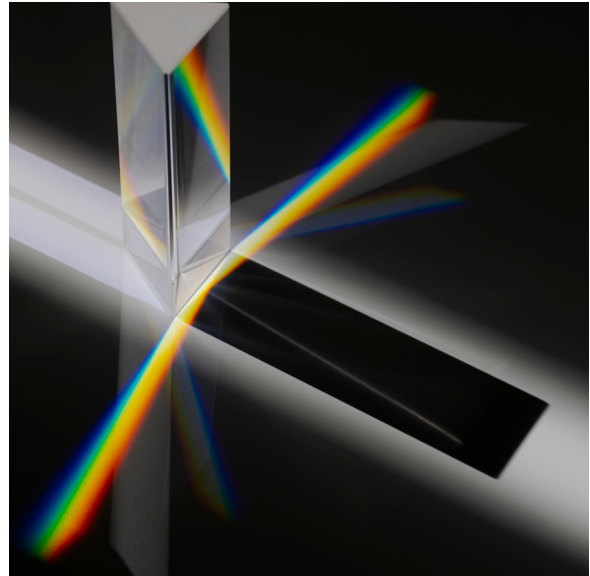
The true value of a supplier diversity program exists beyond regulatory compliance. It's a strategic investment that fosters economic advantage, stimulates innovation, enhances corporate reputation, reduces risk, and provides a pathway to access new markets. Through these programs, businesses not only improve their bottom line but reduce the risk of supply disruption while contributing to creating a more inclusive and equitable business ecosystem.

Corporate Diversity's Difficult History

The history of diversity in the U.S. is marked by intense friction, both on the social front and within the business world. These conflicts often overshadow the value of diversity and leave companies without access to its benefits.

Corporate America's landscape was traditionally homogenous—primarily white and male. The Civil Rights Act of 1964 was a monumental legislative action aimed to change this status quo, but the march toward genuine workplace diversity was slow. Affirmative action in the subsequent decades was a progressive step, but it was imperfect leading to skepticism and resistance.

By the turn of the 21st century, a new narrative began to take shape. According to the study, "Diversity Matters" in 2015 by McKinsey & Company, companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective national industry medians. These findings were reinforced by a Boston Consulting Group study in 2018 which found that companies with more diverse



management teams report 19% higher revenues due to innovation. Moreover, diversity has come to signal an inclusive corporate culture, attracting better talent and elevating workplace morale.

However, many companies are discouraged by their previous experiences with corporate diversity. Experience that included non-competitive supplier awards, increased costs, and a heavily bureaucratic process. These past program issues have led companies to avoid corporate diversity and cut themselves off from a powerful strategic tool.

Leading companies are tapping into a better way to conceptualize diversity. Diversity often envisioned as a tapestry woven from threads of race, gender, religion, or culture, is undoubtedly crucial in today's interconnected world. But if we shift the lens slightly, we can uncover a more profound facet of diversity - the diversity of thoughts, perspectives, and ideas.

This form of diversity transcends apparent differences, serving as the bedrock for innovative problem-solving, the catalyst for progress, and

a key element to resilient supply chains. The kaleidoscopic interplay of differing opinions, experiences, and viewpoints offers fertile ground for creativity, fostering a culture of critical thinking and an endless quest for better solutions.

Business leaders have learned that innovation does not spring from unanimous agreement. Instead, new concepts are born through the constructive friction of opposing ideas, facilitating the evolution of processes and systems. Intellectual diversity fosters resilience, leading to an ecosystem capable of adapting, surviving, and thriving amidst shifting market conditions. In the 2005 Harvard Business Review Article “Productive Friction: How Difficult Business Partnerships Can Accelerate Innovation” the authors found that:

Different enterprises bring different perspectives and competencies to tackling a problem. And the potential for innovative solutions rises when people from diverse specializations interact.

Corporations stand to gain immensely by tapping into intellectual diversity.

Leveraging Divergent Perspectives

Diversity is a celebration of difference. It is about embracing the variegated facets of human existence and leveraging the multitude of experiences they bring. In the United States, a vibrant patchwork of cultures, ethnic groups, urban and rural populations, and countless interpretations of the American experience converge to create a broad spectrum of perspectives.

Considered in the context of supply chain management, the market solutions that someone from the bustling harbors of New England might propose could differ significantly from those offered by a colleague from the rugged terrains of Appalachia, the expansive vistas of the Mountain West, or the

verdant landscapes of the Rural South. Each brings a unique blend of experiences and perspectives shaped by their environment, culture, and personal experiences.

The wealth of these diverse solutions is about more than finding the single most efficient approach or imposing a one-size-fits-all model. Instead, it's about cultivating a broad palette of possibilities, each uniquely suited to solving different aspects of a company's supply challenge. The actual value of diversity lies not in the efficiency of calm markets but in the flexibility and resilience it bestows upon a company in challenging times.

When we embrace diversity, we open the door to many potential solutions, enhancing the likelihood of finding the one that fits the puzzle perfectly. Divergent perspectives fuel innovation, fostering resilience and adaptability in an ever-changing business landscape. In its truest form, it is a potent tool to navigate the complexities of the modern world, fostering adaptability, resilience, and ingenuity. It is the bedrock upon which sustainable success is built, transforming challenges into opportunities for growth.

The Dangers of Supply Chain Group Think

Groupthink, the psychological phenomenon where the desire for harmony and conformity within a group leads to sub-optimal decision-making, presents a significant danger to corporations, particularly within supply chain management. When businesses succumb to groupthink, they risk transforming into echo chambers, where independent thought and creativity are stifled, and unchallenged conformity becomes the norm.

Leading companies understand this peril and invest considerably to foster environments conducive to innovation and constructive friction. They recognize

that a supply chain mired in groupthink can be as detrimental to an organization as any internal dysfunction. However, it can be an issue many corporations inadvertently encourage, if not outright mandate.

The genesis of supply chain groupthink often resides in supplier selection. Companies seeking familiarity and predictability tend to favor new suppliers that closely resemble their existing ones, inadvertently setting up a uniformity trap. Many companies deliberately seek suppliers that are “interchangeable” in case of an issue with any single supplier. Pressure and process during the onboarding process further enforces homogeneity. New suppliers are introduced to the “company way” and are subtly encouraged to fit into predefined compartments of a category management plan.

The unfortunate result is a homogeneous pool of suppliers who, through a combination of selection, onboarding indoctrination, and repeated quarterly business reviews (QBRs), are conditioned to believe that difference is valued only when it leads to cost savings. Their unique perspectives and innovative suggestions are often dismissed, metaphorically ending up in the “circular filing cabinet,” leaving significant untapped potential and value unexplored.

By allowing groupthink to permeate their supply chains, companies inadvertently create a self-imposed barrier to innovation and improvement, forfeiting the chance to uncover novel solutions that could optimize their operations. This narrow approach limits the scope of available solutions and hinders the organization’s ability to adapt to changing market dynamics, compromising its competitiveness.

Fighting supply chain groupthink necessitates a proactive commitment to diversity, not just in supplier selection but in actively seeking and valuing varied

perspectives and innovative ideas. It requires creating an environment where creative friction is encouraged and differing viewpoints are heard, embraced, and celebrated as catalysts for innovation and improvement. Only then can companies harness the full power of their supply chain, unlocking untold value and enhancing their adaptability in an ever-changing business landscape.

The Power of Listening

Embracing supply chain diversity is the first step towards tapping into its potential value. It requires more than simply creating a diverse supplier base. Companies must commit to actively engaging and listening to their suppliers to harness the benefits of diversity.

Leading corporations recognize the power of listening and actively engaging their suppliers. By leveraging each interaction, they understand that suppliers offer



insights and serve as a valuable conduit for market intelligence to create a competitive advantage and enhance supply chain resilience.

Historically, interactions between companies and suppliers were considered sales interactions. However, we propose a paradigm shift – utilizing an essential sales tool as a buyer. Companies should aim to listen 80% of the time during supplier engagements. This shift to active listening can provide knowledge, ideas, and insights that would otherwise remain undiscovered.

By actively listening, companies allow their suppliers to share perspectives and innovative solutions, facilitate a deeper understanding of the supplier's capabilities, and open the door for creative problem-solving.

It is through these varied viewpoints and experiences that corporations can find novel approaches to tackle

challenges, improve processes, and, ultimately, increase resilience. So, in your journey to harness the power of diversity, let active listening be your compass. Your suppliers have much to say; ensure you're truly hearing it.

Recommendations

Embracing a new understanding of diversity may be difficult for some companies, but the potential benefits are significant. Over the past three years, the world experienced the risk of supply chain fragility in a genuine, and painful way. Leading companies have correctly pivoted to focus on improving supply chain resilience. In these efforts, companies should leave no stone unturned, and diversity can be a significant part to building a more resilient and adaptable supply chain before the next crisis is upon us.



Conclusion

Leveraging supply chain diversity and the power of active listening are pivotal for companies aiming to access untapped value and enhance resilience. Leading corporations prioritize genuine engagement with suppliers, transforming traditional interactions into insightful knowledge-sharing sessions. In recent years, the global landscape has underscored the importance of supply chain resilience. By intertwining diversity and active engagement, companies can enhance their adaptability, ensuring they remain robust and agile in an ever-evolving marketplace.

New Dominion Consulting is helping companies shift their understanding of diversity, strategically diversify their supply chains, and establish the governance needed to institutionalize listening as a key element of supplier engagement.

CONTACT LISA WESTGATE TO LEARN MORE ABOUT OUR FIRM, ARRANGE A DISCUSSION WITH OUR EXPERTS, OR EXPLORE YOUR SUPPLY CHAIN DIVERSITY OPPORTUNITIES.



Lisa Westgate has over 25 years of experience in procurement, supplier relationship management, and supplier diversity. Her extensive journey covers progressive roles in procurement, operational functions, and customer success across both public and private sectors. Known for her innovative solutions in supplier diversity and procurement transformation, Lisa is driven by the ethos of "Changing the world through Business." Her commitment to creating inclusive supply chains shines through her measurable, consistent, and sustainable strategies that drive meaningful outcomes.

lwestgate@newdominionconsulting.com



Tim Murphy is an experienced consultant with over 25 years of helping clients capture value across their supply chains. He has extensive experience in procurement operations, sourcing, and supply chain management.

tim@newdominionconsulting.com



newdominionconsulting.com

New Dominion Consulting strives to provide extraordinary value to clients through the development of innovative, tailored solutions to meet today's challenges. We specialize in supply chain, procurement, operations, and sustainability where we help our clients improve outcomes and optimize realized value.