

CHAPTER 4

THE DEVELOPMENT OF COMPARATIVE PROGRAMMES IN OTHER COUNTRIES

4.1 INTRODUCTION

In the previous chapter, the use of preferential procurement by the government in South Africa was regarded as an effective strategy to combat the obstacles encountered by previously disadvantaged individuals/businesses.

Some regard the use of public procurement to achieve socio-economic objectives with reserve. Nevertheless, South Africa is not the only country in the world where there is a need to introduce certain pieces of legislation in favour of historically disadvantaged businesses.

In several countries, governments have made some efforts towards helping (through legislation) historically disadvantaged ethnic business groups and small business. However, given the extensivity of the topic and the inability to cover all of it in this thesis, the researcher chose to analyse the state of minority development in the United States of America (USA) and in the United Kingdom (UK) in a more brief form.

Even though the issues discussed here are specifically important to the development of minority business enterprises in those countries, they can also be relevant to South Africa, taking into account the historical, political, social and cultural differences which exist from country to country.

To start off the chapter defines Minority owned businesses and then discusses pieces of legislation pertaining to minority businesses enterprises. It looks at the trends taking place in procurement and logistics, which affect minority suppliers.

It looks at minority business opportunities, discussing ways of creating and maximising opportunities for MBEs.

The chapter also looks at the state of minority suppliers in the United Kingdom. It discusses legislation, problems encountered in supplier diversity; ways to address barriers to supplier diversity; and ways to support enterprise minority business. The next topic addresses suggested best practices, which organisations can consider using when they decide to purchase from MBE.

To conclude the chapter looks at the state of supplier diversity development in the 1990's and the future of supplier diversity programmes.

4.2. MINORITY BUSINESS DEVELOPMENT IN THE USA

Auskalinis, Ketchum & Carter, (1995:64), the National Minority Supplier Development and the Federal government, (White Paper Report, 1995:88) define minority owned businesses (referred in this study as minority business enterprises), as those businesses in which at least 51% of the ownership interest, stock or other is held by one or more minority members and whose management and daily business operations are controlled by one or more of such individuals.

For the purpose of this definition, traditional minority group members are: Black Americans, Hispanic Americans, American Orientals, American Indians, American Eskimos, American Aleuts, and native Hawaiians. Women and the physically or mentally disabled are separate protected classes.

According to Heinritz, Farrel, Giunipero & Kolchin, (1991:175) the use of purchasing power as a tool in the achievement of certain social objectives came into prominence in the late 1960s and early 1970s. The social unrest of those decades, the growth of consumerism, the awareness of industry leaders that social health was linked to economic health, and the growing intervention of the government in the private sector all contributed to complicating purchasing decisions that had been based primarily on economic considerations. Wallace, (1999:77-79) argues that without affirmative purchasing, minority business enterprises would not be able to survive when competing with majority firms.

Throughout American entrepreneurial history, government has always been a prominent player in economic development and success. Through various federal, state and local legislative initiatives (procurement programs), grants of monopoly, land grants, permits, licenses, loans and favourable Supreme Court opinions, government aided the growth of multinational and national scale industries, prior to, during and after segregation. Many minority owned businesses were able to penetrate markets outside their communities; however, larger, better-financed, more diverse, and racially restrictive non-minority-owned companies, which enjoyed favourable tax, regulatory and competitive positions not accessible to minority-owned business, met them.

The Federal Government attempted to level the playing field by enacting a series of economic development and restructuring programs targeted at racial minorities mostly through housing and small-business loan programs. This developmental approach dominated federal urban initiatives soon after President Johnson's declaration on the War on Poverty in 1965, when forces of entrepreneurship were recruited into the revitalisation process.

Economic development has emerged in such forms as public programs to develop minority-owned businesses through managerial training and subsidised financing, business incubators, procurement "set-asides" for firms owned by minorities or located in areas of high unemployment, corporate placement of branch plants in inner cities, public private partnerships between commercial firms and local governments, enterprise zones, commercial real estate development and business ownership by community development corporations, self-employment for recipients of public income support and so on.

In spite of all the political and social debates surrounding the validity of these economic development programs, they provided in the decade 1960-1970, tremendous upward mobility to a significant number of aggressive and talented racial minorities. The programs were designed to appeal to its urban constituency by encouraging residents to participate in defining and supervising neighbourhood improvement and by funding multifaceted rejuvenation. Each program had to have CEOs, managers and professional

staff to implement them. Thus, a new source of managerial talent was tapped. For many minority entrepreneurs, the “poverty” programs were the point of entry for a number of managers and entrepreneurs who otherwise would never have had the opportunity to gain the administrative experience of managing firms and agencies.

However, overtime, while larger white business have historically accumulated sufficient land, work force, capital and political influence, smaller white businesses have basically thrived on ethnic markets and selective networks that overlap but transcend many minority communities. As a result, while government has anchored the position of majority-owned multinational and large-scale businesses, minority-owned business especially African American businesses have steadily lost traditional and selective markets to their larger white-owned counterparts.

Therefore, continued minority procurement activity is necessary for overall community economic development, (economic development to mean the process whereby individuals and organisations engage in the production, distribution, and consumption of goods and services).

The context of community economic development and the realisation of participatory democratic principles are important to understanding minority procurement activity as a possible economic development strategy instead of a preferential treatment for MBEs. In order for the community to be rejuvenated, there must be an integral plan that will allow for community participation in decision-making capacities for long-term economic development. Understanding and incorporating the views and needs of minority entrepreneurs input into the formal decision-making process underscores long-term stability for the community and economic development

Supporting MBEs makes good economic sense. Profitable MBEs operations build additional capital and reinvestment, resulting in further creation of income and jobs. Successful small businesses create jobs. Thus, successful minority owned business permit further business expansion and job creation for minorities. Minority entrepreneurs, have a direct stake in their community's long-term stability. Acceptance

of these facts would permit government to remove fundamental and institutional barriers to fair competition of MBEs.

4.3. MINORITY SUPPLIER LEGISLATION

According to White Paper Report, (1995: 91) and Auskalinis et al (1995:10, 177) Public Law 95-507 in 1978, stated that any contractor doing business with Federal Government should engage too with appropriately qualified small and disadvantaged business, owned and controlled by socially and economically disadvantaged individuals. Socially disadvantaged persons are those persons whose ability to compete in the free enterprise system has been impaired. Economically disadvantaged persons are those persons who have been subjected to racial, ethnic, or cultural bias because of their identity as members of a group.

This law requires that prime contractors who wish to obtain government contracts in excess of \$500,000 (\$1 million for construction) establish minority-sourcing programs. The law mandates that percentage goals for minority involvement be established prior to contract award. It also requires that prospective bidders submit to the relevant Federal agency a subcontracting plan incorporating percentage goals and methods to accomplish those goals. Public law passed in 1987, requires that the Department of Defence strive to reach a goal of 5% of purchases from socially and economically disadvantaged business.

The following is a chronology, which gives a picture of how legislation has developed over the years in shaping governmental minority business programs:

1968: Small Business Administration's 8(a) program established to channel federal purchases to socially or economically disadvantaged owners of small businesses

1969: Executive Order 11485 established the U.S. Office of Minority Business Enterprise within the Commerce Department to mobilise federal resources to aid minorities in business

1971: Title 41, Federal Regulations required all federal contracts exceeding \$500,000 to contain a clause encouraging contractors to use minority businesses as subcontractors on a best-effort basis

1971: Executive Order (EO) 11625 expanded on EO 11405, giving the authority to implement federal policy in support of MBE programs; provide technical and management assistance to disadvantaged businesses, and coordinate activities between all federal departments to aid in increasing minority business development

1977: The Public Works Employment Act was amended, requiring that 10% of each federal Construction Grant be awarded to minority businesses

1977: Public Law 95-89 increased loan authorisations and surety bond guarantee authority to minority businesses

1977: The Railroad Revitalisation and Regulatory Reform Act requires that recipients of financial grants and their subcontractors establish a goal of 15% of purchases to be awarded to minority businesses

1978: Public Law 95-507 mandates that bidders for federal contracts in excess of \$500,000 for goods and services and \$1 million for construction, submit prior to contract award, a plan that includes percentage goals for the use of minority businesses.

1982: Section 105(f) of the Surface transportation Assistance Act is a set-aside provision mandating that not less than 10 % of all funds appropriated in years 1982-86 be spent with small business that are controlled by socially and economically disadvantaged individuals

1983: Executive Order 12432 directs all agencies of the federal government to develop specific goal-oriented plans for expanding procurement opportunities to minority businesses

1985: H.R. 1961 establishes criminal penalties for “front” companies aimed at siphoning off business from legitimate minority and disadvantaged business

1986: Public law 99-661 requires affirmative efforts by all government contractors toward a 3-year goal of 5 % minority and disadvantaged business participation in defence Department purchases.

1989: California General Order 156 calls for setting goals for use of minority suppliers by utilities regulated by the state public utilities regulated by the state public utilities commission and threatens withholding action or utility rate cases where utilities fail to how compliance with the order. Order is seen as a forerunner of other state-mandated minority supplier programs

According to Auskalinis et al, (1995:10) early pioneer organisations were motivated largely from a sense of corporate social responsibility. The Public Law increased corporate awareness of the need to establish MBE buying program. In more recent years, however there is a growing recognition, accelerated by changing demographics that such programs result in a larger customer base for the corporation’s goods or services. In addition, there is clear evidence that as minorities become economically successful, the entire nation benefits from that success.

4.4. TRENDS TAKING PLACE IN PROCUREMENT AND LOGISTICS

Trends taking place in procurement and logistics can affect MBEs by increasing or reducing their chances to successfully compete with well-established firms. MBEs may or not have the means to face present trends.

According to Moore, (1993:143) the structure of Corporate America has undergone major changes during the past ten years. Total quality management has replaced buyer beware, Just-in-Time (JIT) has replaced economic order quantity and downsizing is an annual corporate exercise in good management. To worsen the situation, these changes are framed within a global recession. The universal response has been cutbacks and

outsourcing coupled with benchmarking and customer driven strategies.

In recent years, companies are developing smaller supply bases for a number of reasons. A White Paper Report, (1995:99-103) and Morgan & Cruz (1997:68s3) say that new trends in supplier development are affecting minority firms in the USA. These are discussed below:

4.4.1. Increased use of the Just-in-Time system

According to Pearson, Fawcett & Cooper, (1993:72) in response to competitive pressure from global manufacturers, many U.S. firms have adopted just-in-time (JIT) production techniques including JIT purchasing. The cornerstone of JIT purchasing is the development of long-term partnership relationships between buyer and supplier. Within these relationships, the buyer's purchasing organisation takes an active role in helping the supplier overcome performance obstacles to achieve "world class" standards. Likewise, the supplier plays a proactive role in meeting the buyer's needs.

According to Morgan and Cruz, (1997:68s5) (in a study based on in-depth interviews at 128 minority firms operating in the Chicago area) 54% of the companies said that increased use of JIT delivery, is resulting in greater minority supplier responsibility for delivery and reinforces the trend toward use of preferred suppliers and reduced numbers of them, with the remaining suppliers being certified with respect to quality and delivery performance.

4.4.2. Reduction of the supplier base

The most common problem in MBE development is the trend toward supply base reduction. This is a practice developed by the Japanese, postulated that there is great value in working with a small number of suppliers and treating them more like partners. To many Americans this proposition does not make good business sense. In fact, many purchasing executives whose companies have practiced downsizing cite quantum improvements in quality control and responsiveness of suppliers. (White Paper Report, 1995:99)

In recent years, companies are developing smaller supply bases for a number of reasons. One is that purchasing departments themselves are smaller and need to reduce the supply base for control purposes. Another is a reflection of the business trend for larger companies to concentrate more business with a small core of allied suppliers to achieve better market leverage. For example, with this increasingly diverse and shrinking supply base, Ford chooses MBEs that it can work with for the long term. Once that decision is made, the company makes sure that the supplier does not fail, by investing in it, rather than to split business into more numerous short-term contracts. (Murphy, 1998:64s7)

Companies are also entering into alliances with suppliers in order to defray costs of doing business outside a core competency. Alliances cost less and companies with complementary products can reach a wider range of markets. These closer working relationships require fewer suppliers since the businesses are growing closer together and sharing information, development and other resources. (Murphy, 1998:64s7).

In a study of the supplier development process in ten British firms Galt and Dale, (1991:16), find out and analysed trends, which influence the purchasing function.

They say that, traditionally, the established purchasing practice has for years been able to buy the required materials from at least several sources. The result of this practice typically has been to create a large supplier base, with frequent switches between suppliers to keep them competitive- and the purchasing decision, more often than not has been based on price. In this approach, to dealing with suppliers, communications tended to be guarded for fear of revealing information that one side might turn to its advantage when dealing with the other.

This reactive, adversarial relationship is thought by many to be no longer economically viable: The quality of the purchased materials is critical to the firm's finished product and in most cases materials account for at least 50% of a firm's manufacturing costs. For these reasons, the purchasing function is taking a more proactive role in the development of supplier relationships. (Galt and Dale, 1991:16)

All but two of the firms studied, planned a continued reduction in their supplier base. The reduction ranged from 20 % to 50% over a period of three to five years. This trend for a reduction in the number of suppliers used, in all probability will result in the survival of only those firms prepared to adapt to the buying firm's needs. Additionally, large organisations will likely, absorb or drive out of business the smaller concerns as they seek to obtain an increasing share of the business awarded by major purchasers. (Galt and Dale, 1991:17)

The main reason for the reduction in the number of suppliers is the desire of the buying organisations to increase product and service quality. By decreasing the number of suppliers, buyers are able to devote more time to a smaller number of suppliers and also to reduce the number of variables at the input end of the process. This happens especially in industries where demand requirements can be forecasted with reasonable accuracy. For example the automotive industry has decided to pursue a single sourcing policy. They believe that single sourcing in conjunction with the application of statistical process control and failure mode and effects analysis will enable them to achieve high percentage of correct "first time builds". (Galt and Dale, 1991:17)

The outcome of these trends is that small MBEs are cut from the supply base as large companies start to restrict the numbers of suppliers capable of bidding for the business. The reason may be that the MBE is too small to handle the volume of business for the customer, that is, to provide all of the goods required and financially too weak to offer the reliability required of a prime contractor, especially if other suppliers are eliminated. For example, a small company that could supply fasteners to one or two plants often, is not able to bid for a national contract for fasteners or to go a step further in supplying a product made up of a number of assembled components. (White Paper Report, 1995:99)

In some instances, small MBEs are eliminated from some small supply base because they do not have access to capital necessary to expand. Smaller supply bases often require that each supplier grow with the customer. (Murphy, 1998:64s7)

The three most used strategies for micro businesses faced by supply base downsizing are (1) consolidations with one or more other companies, (2) creation of a joint venture, (3) development of a product or service that is so unique that even though the producer is small, its output is highly valued in the marketplace. (White Paper, 1997:68s8)

4.4.3. Increasing reliance on preferred suppliers

According to Morgan and Cruz, (1997:68s5) corporations are increasingly relying on preferred suppliers. As a result, 84% of the suppliers interviewed, report lack of access to contract opportunities and that tender documents are often written in a way that hurts them. In addition, 74% of minority suppliers believe that corporate “old boy” networks continue to operate in purchasing. In their research, Galt and Dale, (1991: 22) say that the majority of the companies studied believe in rewarding good suppliers with preferred status. Preferred suppliers typically are utilised, even when they are at a slight cost disadvantage, because they have proved their quality assurance systems to the buyer.

4.4.4. Higher quality standards

Higher quality standards place minority-owned suppliers at a financial disadvantage and hurt sales. (White Paper, 1997:68s5)

4.4.5. Supplier certification

According to Galt and Dale, (1991:17) five of the firms studied in their research relied totally on their own evaluation of suppliers. Three more firms considered third party accreditation to be only a good starting point for their own subsequent evaluations. Only two firms accepted outside third party recognition, as being adequate for their supplier evaluation purposes. In general the view held was that the ISO 9000 standard was a good starting point from which to build. But most of the firms considered their own quality standards to be above those required for ISO 9000 certification. In their view the standard should constantly be reviewed in light of changing work practice. The standard

should be more specific in some of its requirements, and it should encourage companies to improve quality requirements.

4.4.6. Long-term contracts

The emerging new trends reflect the need to develop long-term supplier relationships. Substantial changes in terms of behaviour and attitude are required from both the buyer and the supplier, with both making a commitment to learn more about each other's business. The relationship must be based on common aims, trust, cooperation, and dependency and a joint problem-solving approach. (Galt and Dale, 1991:17)

Annual contracts lead to mutual suspicion and lack of cooperation. If a supplier has no tangible evidence of a long-term commitment from the buyer then the firm may be extremely unwilling to make changes in its operation to accommodate the desires of the buyer. (Galt and Dale, 1991:18)

To develop a supplier base, a buyer must make it attractive for a supplier to do business with his or her firm. An organisation needs to show its commitment to suppliers to have any hope of generating reciprocal action. Evidence of this commitment and sincerity, can be achieved by the award of long-term contracts to suppliers. (Galt and Dale, 1991:18)

4.4.7. The Use of Electronic Data Interchange

Some firms believe that EDI is one of the key elements required in the development of an effective JIT system; Managers believe that by creating an open system, they can develop the trust required to support a successful JIT operation. For example, by using EDI, firms intend to give suppliers access to their production forecast and their daily production schedules. (Galt and Dale, 1991: 20). However, corporations' requirements of EDI capability put a financial strain on small supplier's ability to compete, due to the financial costs involved in the process. (White Paper, 1997:68s5)

4.4.8. Supplier selection

All the firms studied in Galt & Dale research are using or plan to use various types of supplier assessment and rating schemes to evaluate supplier performance. While the format and content of the individual approaches vary, the goal of all of them is to select the best supplier for the job. (Galt and Dale, 1991:22)

4.4.9. Award systems

In Galt & Dale research firms running award schemes for their suppliers generally are the ones who have progressed the farthest on the supplier development continuum. The awards for meritorious performance are deliberately designed to be difficult to achieve, so they remain prestigious and can be used to the advantage of the supplier in marketing its operations and products. (Galt and Dale, 1991:22)

4.5. MINORITY BUSINESS OPPORTUNITIES

According to Lovering, (1992:223) says that the most fundamental and challenging concept in the 1990's is that purchasing professionals need to support and stimulate the growth of small business owned by minorities and other disadvantaged groups. For this to happen, the author argues that it is required by both purchasing and minority business to establish a framework to organise their planning and day-to-day tasks to allow the traditional buyer-seller interaction to occur.

Lovering, (1992:223) says that despite competitors and obstacles, minority firms must develop a positive attitude towards customer satisfaction, referred as "customer focus". They must recognise that their role in the process, is to sell a quality product or service, which is aggressively marketed, in which process the buyer is treated as the important customer.

4.5.1. The Minority business liaison officer model

At the same time, purchasing departments need to organise in order to clearly reach out to minority firms with a number of initiatives that will move the process along. To accomplish this, many purchasing organisations have created an internal role in the department called the “minority business liaison officer”, (MBLO). Typically this is the lead designated person, who organises the internal resources, and interfaces with the outside world to assist in the award of new businesses to minority firms. (Lovering, 1992:223)

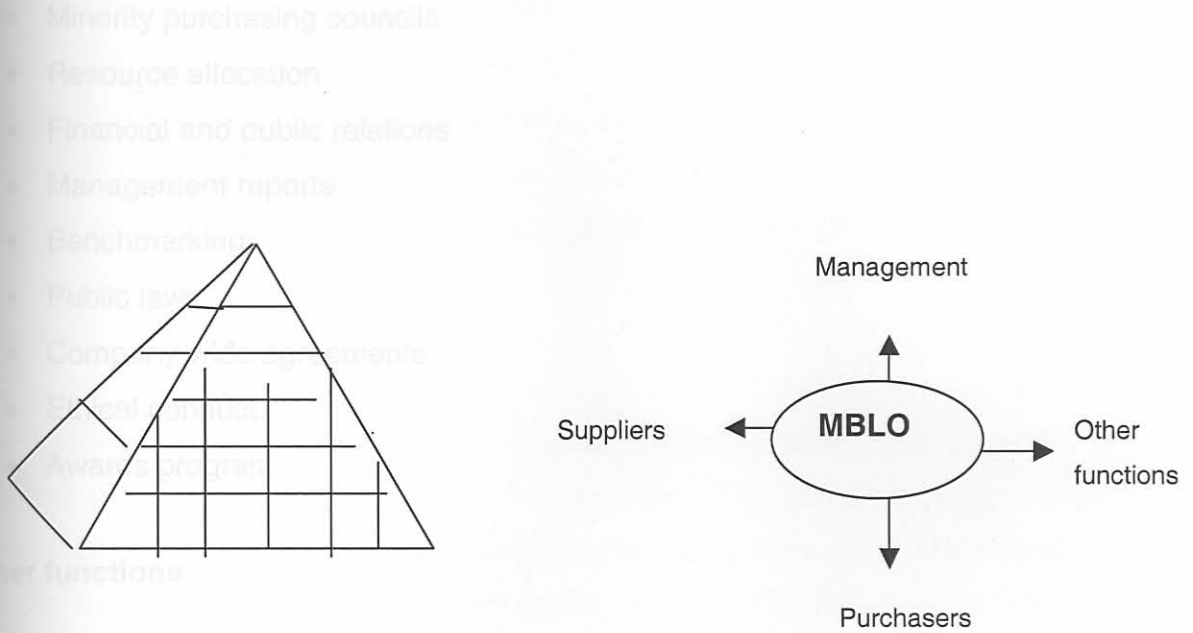
MBLOs and purchasing professionals need to adopt a customer focus as well. This focus is different from the focus described for minority firms. MBLOs should view their role as one which serves four (4) customers: Management; Other functions in the firm; Purchasing Department Peers; and Minority Business suppliers. To achieve success in developing minority business each of these very different constituents need to be served professionally. (Lovering, 1992:224)

A model, which provides a vehicle that focuses on the various customers of the MBLO, is called minority business opportunities for purchasers and suppliers (MOPS). This model has the potential to organise the company's thinking along customer lines. (Lovering, 1992:224)

The four customers of purchasing can be seen in the four-sided pyramid, in figure 4.1. Each face of the pyramid (customer) is made up of individual building blocks, which provide strength, and stability to the structure. These blocks are the tasks, programs, projects and initiatives put in place to provide service to each customer. By organising programs along customer lines, the MBLO can ensure that all service and necessary purchasing support is in place and working. (Lovering, 1992:224)

- Statutes and regulations
- CEO support, involvement and commitment
- Cost Improvement
- Data collection System

Figure 4.1: Minority business opportunities for purchasers and suppliers



Source: Adapted from Lovering, (1992:225)

Management

Service by the MBLO to the management customer in the firm tends to be dominated by corporate, legal policy and community considerations. These are:

(Lovering, 1992:225)

- Company goal
- Company Plan
- Socio-economic policy
- Statutes and regulations
- CEO support, involvement and commitment
- Cost Improvement
- Data collection System

- Documentation of plans and goals
- Minority purchasing councils
- Resource allocation
- Financial and public relations
- Management reports
- Benchmarking
- Public laws
- Company wide agreements
- Ethical conduct
- Awards program

Other functions

Service by the MBLO to the “other functions” customer, in the firm tends to be dominated by marketplace data, education and training, joint participation in trade fairs, technology development and recognition of the importance of teamwork. Quality, Manufacturing and engineering, impact of the introduction of new minority firms into the business of the organisation needs careful review. The MBLO must assist in this process, recognising that it is often a “political process” in the true sense of the term. Frequently, barriers to increased minority business must be overcome by the use of teamwork and the seeking out of coalition support within the organisation to make things happen. (Lovering, 1992:226)

Purchasing peers

Service by the MBLO to the “purchasing peers” customer is critical. People and human interface skills are very important. This is an area where purchasing professionals do not always excel. The MBLO must work closely with each purchasing professional in the department to set individual goals and objectives. Early involvement in new projects is essential. The buyer needs to be given ample time, freedom and resources to interface with minority firms either through attendance at trade shows or by scheduled supplier visits. Another resource that can be of assistance is the availability of the SBA “PASS

system”, an automated computer-based system that tracks minority firms’ names, locations and capabilities. Buyers need recognition and feedback from management for their minority business efforts including reference to this task as part of official job descriptions. The MBLO must find ways to sell the program to purchasing management as well as the total buying force in the department. Incentives such as an Award Program can be of assistance in this regard. (Lovering, (1992:226)

4.5.2.1. Networking

Supplier’s customer

Service by the MBLO to the minority supplier customer takes place when the MBLO becomes the advocate for the minority firm internally. The MBLO needs also to provide feedback, information, advice, constructive comment, and so on, to the minority firm in order to maximise opportunities for new business. The MBLO needs extensive supplier contact. A commitment to provide technical, financial, administrative and engineering support to minority firms is also most helpful. Both the MBLO and the buyers need to be “accessible” to minorities when needed. Their actions need to be timely and without confusion or delay. Partnership programs, Mentor-protégé Programs, and joint ventures should be considered by the MBLO. In this model, the minority firm is treated as a customer. (Lovering, (1992:227)

The complete list of service ingredients or building blocks creates a challenging agenda. The four customers need to be served and the building blocks need to be put in place. Each goal, each building block, requires a separate objective set in writing that is measured, monitored and periodically reported through Management By Objectives (MBO). The MOPS model provides to the MBLO and the purchasing professional, a vehicle to identify the important service areas of the firm and to institute a set of objectives designed to ensure that the minority business process is working effectively and in an integrated manner. (Lovering, (1992:227)

4.5.2. Creating opportunities for MBEs

4.5.2.4. Conference techniques

More than maximising opportunities, interfacing must be viewed as a primary means to create opportunities for MBEs. Some of the areas where interfacing could prove to be vital when dealing with majority corporations and other MBE companies are: (Lindsey, Nichols, Rawls & Kraus, 1990: 385, 386,)

4.5.2.1. Networking

Networking is the interaction with others with the purpose of sharing information in such a way that makes the activity mutually beneficial to the parties involved.

4.5.2.2. Active participation in the respective industry

One of the more beneficial areas for an MBE to network is within their industry, because it gives the chance for the company to meet and talk with the competitors. It also provides the MBE with that much needed industry knowledge. Active participation in the activities of the industry provides opportunities for exposure. That means more opportunities for business, are likely to develop since majority corporations know what industry they need to follow to identify the types of MBE suppliers they are in need of.

4.5.2.3. Seeking leads /referrals

When networking with industry peers, marketing to potential customers, or when researching new potential customers, it is important not to overlook the opportunity to discover leads or referrals. This could prove to be a very fertile source of identifying those majority corporations unaware of their existence. Even if a potential customer cannot provide the MBE with a business opportunity, they may be able to provide a referral to a counterpart in another corporation or a lead they may be aware of in the industry.

4.5.2.4. Conference techniques

Due to the high costs spent to attend a conference MBEs should take full advantage of this investment.

Before arriving at a conference MBEs should have researched the companies that would be attending in advance to decide whom it is that they would like to meet. That includes companies that are exhibiting and those who may have just registered to attend. Sometimes MBEs get more information and maybe business from a company that it is not exhibiting. Usually those companies that are not exhibiting are looking for companies that they want to do business with.

4.5.2.5. Competitiveness

Competitiveness consists in trying to improve oneself and be better than the competitor. However it is important to know the rules. The same is true when trying to satisfy the needs of a potential customer. The MBE must be able to find out their requirements and demonstrate that the company can meet them.

Once the MBE has convinced a majority corporation that its company can be competitive they will often times offer the MBE the opportunity to quote on some of their business.

Once it is being offered the opportunity to quote on someone's requirements the MBE would make a mistake by thinking that it knows better than the firm about their needs. To avoid this it is advisable to always try to respond to exactly what the request for quotation requires. If the MBE know of a better solution, it can propose it as an alternative solution. The MBE should never try to substitute their alternative solution for their original requirement. Not only this gives the impression that the MBE is not concerned about what the customer wants, but also that the MBE does not do what the customer asks from the MBE.

4.5.2.6. Pricing structure

Pricing is one area where most suppliers have difficulty being flexible and that is most probably one of the most important areas of flexibility for majority corporations. For the MBE it is extremely important to be able to flex the pricing, so it can fit the internal constraints of the majority corporations. However, that is not to say that the MBE should ask for any less for its products/services, but it should always be willing to tell the customer its pricing real latitude.

4.5.3. Maximising opportunities for MBEs

Lindsey, et al (1990: 383, 384, 385) suggest that some of the areas where MBEs can maximise opportunities to do business with majority corporations and other minority corporations are:

4.5.3.1. Certification

Certification is one of the most beneficial things MBEs can do for themselves, so that they meet the criteria, which defines an MBE supplier.

Certification is a necessary process to help the corporations feel more comfortable that they are dealing with authentic MBE suppliers. It provides enough assurance for majority corporations to feel confident that their programs are reaching the community of suppliers for which there are intended. This means that majority corporations are still able to view these programs as “good business” and not as mainly “social responsibility”.

4.5.3.2. Sourcing

Sourcing is a term often used to refer to the process by which suppliers are identified. Sourcing is important because that is often how a majority firm will discover that a MBE exists.

In order to make the MBE available to as many majority corporations as possible, it is very important to be listed in the many different references. It is also important not to overlook other avenues of making the company known.

4.5.3.3. Suitability and requirements

MBEs must determine whom and how many, they can actually provide their product/service to. MBEs must take into account that they may not be able to service the entire several majority firms as they may not all need what is being offered. If the MBE does not come to this realisation, it may not be successful in its business.

For instance, when a customer tells a MBE that does not have a business opportunity for the company, and they have had the benefit of reviewing the MBE's capabilities as well as the product/service, it is advisable not to waste time by trying to convince them they should reconsider. Instead, it is wise to ask them if they could recommend the MBE to someone else who will be able to utilise the product/services being produced and offered respectively.

Another aspect of making the right customer match is to narrow down the MBE's prospects. There is no point in making the world one's market if one is not equipped to service it. To be prepared there is a need to know the size, basic needs, industry, structure and even culture of prospective customers. That means that the MBE will need to do some research on corporations before trying to service them.

4.5.3.4. Industry knowledge

The knowledge that the MBE has about the industry it is in, and the knowledge it has about the industry of the customers it is trying to service, will give the leverage it needs to distinguish the company from the others who may basically offer the same thing.

Another concern is to make the MBE itself a resource for a potential customer. Buyers

for majority corporations need suppliers who can make their job easier. The more the MBE knows and can use this knowledge to better serve the company, the better resource the company will be to the majority firm. As a result the MBE can build a potential customer's confidence without having actually to supply its product/service.

The term quality is very important in the sense that in the present time the sensitivity to quality has grown dramatically and is now a major focal point for any corporation. The first glimpse of the company's quality will be the way the MBE interfaces with the potential customer's company. In order to maximise opportunities it is necessary to have both quality interface and product/service quality.

4.6. THE STATE OF MINORITY SUPPLIERS IN THE UK

According to Edwards, (1997:20) supplier diversity consists of ensuring that purchasing managers are getting the best value for money for their company and using the best supply sources, by tapping into all the sources, which are available. A large proportion of those sources are managed, owned or led by people from the ethnic minorities, (EM) and they should be accessed and considered equally. In other words, missing out on a whole section of the supply base is bad for business. Although, there are many other potential benefits like turning new suppliers into new customers and improving public image, better-quality supply is what really matters.

4.6.1. Legislation towards supplier diversity

According to Bullivant, (1997:22) legality towards supplier diversity in the U.K is not straightforward and it will depend on the precise circumstance surrounding each case. The primary influencing factor would be the Race Relations Act 1976 but where public bodies or public funding are involved, the Treaty of Rome and the relevant Economic Community (EC) procurement directives are almost certain to be a major factor.

Marsh, (1997:22) says that the Race Relations Act has been applied primarily in the field of employment law, although it also makes discrimination unlawful in the provision of

goods and services, and in the publishing of advertisements. The question of whether there could be discrimination in the award of a purchase contract by a firm in the private sector does not appear to have come before the courts as yet.

It seems clear that an advertisement of a tender, which was discriminatory, would contravene the act. The question, however of the validity of the issues of an inquiry limited, says, only to firms owned or managed by an ethnic minority group, while clearly discriminatory, is more difficult. Although it is thought the Court would probably find the issue of such an inquiry, and the subsequent award of a contract were not contrary to the act, it is possible that the court might hold that it was contrary to public policy.

Equally, it would appear probable that the adoption of a policy of giving preference, or awarding a certain proportion of business to firms owned or managed by ethnic minorities would not contravene the act. However, any arrangements by two or more firms to accept restrictions in this way could be subject to the Restrictive Trade Practices Act.

While the act does not refer specifically to procurement practices, it does outlaw the practice of showing favour, on racial grounds, to one group of potential suppliers to the disadvantage of others. Discrimination is described in the following way: "A person, (which includes a body of persons, corporate or not) discriminates against another if on racial grounds, he treats that other less favourably than he treats or would treat other persons". On the face of it, the act would apply to those firms disadvantaged by positive discrimination by a purchasing organisation in favour of ethnic minority firms. An act of discrimination can ring an award of damages.

Where the purchasing organisation is a public body, several further obligations may apply in addition to compliance with the act:

- To act impartially in awarding contracts;
- To comply with the EC rules for public procurement (i.e. e. in not discriminating against firms on the grounds of nationality);
- Where applicable, a fiduciary duty to obtain value for money.

Some public bodies have tried to circumvent the problem by specifying that contractors must employ a certain proportion of local residents. This is in fact been found to infringe the provisions of the Treaty of Rome.

There is a need, however to differentiate between 'positive discrimination' and "positive action". It will not be unlawful to take positive action to ensure that certain types of supplier, which may be under-represented, are made aware of trading opportunities and encouraged to pursue them.

This could be particularly pertinent to public bodies, some of which have a positive duty under the Race relation Act to ensure that various functions are carried out with due regard to the need to eliminate unlawful discrimination. Public bodies may well have an obligation to check whether any particular types of supplier are under-represented on their supplier and contractor panels and if so, to take steps to ascertain why this is the case, with a view to removing any unnecessary barriers

4.6.2. Problems encountered in developing supplier diversity

In looking at the campaign for diversity and the benefits it can bring, Edwards, (1997:21) says that, there are certain barriers to supplier diversity. Many ethnic-minority-owned companies are small to medium enterprises (SMEs), and often relatively new as well. They will therefore, face the same problems as other small suppliers in meeting the requirements of larger purchasing companies, an issue of increasing emphasis as supplier criteria become more exacting. In addition, their SME status is compounded to be the second barrier: their isolation from traditional business networks. For instance, in conferences, purchasing managers just do not come into contact with these suppliers.

Although tackling these problems will be important, the most significant barrier is purchasing manager's scepticism that supplier diversity is an issue in which it is worth investing time and effort. Even when diversity is acknowledged, there is often an assumption that it affects only the big supermarkets and their contracts with ethnic-food

suppliers. Location of businesses in some of Britain's most disadvantaged locations. As a

ethnic minority firms are subject to a hostile commercial environment with low-

According to Oc and Tiesdell, (1999:1723) ethnic minority groups continue to face significant barriers to economic participation and therefore there is a special need to support ethnic minorities. In addition, ethnic minority businesses face all the problems and barriers to growth and survival of small businesses generally and in particular, of small businesses in inner-city locations. The most important issues are the following: Access and availability of finance; adequate and affordable premises; lack of managerial resources; shortage of skilled staff; finding and developing new markets; the ability to increase market size; competition; and the prevailing economic climate.

and white counterparts, ethnic minority entrepreneurs have seized the opportunity and

The shortage of available finance is a major hindrance to business development and particularly for ethnic minority firms. British mainstream financial institutions are often more risk averse than those in other countries and their insistence on, property-based loan guarantees (i.e. home ownership) and their unfavourable treatment of ethnic minority groups provide major barriers. (Oc and Tiesdell, 1999:1730)

usually provide the lowest rewards (Oc and Tiesdell, 1999:1727)

African-Caribbean entrepreneurs face greater difficulties compared to their Asians counterparts. Asians enjoy comparative advantage of minority groups, through their ability to raise informal equity finance from the extended family, or networks of family and friends or from other Asian businesses. African-Caribbean entrepreneurs appear to not only lack the facility of informal networks, but also use bank finance to a lesser degree than other groups. This was attributed to poorly prepared business plans rather than bias on the part of the banks. (Oc and Tiesdell, 1999:1730)

"ethnic entrepreneurship" (Oc and Tiesdell, 1999:1725, 1727)

Location choices for ethnic minority businesses may be more restricted where they need direct access to a co-ethnic market. In general however, the needs of ethnic minority business for premises are similar to those of all businesses.

(Oc and Tiesdell, 1999:1732).

through the use of some form of measurement of the current supplier base, so will

Ethnic minority businesses tend to suffer the problems mentioned above to a greater degree than that of their white counterparts. There is, for example, a significant

concentration of businesses in some of Britain's most disadvantaged locations. As a result, ethnic minority firms are subject to a hostile commercial environment with low-income markets, poor premises and widespread security and insurance problems. The problems inherent in such locations often limit the potential for business development and can often prove a major constraint in securing high-quality markets outside the immediate locality. (Oc and Tiesdell, 1999:1726)

In this context, ethnic minority business is often sited in locations abandoned by large mass-marketing organisations. For example, where out of town shopping centres have made the survival of neighbourhood and city-centre convenience retailers difficult for small white retailers; ethnic minority entrepreneurs have seized the opportunity and persisted in poor circumstances. These businesses operate with low economies of scale, with 'self-exploitive' owners working longer hours and offering more services than their native counterparts. Indeed, many ethnic minority businesses particularly those operated by Asians, survive due to the exploitation of cheap family (usually female) labour. Such businesses may need the least resources in terms of skill and finance, but equally provide the fewest rewards. (Oc and Tiesdell, 1999:1727)

Ethnic minority businesses also face a number of specific problems including language fluency and various forms of racial discrimination. For example, Asian entrepreneurs were found to be reluctant to recruit from outside the extended family or ethnic community, particularly for managerial positions. In addition, racism created a high level of Asian involvement in the West Midlands clothing industry where self-employment was the only way in which Asians could hope to earn a decent living. This is referred to as "ethnic entrepreneurship". (Oc and Tiesdell, 1999:1725, 1727)

4.6.3. Addressing barriers to supplier diversity

Edwards, (1997:21) suggests that the first stage in breaking down existent barriers can be through the use of some form of measurement of the current supplier base, as well as a definition of what constitutes an Enterprise Minority (EM) business. Very few UK companies have this kind. For instance, a decent purchase-order system might tell

whether a supplier is an SME, but most would not be able to recognise ethnic origin. Another way is to add simple measurement tools to its range of purchasing systems.

To decrease scepticism, some firms are selling the benefits of supplier diversity internally. Outlining in detail the benefits for the supply chain can do this. The topic is new, but once it is explained firms would appoint a diversity champion and report back. One of the central areas, which will need attention, is the tendering and contracting process. As stated above, a major barrier for EM suppliers is large companies' reluctance to use SMEs without a track record of financial stability. Although this criterion may have a sound business base its legitimacy may be questioned. (Edwards, 1997:21)

Another barrier is the overly complex process. For instance requests for quotation documents should be simplified (for example, where a 100-page request for a quotation document can be cut to 20 pages). Reviewing procedures also means recognising that not all EM suppliers will be familiar with complex tendering processes or know what is required of them. A certain amount of supplier development by individual purchasing managers may be inevitable. This may be a difficult argument to sell but given the demands on practitioner's time; however, it is a case of soberly balancing effort with potential benefits. (Edwards, 1997:21)

Part of the problem in developing supplier diversity, is finding suppliers in the first place. Local initiatives are being developed to make it easier for purchasing managers to access new networks. Regional groups will be co-ordination work to bring both sides together and exchange information. Access can also be made easier with the kind of ethnic-specific supply directories that exist in the US, making it easier for purchasers to find the right supplier, rather than being inundated with inquiries. (Edwards, 1997:21)

At present, few large companies give significant business direct to small companies. To address this issue, the notion of diversity is being popularised among first-and-second-tier suppliers. Some firms such as Littlewoods say that contractual and tender specifications already include the company's general equal opportunities policy.

However, another firm, Millineux claimed that this is not enough, and that there is a need to make greater demands from their bigger suppliers. For instance, at Millineux, suppliers are beginning to be told that the diversity issue will be part of standard performance measurement. This would include the ability to monitor the ethnic origin of their supplier base. If suppliers refuse to support this project, they would most surely be classified as not the most appropriated partner to do business with. (Edwards, 1997:22)

The final element of any new policy would be the accurate measurement of the benefits. Understandably, there is concern within the campaign that quotas or positive discrimination should not be encouraged. However, it is important to set a target. The firm could measure how many businesses have been contracted, how many responded and how many contract were awarded. This would indicate whether procedures are being followed and gives one something to benchmark against. (Edwards, 1997:22)

4.6.4. Ways to support EM businesses

Both the providers and the recipients of business support stressed the necessity of achieving better dialogue and communication between business support agencies and ethnic minority business. Most agencies see the need to foster networks between local businesses to provide mutual support, assistance and advice. (Oc and Tiesdell, 1999:1735)

4.6.4.1. Needs identification and assessment

Many commentators argue that a business support strategy must be based on detailed knowledge and analysis of the local industrial structure; characteristics of local firms (for example age, size, ownership, stage of development); and the existing capacity for enterprise support (for example capacity, quality, take-up by area business, impact). In areas of ethnic minority concentration, this should have an ethnic dimension. (Oc and Tiesdell, 1999:1727)

4.6.4.2. Business support strategies

Business support measures are usually directed at one or more of the following: enabling new firms to start up successfully; enabling existing firms to grow, become more viable and perhaps enter the mainstream economy; and/or attracting new firms to locate in the area. Given limited resources, it is important to adequately identify and target the types of firm to whom assistance and support is to be provided, so that the impact can be maximised, additionally increased and displacement minimised. Agencies responsible for regeneration need to target those in greatest need but also those that offer the greatest opportunities. Potential for growth and employment creation are obvious criteria for short-life regeneration initiatives required to demonstrate their impact on the locality. This can, however, be hazardous. Growth is not the norm for many businesses, particularly inner-city businesses. It may however be that inner city firms need to grow in order to survive. (Oc and Tiesdell, 1999:1727)

The strategic choice for Challenge business support was either to encourage job creation directly or to assist businesses to grow and the growth of the local economy generally and thereby enable job creation. There are two levels of targeting: first, a general targeting and secondly a more specific targeting.

(Oc and Tiesdell, 1999:1728)

In general targeting, a fundamental issue concerning business support was its precise purpose. Business support strategies tend to focus on all or any of the following: support for new business starts; support for established businesses new to the area. However, in highly localised markets the start, growth and expansion of one business may often be at the expense of another local business. Therefore, business support especially financial support usually needs to be directed at increasing the total amount of economic activity within the area, that is to consolidate and strengthen existing business. This may offer a greater return than initiatives promoting start-ups. (Oc and Tiesdell, 1999:1728)

Specific targeting is addressed in terms of ethnicity. In this regard it is important to distinguish between initiatives directly solely at those from ethnic minorities and those

which, while not provided exclusively for those from ethnic minorities would in practice benefit them. (Oc and Tiesdell, 1999:1728)

4.6.4.3. Accessing business support

According to a study conducted by business support agencies, most small firms did not use enterprise agencies. Established research finding also discovered that established businesses consult external sources of business advice and support, relatively infrequently. (Oc and Tiesdell, 1999:1732, 1733)

Business support providers suggested that ethnic entrepreneurs regarded the use of such support as shameful, and even the suggestion that it may be needed as insulting. Some local entrepreneurs had a self-exclusion barrier to business support, based on their assumption that they were running the types of business that did not receive support. Many business, particularly Asian, were reluctant to receive outside help and were not prepared to go through the bureaucratic procedures necessary to access it.

An apparent lack of interest by ethnic minority firms can stem from a number of issues: business may resist acknowledging the existence of a problem or be unwilling to involve outsiders for fear of losing control or concerns about confidentiality; business may perceive a lack of sensitivity to ethnic minority needs, problems and opportunities; businesses may lack knowledge about what is available; businesses may have low expectations about the quality and relevance of skills available; the service itself may lack credibility in the eyes of ethnic entrepreneurs.

17. PURCHASING FROM MBES: BEST PRACTICES

However, it is acknowledged that external assistance may help small entrepreneurs to start or/and grow faster than they might otherwise have done and with fewer mistakes. The research identified three issues, which are awareness, sensitivity and credibility, which are considered of particular importance for business support to ethnic minority firms. These are discussed below:

Awareness. As well as a reluctance to engage with external business support services,

there is often a lack of awareness of what services are actually available. The channels of communication used by providers of business support often fail to alert many ethnic minority firms about their services and to clearly map the range of business support initiatives available to local business.

Sensitivity. The style and presentation of delivery of business support services were regarded as important for ethnic minority groups. These both involved a user-friendly approach and the provision of business support in local settings. The benefits of proactive outreach to ethnic minority firms were emphasised, particularly if outreach workers were sensitive and unprejudiced to the special needs of ethnic minority business

Credibility. Credibility within the ethnic minority business community was an important issue for business support services. On some occasions, business advisors considered that their support services had initially suffered from a lack of credibility fuelled by the knowledge that the service was free, which gave people the mistaken perception that it could therefore not be of a high standard. As a result, businesses only approached the business support services when they perceived it as a way of obtaining cheap finance or they were struggling to survive. Similarly some businesses believed they were doing well enough not to need business support when they may well have needed support. Thus the providers accepted that the credibility factor created a resistance for potential users. They also recognised that it had to climb a steep learning curve in order to develop sufficient credibility and to be responsive to the needs of local entrepreneurs.

4.7. PURCHASING FROM MBES: BEST PRACTICES

Auskalinis et al, (1995: 10, 16-31) conducted a research which came as a result of a desire for a comprehensive study that identified what practices organisations follow in support of a MBE buying program. In addition, attendees at the 1994 Center for Advanced Purchasing Studies (CAPS) Executive Roundtable wanted to learn if there were possible correlations between these practices and the degree of success of the program. The definition of "success" was to be based on what percentage of the

organisation's purchases was to be awarded to MBE suppliers. An ad-hoc committee of eight individuals representing six different organisations developed a list of the elements that should be present or considered in any viable MBE program. A consensus was reached that 12 organisations from 12 different industries would be interviewed. The following results came out of this research:

4.7.1. Formal policy regarding minority purchases

Organisations having policy statements, achieve more than double the average percentage of purchases from MBEs (4, 03% vs. 1, 69%). The high percentage of affirmative responses suggests that while the existence of a formal policy is a necessary foundation to a minority-buying program, it is more important how that policy is translated into actual procedures and practices. A policy statement by itself becomes meaningless unless there is further tangible evidence of support from the upper-management level of the organisation.

4.7.2. Degree of support of top management

The responses to this question indicate a clear correlation between the various degrees of support and actual MBE performances. 44% of all respondents received strong to very strong support and that group achieved a much higher performance percentage than the group answering none or slight. Defining support from top management takes on many forms ranging from a consistent display of interest in the program to a commitment of company resources. In any event, support takes top management's role to a tactical level from merely issuing policy statements. The efforts by management are recognised at every operating level and serve to establish the program as part of the culture of the organisation.

4.7.3. Tracking of the MBE purchases

The ad hoc committee determined that tracking of MBE purchases was a basic prerequisite for supporting a viable MBE buying program. There is little way that an MBE

program can be effectively implemented and administered without the ability to record and measure performance. 93% of the respondents said that they track MBE purchases.

The word *sensitise* was intentionally used instead of *training*, since it suggests a less formal process. The areas most frequently tracked were total dollars 99%, number of suppliers 85% and number of dollars by buyer 52%. Supplier location and dollars by individual commodity or service were tracked by less than 50% of the responding companies. The element tracked by the fewest organisations was the total number of awards by buyer 31%. The tracking dollar awards by buyer had the highest MBE percentage is 5, 11%. This was consistent with the top performers in which tracking dollar awards by the buyer had the highest MBE percentage 5, 11%. This was consistent with the top performers in which tracking dollar awards by buyer not only had the highest MBE performance percentage but the organisations tracking that element increased to 74%. This indicates the recognition by successful organisations of the relative importance of monitoring buyer performance compared to the tracking of other elements.

4.7.4. Status report

The researchers wanted to know if status reports were disseminated to buyers and management. The result shows that buyers were receiving reports in 81% of the organisations. This number increases to 100% for the top performers and drops to 67% for the bottom group. These results strongly suggest that MBE performance reports, when disseminated to buyers and management correlate to successful programs.

Reports are distributed on a monthly basis. Management receives reports less frequently than buyers. However, for the top performers, monthly reports are distributed to management in higher percentages than buyers. Those distributing monthly reports to management also have the highest MBE percentage. This suggests that organisations that involve their managers in reviewing MBE program activities more frequently are in fact more successful.

It follows that in order to support an MBE program, directories listing MBE sources must also be available to the buying staff. 85% of respondents said that they had such directories available and this group awards an average of 4.08% of their purchases to MBEs while the 15% that do not have MBE directories average only 1.

4.7.5. Sensitisation of non-purchasing personnel

The word sensitise was intentionally used instead of training, since it suggests a less formal or structured approach. Nearly three-fourths of the respondents attempt to sensitise non-purchasing personnel on the value of supporting the MBE program. This group spends 4,3% of their dollars with MBEs while those organisations that ignored non-purchasing personnel average only 1,80%. When comparing top and bottom performers, 94% of the top group involve their requisitions while only 26% of the bottom performers do so. This indicates that successful organisations recognise the importance of having the support of users of the purchasing department's services when it comes to the MBE program. Involving the entire organisation makes the program a company-wide effort and not simply a purchasing program. It enables management to inform employees why the organisation has an MBE buying program, its benefits, and the reasons why it should engender the support of everyone.

4.7.6. Buyer training

71% of the respondents train their buyers to support the program and this group's average is double the MBE percentage that does not train buyers (4,29% vs. 2,15%). 89% of the top performers train their buyers while only 37% of the bottom group do so. The responses to this question suggest that active and continuous support of individual buyers who are responsible for actually making purchase awards is important and therefore, there is a very high correlation of buyer training to program success.

4.7.7. Availability of sourcing directories

Sourcing directories are a necessary and integral part of any purchasing department's resources. It logically follows that in order to support an MBE program, directories listing MBE sources must also be available to the buying staff .85% of respondents said that they had such directories available and this group awards an average of 4,08% of their purchases to MBEs while the 15% that do not have MBE directories average only 1,

49%. 100% of top performers have MBE sourcing directories available to their buyers.

4.7.8. MBE as a Factor in buyer's performance review

Only 47% of respondents factored in buyer's performance with regard to the MBE program in their annual performance reviews. This group doubled the dollar award percentages (2, 54% vs. 5, 02%) placed with MBEs when compared to the 53% that did not factor this element into annual reviews. A much greater percentage, 68% of top performers factor buyer performance in their reviews, while 84% of the bottom performers do not. The success rate in the overall response and the top group indicate the importance of this practice.

4.7.9. Participation in trade fairs

Participation in trade fairs serves two purposes. It affords the participating company an opportunity to expand their number of potential MBE suppliers and, at the same time, informs the MBE community what products and services it regularly purchases. The nine percent that never participate in trade fairs average only 1, 14% while that attending four or more shows 43%, award an average of 5.40% of their dollars to MBEs. This strongly suggests a direct correlation with the frequency of participation in trade fairs or the lack thereof, and the percentage of business awarded to MBEs.

4.7.10. Publicity of MBE programs in minority/other publications

The researchers have seen a definite practice to performance relationship for this outreach incentive, particularly when one looks at those that never place ads 42% and their MBE award percentage 2,32%, versus those that place four or more ads per year 23% and their MBE award percentage 5, 13%.

4.7.11. Provision of company resources to MBEs

The researchers found that providing buying company resources to MBEs is not a

widespread practice. Several organisations participating in mentoring programs, observed that many MBEs hesitate to request assistance, because in doing so, it may suggest a degree of inadequacy. This was frustrating to the majority of the companies who sincerely wanted to assist MBEs in developing their skills in certain specific areas such as human resources, Marketing, and Cost Analysis. On the other hand the companies that offer seminar-type programs or management-skill sessions conducted in a general forum have excellent response from the MBE community. This method reaches a wider audience and tends to mitigate any negative perceptions.

4.7.12. Influence of the customer base in the MBE program

In an effort to determine if customers influence the organisation's MBE program, 60% indicate at least some degree of influence. There is a wide gap between those reporting no influence 21% and their performance 2, 39% and those reporting very much influence 24% and their performance 5, 83%. The results of this question supported by the case studies indicate that customers are a factor in an organisation's MBE program. The influence comes from two directions. For those producing or offering goods or services to customers, there is a growing recognition that an economically stronger minority community can result in increased sales of the organisation's products or services, There is also an increased awareness of the logic that if an organisation expects to sell its products or services to the minority community ignore purchasing from the same minority.

4.7.13. Government's impact in the MBE program

The responses indicate a decreasing degree of influence as one goes from Federal to State to Local Governments. There is some notable influence on those respondents who checked the "very much" Federal and State categories with regard to MBE performances.

4.7.14. Full-time MBE coordinator

Slightly less than one-half of the respondents have a full time MBE coordinator; however, this group has a much higher average MBE-award percentage than those organisations not having a full-time coordinator (4, 82% vs. 2, 72%). 68% of the top performers have a full time person assigned to this responsibility and only 16 % of the bottom performers do so. The result of this question suggests that having a dedicated individual responsible for the program increases its potential for success. This is one of the areas in which management support or commitment is necessary because of its obvious financial impact.

86% of full-time coordinators report to Purchasing-related functional areas. The response indicates that organisations recognise that the MBE coordinator must interface on a regular basis with the buying staff, which requires some understanding of purchasing policies and procedures. Organisations do recognise the importance of the MBE coordinators' responsibility. The title manager or director appears in 60 percent of the responses.

4.7.15. Treatment

63% of the respondents said they do not treat MBEs differently in the area of pricing and 5% said yes. There is little difference with the top performers in which 56% said no and 6% said yes. The group that said yes has the lowest MBE award percentage. This suggests that the relaxation of price policies is not correlated with doing a greater amount of business with MBEs.

With regard with the level of service, 86% of respondents said they do not treat MBEs differently while 2% said they did. When asked about quality, 95% of respondents answered no to differing treatment. 90% of respondents answered that they do not give special treatment in relation to delivery. 76% of respondents answered no and 11% said yes in relation to EDI capability. 84% answered no and 6% percent answered yes.

This series of questions regarding company requirements show that a vast majority of organisations ranging from 63% for pricing to 95% for quality do not relax their requirements at any time and do not treat MBEs differently. In addition, treating MBEs differently is not correlated with increased business for MBEs. Consistent relaxation of company requirements in order to do business with MBEs is not a common practice. What is especially noteworthy is that those that do treat MBEs differently are not doing as well in awarding business to MBEs.

4.7.16. Targeted solicitations

The use of targeted solicitations or set asides exclusively reserved for MBEs is a recognised and acceptable practice within the Federal Government and those working under major government contracts. The use of this method is not as widespread in private industry; the researchers' results indicate that 72% of organisations reported that they do not use targeted solicitations exclusively reserved for MBEs.

4.7.17. The establishment of goals for MBE purchases

With regard to whether organisations establish goals for MBE purchases, 76% said yes, and that group achieved a much higher MBE award percentage than those not setting goals, (4, 08% vs. 2, 60%). This result suggests that goal setting is a critical factor in administering a successful MBE buying program.

4.7.18. The use of credit cards

While the vast majority of respondents were neutral on the subject 74%, it was noteworthy that the 11% who said such usage would have a positive effect had one of the highest MBE award percentages for any question in the survey, 6, 45%. These results indicate that the top performers are viewing credit card usage as an opportunity and not a threat to the MBE program.

In making statistical comparisons between practice and actual performance the

researchers have been able to conclude that certain practices correlate to the potential success of an MBE buying program.

The minority market is increasingly vocal about where it is willing to spend its money.

4.8. THE STATE OF SUPPLIER DIVERSITY DEVELOPMENT

They have become increasingly vocal in recent years about their

According to a White Paper Report, (1995:87, 88, 91, 92) supplier diversity, says that those on the front line of minority supplier development, have finally become an accepted activity in much of corporate America. This will have a major impact in the whole world, including South Africa. Where once minority sourcing was sold hard by small numbers of reformers as “the right thing to do”, it is now being championed by a growing number of corporate CEOs as the “smart thing to do”. Corporate CEOs in these days are more likely than not, to stress supplier diversity and goals for bringing minority and suppliers into the active supply base.

and better minority supplier programs to start

There are a multitude of factors which make it possible for chief executives to readily accept these programs and which helps minority supplier development take off. These are explained below:

to white Western Europe and North America. Companies marketing

4.8.1. Minorities are seen as a potential market for expansion

to Africa, Asia, and Latin America are being asked questions similar to those raised by

Minorities and women now comprise the biggest sales growth market available for many competitive minded businesses. It is estimated, for instance that minorities will constitute close to 40% of the total population within the next 20 years or so. A lot of consumer-based companies, expansion among minorities is the only expansion they have got left. And that is where their margins of profit are.

reformers' attempts to deal with them. Public

law 95-507 promulgated in 1978, required those doing business with government to

In order to gain minority members as accounts, firms are coming to understand that they need to show them that they have got to be able to say to customers that the money they invest in the business is reintroduced back into the broader society. In this way they are able to claim that MBEs are important as employees, shareholders, stakeholders, and community neighbours.

government contractors were involved in minority sourcing

than on

4.8.2. Minorities are becoming an influential rising voice

4.8.2.1. Good economic sense

The minority market is increasingly vocal about where it is willing to spend its money. Many outspoken members of minority communities are demanding a greater recognition in the market place. They have become especially vocal in recent years about their support for companies that sell to them.

In one case this selective use of market power by minorities almost turned into a marketing disaster for a large brewing company. A conflict between minorities and the company escalated into threats of boycott and a generally bad scene for the company marketers. The conflict eventually ended with the brewing company setting up a supplier outreach program that included minorities and women.

This vocalisation of the need for more and better minority supplier programs is also beginning to play a part in global marketing. Leaders in the minority supplier development movement, note that many multinational companies are only now beginning to understand that they cannot work in the global marketplace and pretend they are only selling to white Western Europe and North America. Companies marketing in Africa, Asia, and Latin America are being asked questions similar to those raised by minorities in the U.S.

4.8.3. Law requirements

As it was discussed in paragraph 4.2 the recent advances into the consumer market by the minority supplier development movement started as an outgrowth of social upheaval on the late '60s and early '70s, and social reformers' attempts to deal with them. Public law 95-507 promulgated in 1978, required those doing business with government to include minorities in their requests for quotation and in their overall supplier tool. In addition, under the law major contractors must pre-identify those small businesses that they intend to do business with, if awarded government contracts. This figured prominently in the government's review of prime contractor quotes. The result of public law 95-507 was that most government contractors were involved in minority sourcing from then on.

4.8.4. Good economic sense

There are also many corporations that were not government driven that were real advocates for supplier diversity. Three that got involved early and deeply were the Equitable Companies, General Motors and AT&T. The old Western Electric Division of AT&T began extending contacts to minorities and women as early as 1969.

Most of these efforts essentially started out as “the right thing to do” efforts. Then in 1982, minority sourcing began to evolve as the “smart thing to do”. Government again was the initiator. This time Chairman Perrin Mitchell of the House Small Business Committee pushed through an amendment to the Surface Transportation Assistance Act. The result was that for the first in order to be considered competitive, all quotes for contracting for government transportation highways and byways must include “utilisation by minorities”.

As a result of this stipulation many companies that had two sides to their business, being commercial and government, decided not to run two different companies. If they were required to seek and use qualified minority suppliers on the government side of their business, it also made good sense to seek, use and document the use of qualified minority suppliers on the commercial side. Companies expanded this thrust to cover all their business, even where the government did not mandate it. Starting with the construction industry, these companies could aspire to be driven by considerations of the market.

4.8.5. Outsourcing strategies.

Outsourcing and searching for new talent are becoming very important factors for the growing use of minority suppliers by large companies. Currently there is a shortage of good ideas, new technology, and entrepreneurialism. The major benefit for companies tapping in to the minority supplier pool is that it is an under exploited pool of highly educated people. When firms are dealing with a minority or small business, they are

dealing with the CEO of the company not a salesperson. If there is something that needs to be changed in any way it is easier in terms of response time, turnaround time, and in meeting specific needs. For instance Lotus Development has a whole philosophy about dealing with smaller suppliers based on their own small business beginnings. They believe smaller suppliers can meet their needs a lot quicker than larger corporations where they have to go through layers to get any action. Bank that owned a building house decided to sell this part of the company to an MBE and continued to For a growing number of companies minority supplier programs offer windows on the talent ideas, and entrepreneurialism.

4.9. CONCLUSION

4.9. THE FUTURE OF SUPPLIER DIVERSITY PROGRAMMES

This chapter looked at the state of minority supplier development in the US and in some According to Murphy, (1998:64s19) there are three conditions that supplier diversity programme managers and MBE suppliers expect will emerge in the future:

4.9.1. Business will likely be conducted more closely in terms of design efforts and sharing financial resources

Customer sense that M/WBE suppliers are becoming more intertwined in terms of engineering and finance; merging these two priorities, companies appear to be finding more ways to finance improvements in the customer's product and direct to capital.

4.9.2. More customers will seek opportunities to link their businesses with MBEs

Another condition that is becoming slightly more common is that customers look for opportunities to link their business more closely to M/WBE suppliers. This appears to make transitioning M/WBE into the mainstream of the supply base easier since the suppliers are working more closely with the customer.

4.9.3. Customers will deploy the business imperative for supplier diversity to improve their own competitiveness

In several instances companies look for ways to focus on their core business by turning over certain functions to suppliers. This is an opportunity for competitively positioned MBEs. For instance Procurement Resources Williams says that a bank that owned a printing house decided to sell this part of the company to an MBE and continued to outsource its business to the MBE.

4.10. CONCLUSION

This chapter looked at the state of minority supplier development in the US and in some aspects in the UK. The main purpose of it is to compare the situation there with the one in South Africa. From the chapter, valuable lessons can be taken and may serve as examples to encourage the acceptance of AP in South Africa. Acceptance can happen if one compares the situation in both countries. The United States and the United Kingdom governments saw the need to intervene in the economy and introduce legislation in favour of minority business enterprises. Being that way, it is fair that in South Africa government embraces this policy and previously advantaged major companies collaborate towards the integration of the PDI/businesses, which are part of the majority of the population.

Auskalinis, Ketchum and Carter defined minority owned business as those businesses in which at least 51% of the ownership interest, stock or other is held by one or more minority members and whose management and daily business operations are controlled by one or more of such individuals. This definition serves, as a basis to determine the level of control the law requires MBEs must have in order to empower economically minority people

Wallace argued that without AP, MBEs would not be able to survive when competing with majority firms. The researcher found the argument valid in the sense that she showed that in the United States that, government through the granting of subsidies

helped the white majority. This indirectly created a situation where minorities struggle to compete with these well-established firms unless there are helped in some way by the government.

The White Paper Report says that Public Law 95-507 in 1978 stated that any contractor doing business with Federal Government should engage too with MBEs. This law is self-explanatory: Government wants firms to participate in its efforts to integrate minorities in the economy.

Present trends taking place in procurement and logistics affect the performance of MBEs. The impact of those trends in South Africa is not as strong as in the US and UK, but with globalisation sooner or later AP firms in South Africa will have to be ready to face them.

Lovering argued that although challenging, it is fundamental that purchasing professional support and stimulate the growth of MBEs by creating and maximising opportunities. At the same time MBEs must develop a positive attitude towards customer satisfaction referred to as "customer focus".

Edwards explained that supplier diversity consists in ensuring that purchasing managers are getting the best value for money by the tapping into all the available supply sources. This concept is very much relevant to the situation in South Africa where there is an urgent need to make use of all the potential, which has was previously devalued and needs to be used. In this way, if there was exclusion once, now is the time to unleash the potential in everyone.

Bullivant said that legality towards supplier diversity in the UK is not straightforward and it will depend on the precise circumstances surrounding each case. This fact shows that there is a need for government to take a more significant action in relation to the integration of enterprise minorities.

Oc and Tiedsell said that some of the problems encountered in developing supplier

diversity in the UK are: the size of EMs (small), lack of networking, access to finance, adequate premises, lack of managerial resources, shortage of skilled staff, finding and developing new markets, the ability to increase market size, competition and the prevailing economic climate. These problems are no different from the problems experienced by MBEs in the US and in South Africa.

Auskalinis Ketchum and Carter conducted a research, which came as a result of a desire for a comprehensive study that identified what practices organisations follow in support of buying from MBEs. From the study they have conclude that certain practices correlated to the potential success of an MBE buying program. Some of these practices could be adapted in firms who have no clue on how to deal with purchasing from AP firms.

The White Paper report notes that where few once accepted minority sourcing as the right thing to do today it is championed by a growing number of corporate CEOs as the smart thing to do, because the minority community represents a potential growing market. In a greater extent this is happening in South Africa where there is a need to buy from AP firms so that more jobs can be created.

Murphy predicts that 3 conditions relating to supplier diversity will emerge:

- There will be more sharing of financial resources among business;
- More customers will seek opportunities to lurk their business with MBEs;
- Customers will divest some of their business to focus more on their capabilities.

Firms, which are directly, or indirectly helping MBEs financially know that they will benefit from this practice especially when they intend to divest some of their businesses and want to assure that their suppliers are reliable.

The next chapter addresses various issues relating to AP programmes and suggesting frameworks for its implementation.