Global megatrends in the corporate supply chain and their impact on supplier diversity

Detroit, Michigan, August 21-22, 2013

BILLION DOLLAR ROUNDTABLE INC.

Policy Paper

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Summit Theme
Emerging global megatrends and how these forces are shaping supplier diversity and redefining the relationship between corporations and diverse suppliers.

Policy Statement
The Billion Dollar Roundtable advocates innovative initiatives from major corporations, as a means of building the capacity of diverse firms through supplier diversity. The annual BDR summits examine specific challenges in supplier diversity, such as capital availability for diverse firms and advertising/marketing supply chain opportunities. Both were examined in previous summits. The Detroit Summit, through its discussion of global megatrends, departs somewhat from the previous summits’ approach of examining specific challenges, and, as such, there is no definitive policy statement.

The objective of the Detroit Summit program was to pinpoint transformative global forces impacting corporations, suppliers, supply chains, societies, and citizens in the context of supplier diversity strategies and initiatives. BDR believes these global megatrends potentially will create far-reaching implications for corporations and expect that information emanating from the Summit will assist corporations in shaping future supplier diversity strategies and processes.

Summit Hosts
Chrysler Group LLC
Ford Motor Co.
General Motors Co.

Summit Sponsors

Venues
Charles H. Wright Museum of African American History
Renaissance Conference Center
Detroit summit summary

The Billion Dollar Roundtable Inc. is an organization of 20 U.S.-based corporations that provide thought leadership and solutions-driven exploration of key issues in supplier diversity. BDR-member companies, comprising many of the largest and most important business organizations, spend $1 billion or more annually for a broad range of goods and services on a Tier I basis with certified diverse companies whose majority owners are minorities and women. Consolidated diverse spending of BDR companies totaled $64 billion of Tier I spending. Through its annual summit program, BDR brings together a broad range of supplier diversity stakeholders for critical discussions and analysis of current issues affecting supplier diversity.

BDR-member companies are:

- AT&T Inc.
- Avis Budget Group Inc.
- Bank of America Corp.
- The Boeing Co.
- Chrysler Group LLC
- Dell Inc.
- Ford Motor Co.
- General Motors Co.
- Honda North America Inc.
- IBM Corp.
- Johnson Controls Inc.
- Kaiser Permanente
- Johnson & Johnson
- The Kroger Co.
- Lockheed Martin Corp.
- Microsoft Corp.
- The Procter & Gamble Co.
- Toyota Motor North America Inc.
- Verizon Communications Inc.
- Wal-Mart Stores Inc.

Last year, BDR held its annual summit, “Global Megatrends in the Corporate Supply Chain and Their Impact on Supplier Diversity,” in Detroit, home of three of its founding members and summit hosts, automakers Chrysler Group LLC, Ford Motor Company, and General Motors Company. The city of Detroit, undergoing severe fiscal issues amid its unparalleled history of automotive innovation, proved to be an appropriate setting for the summit. Detroit-based corporations, particularly the automakers, have been among a number of key U.S. business sectors at the forefront of the development of the supplier diversity industry.

“Do we know what they are, and how will we respond to them, so that we can continue to thrive, prosper, and identify new market opportunities and new business trends?”

Swiss writer and Economist Dr. Thierry Malleret, author of “Disequilibrium: A
World Out of Kilter,” helped launch the summit by outlining key megatrends impacting global business and, thus, supplier diversity. Malleret said demographic population changes, indebtedness, and resource scarcity are examples of megatrends that will affect future societies. “Global megatrends are going to shape everyone’s destiny for years to come,” Malleret said, speaking to the summit via Skype from Switzerland. “There is not much time to prepare for these shifts. You have to adapt as rapidly as possible.” As a megatrend, for instance, indebtedness and fiscal issues are what have affected municipalities like Detroit, Malleret said. “The case of Detroit is symptomatic of the situation of most large, developed economies,” he told attendees.

The Detroit Summit was BDR’s 12th consecutive annual program. Previous summits have been held in New York City; Washington, D.C.; Seattle; and New Brunswick, New Jersey, examining topics in supplier diversity that included advertising and marketing, global supplier diversity, and developing integrated solutions to supply-chain inclusion. Findings from previous BDR marketing/advertising summits are reported in policy papers on the organization website, www.billiondollarroundtable.org.

Additionally, BDR works closely with other organizations with similar goals, such as NMSDC, Women’s Business Enterprise National Council, and sponsors of special events and programs involving supplier diversity. Coinciding with another summit, BDR released a compendium, “Supplier Diversity Best Practices: Building Excellence to Improve the Supply Chain Matrix,” a book that examines 12 best practice areas for operating viable supplier diversity programs. Several dozen contributors are featured in the title, lending their expertise, interest, and advocacy of supplier diversity to the project. The book is available on www.billiondollarroundtable.org.

The two-day summit program opened with a stunning dinner reception at the Charles H. Wright Museum of African American History. Luminaries at the Motown-themed event represented many of Detroit’s favorite sons and daughters, including Mary Wilson of the Supremes who sang the national anthem, former Mayor Dennis W. Archer, Chrysler Group LLC President and CEO Saad Chehab, Ford Motor Company President and CEO Alan R. Mulally, and General Motors Company Chairman and CEO Daniel F. Akerson.

Jerome Bettis, former professional football great, Detroit native, and founder of the Bus Stops Here Foundation, offered an inspirational keynote address. Grammy-winning artist will.i.am, founder of the i.am.angel Foundation, addressed the program via videoconferencing, and Dan Gilbert, founder and chairman of Quicken Loans Inc., outlined his efforts to help revitalize Detroit. Jalen Rose, former University of Michigan and professional basketball player and current ESPN sports analyst, discussed with summit participants his efforts to improve urban education, youth leadership, and workforce development.

### Dr. Thierry Malleret on global megatrends

The world is staring into an abyss. That is a view of French writer, economist, and corporate adviser Thierry Malleret, Ph.D., author of “Disequilibrium: A World Out of Kilter.” Helping to launch the summit on August 22, he offered a high-level view of key megatrends impacting global business and, by consequence, supplier diversity.

Malleret, addressing summit attendees from Switzerland via Skype, is the co-founder and main author of the Monthly Barometer, a succinct predictive analysis exclusively provided to private investors and influential opinion and decision makers. Until 2011, he was senior partner at Informed Judgement Partners, an investment boutique based in Geneva, Switzerland, for ultra-high net-worth individuals. For a number of years, he conceived and put in place the program for the World Economic Forum annual meeting in Davos, Switzerland. He was educated at the Sorbonne, École des hautes études en sciences sociales (EHESS) in Paris, and St Antony’s College, University of Oxford, holding two master’s degrees in economics and history and a Ph.D. in economics.

Malleret’s “Disequilibrium” book is described as an essay at the intersection of economics, geopolitics, and political and environmental science — a means for connecting the dots between various academic disciplines and simplifying the increasing complexity of today’s world. “Disequilibrium” contends that in the foreseeable future, the world will be lurching from one global crisis to the next, as it becomes much more susceptible to shocks and surprises than a few years ago. Consequently, people of the world will all have the impression of being on the verge of constant instability, with random occurrences happening all the time. Essentially, the world has become a conveyor belt for constant surprises, according to the book.

In his talk, Malleret described four forces from his book — interdependence, complexity, velocity, and transparency — that create a conceptual framework for thinking about the world of tomorrow. He said these four forces interact with one another, and all have implications for decision makers, as the complexity of the world is progressively overwhelming their capabilities to make sensible, well-informed decisions. Through these interactions, these four forces make the world susceptible to recurring shocks, and it is impossible for any country, region, business, industry, or individual to hide from these disturbances and uncertainties.

Malleret offered his view on how these four forces are being manifested:

- **Interdependence** implies a world of systematic connectivity in which all issues and risks are intertwined with one another on a permanent basis, affecting the way decision makers assume their responsibilities. Further, interdependence is a defined feature of capitalists of the 21st century.

  **Malleret quote:** “If we wanted to encapsulate what this century is all about with just one word, it would definitely be interdependence.”

- **Complexity** encompasses things society finds difficult to understand. Complex systems are made of a large number of thoughts that interact with one another in a nonsimple way. Complex systems are very often characterized by an absence of visible causal links between elements, which in turn makes them virtually impossible to predict.

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Malleret quote: “We live in a world in which complexity is ever increasing, and it makes the life of decision makers increasingly difficult as a result.”

• Velocity serves as a synonym for the acceleration of change. In today’s world, velocity means everything goes faster than in times past. This new culture of immediacy in a real-time society permeates all of the aspects of society — from just-in-time supply chains in corporate business to high-frequency trading in the financial industry to even speed dating and fast food in people’s personal lives.

Malleret quote: “Everything runs fast forward, and as a result, we’re submitted to continuous, constant change.”

• Transparency exists as the result of technological progress. Technology, the Internet, and social media all are forcing transparency on society — whether it is desired or not. The effects can be both very negative and very positive.

Malleret quote: “Our personal and professional lives have now become part of the public sphere.”

In supplier diversity, one key notion from those interactions applies to the industry: asymmetry. Asymmetry in supplier diversity, Malleret said, essentially occurs when a situation “enables small players, minorities, or a seemingly insignificant event to produce disproportionate impacts or hold disproportionate power.” Asymmetry is propitious to the development of expected events, according to Malleret. “It is obvious that in today’s transparent, very fast world, the giant institutional company can vacillate, and there’s shock inflicted by so-called empowered minority. It’s something that really needs to be kept in mind when discussing the future of your industry,” he said.

Four global megatrends affecting supplier diversity

Global megatrends, Malleret said, are bound to affect every industry while shaping the destiny of the world’s inhabitants for years to come. Further, global megatrends interact profusely with one another, linked by the notion of systemic connectivity; he said, which suggests that in the process of conflating with one another they create ricochet, domino, or cascading effects that are bound to the process.

He outlined four global megatrends that are most likely to have an impact on supplier diversity in the years to come:

• demographics
• resource scarcity
• indebtedness and fiscal issues
• rising inequalities

Malleret called the demographics global megatrend a “double whammy.” He said global demographics are unfavorable because the world population is increasing exceedingly fast at the moment, but is also aging very quickly. “That’s a very big problem. It leads to a reduced working-age population just when the percentage of dependent elders is exploding,” he said. The author noted that global population growth today is exponential when representing the growth by a curve, noting the world’s population has increased from 2.5 billion several years ago to more than 7 billion in 2011. He said he expects that the global population will be 10.1 billion somewhere around 2100 — an inflection point when most likely the global population will start decreasing.

The ramifications of this population double whammy portend disaster, Malleret said. “Unless we change our culture and the social contract that links us together, the world is destined to be a poorer world as well,” because the world is characterized by a predominance of consumers rather than entrepreneurs, according to him. It would seem that richer countries would suffer more from the double whammy, but the countries most at risk are those predominantly in markets such as China, he said. For example, given its startling population growth, “China is the country in the world which is likely to be old before it has had a chance to be rich,” Malleret said. He contends that the United States actually is in a good position in terms of demographics — thanks to a relatively high fertility rate and substantial immigration. “The U.S. is in a very favorable situation compared to the rest of the world in terms of its demographic trends,” he said.

Resource scarcity, the second global megatrend, Malleret sees as directly affecting supplier diversity because the provision of the world’s most critical

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resources — water, energy, and food — comes at a considerable cost, and in decades ahead, the costs are inevitably bound to rise dramatically, “putting supply under ever-increasing pressure.” Costs will rise because as the population explodes, the populace also is getting richer and consuming habits change accordingly. “We get people who start driving cars, consuming more meat — for example — and start spending money and energy more than before,” he said. The conjunction of these two phenomena is having an effect on how resource constraints are going to be developed in the coming years. More likely than not, we’ll have to change our consumption habits dramatically and cease to overconsume, as we often do in the majority of economies.”

In delineating the third global megatrend, indebtedness and fiscal issues, Malleret pointed to the example of Detroit — the host city for the 2013 summit — that has filed for bankruptcy relief under Chapter 9, after being burdened with $18 billion in debt in the largest municipal bankruptcy ever in the United States. He said Detroit is not alone in its fiscal problems and is symptomatic of the situation of most large, developed economies. “At the moment, whether you look at Japan, Europe, or North America, all of these countries are going through a phase of public and private deleveraging that will take many years of painful structural reforms that, ultimately, will entail the complete redefinition of the social contract,” he said. A mistake would be to believe that fiscal deleveraging in the public sector is a problem confined to the richest economies in the United States, Japan, and Europe, he said. Expect similar, Detroit-like challenges to emerge very soon in emerging markets such as China or Brazil that are beginning to suffer from “excess gross,” he said. “They will, therefore, be in a similar situation a few years from now compared to the one facing the richest countries in the world at the moment,” he said.

Rising inequalities represent the fourth of the global megatrends that Malleret said will have an impact on the supplier diversity industry, calling them a global phenomenon that could derail the entire process of globalization. It is a phenomenon that drew little attention until 2012. He noted that Harvard economist Kenneth Rogoff was one of the first to recognize the challenge of rising inequality. He quoted Rogoff who said, “Rising inequality is the biggest threat to social stability around the world — whether it is in the U.S., the European periphery, or China.”

Just less than a decade ago, rising inequality was not a global issue prioritized by the World Economic Forum, Malleret said. “There is absolutely no doubt that inequality is rising pretty much everywhere — irrespective of whether one looks at it in terms of overall income, wealth, or opportunity. That is something that really matters a lot because inequality, to a certain extent, can be understood when you know that you have a chance to move upwards with relative ease,” he said. But, when social mobility is stuck in place — in nations like the United States and the United Kingdom, he contends — that becomes a real problem. “Why does it matter? It is because there is a tipping point beyond which discrepancies start to undermine the tissue of societal cohesion,” he said.

**Summit discussions**

Thierry Malleret helped set the stage for Detroit Summit discussions through his outline of global megatrends. Three panels explored in depth specifically how these forces are affecting the supplier diversity industry.

The panels, their contributors, and topics were:

**Panel 1: Global Megatrends — The 50,000-Mile-High View**

**Moderator:** Joset Wright-Lacy, National Minority Supplier Development Council  
**Panelists:** Thierry Malleret, Economist; Chuck Harvey, Johnson Controls; Carl Camden, Kelly Services; Vincent Kountz, U.S. Census Bureau

The panelists, featuring Malleret, were charged with examining the transformative global forces that have far-reaching impacts on businesses, societies, economies, cultures, and personal lives.

**Panel 2: Megatrends Affecting the Supply Chain and Their Implications on Future Strategy**

**Moderator:** Leonard Greenhalgh, Amos Tuck School of Business, Dartmouth College

**Panel 3: Fast Forward — Megatrend Implications for Supplier Diversity Initiatives**

**Moderator:** Pamela Prince-Eason, Women’s Business Enterprise National Council  
**Panelists:** Lynn Tilton, Patriarch Partners LLC; Walter Charles III, Kellogg Co.; James Lowry, The Boston Consulting Group; Gary Stiffler, The MATLET Group LLC; Javier Palomarez, United States Hispanic Chamber of Commerce

The panelists were charged with examining specific initiatives and challenges in supplier diversity and how global megatrends will impact the work of supplier diversity professionals and shape programs going forward.

**Some questions on global megatrends**

In designing the three panels, BDR formulated a series of questions in advance of the summit and distributed them throughout the organization membership as a means of helping to bring clarity to the discussions. In a business context, the pre-summit questions sought perspective primarily on where global supply chains are impacted by global megatrends and how these megatrends impact the role of diverse suppliers. Questions included:

- How will the “face” of business appear going forward, amid global megatrends accelerating? For instance, how will business organizations evolve in the area of resources, people, tactics, leadership, corporate culture, finance, etc.?
- What global megatrends will impact most significantly the business areas of supply chain execution and management?
- How will business be conducted throughout the supply chain being impacted by global megatrends? (continued on page 48)
Panel 1: Global megatrends —
the 50,000-mile-high view

In initiating the discussion of the
50,000-Mile-High View of global mega-
trends, moderator Joset B. Wright-Lacy
said one objective of the panel was to of-
fer ideas on how corporations will need
to prepare strategically to address them.
It is vital to ensure that “your companies
and the communities that you’re in are
ready and able to handle this shift in the
way our world is going to operate,” she
said. Thierry Malleret was joined on the
panel by Chuck Harvey, chief diversity of-
cifer and vice president, community af-
fairs, Johnston Controls; Carl T. Camden,
president and CEO, Kelly Services; and
Vincent L. Kountz, data dissemination
specialist, U.S. Census Bureau. Wright-
Lacy opened the discussion by posing
questions to the panelists, asking Maller-
et: “If you had 10 minutes with each of
the leaders in this room individually ,
what would you tell them to do within
the next six months and then the next
year to begin to prepare for some shifts?”

Malleret said that he would tell the
leaders that given the massive accelera-
tion of change, there is very little time
to get prepared and act. He said those
most able to adapt and change are those
who are capable of anticipating the
changes. He said it essential to adapt
instantaneously. “There is no time to
think or ponder what to do,” he added.
“It’s absolutely essential to anticipate
the changes by adapting as rapidly as
possible. That is what successful com-
panies do all the time.”

As an example of not anticipating cul-
tural change, Malleret cited the April
2013 multistory building collapse in the
capital of Bangladesh that killed more
than 1,000 garment-factory workers. He
said the incident, considered the dead-
liest garment-factory accident in history ,
epitomized a breakdown in global sup-
ply-chain organization. The Bangladesh
event demonstrated how easy it is for
governments and corporations “to be
wrong-footed when you don’t under-
stand the rules of the new governance,
when you don’t take into account the
cultural elements of the country in which
you operate,” he said. In the wake of the
tragedy, a number of leading American
apparel companies that contracted with
the factory were accused widely of profi-
ting on cheap foreign labor while not fo-
cusing enough on foreign worker safety.
“Being prepared and anticipating the
problems is the name of the game,” he
said. “Those who do not do this in time
are likely to lose and to be at a competi-
tive disadvantage.”

One of the themes the panelists dis-
cussed was how global demographic
changes, as Malleret noted in his key-
note, are challenging corporations and
Poverty, and Health Insurance Coverage in the United States: 2012." He noted that the average wealth of a white household now is about $109,000, but only about $6,000 for the average African-American household. “That disparity is very large. It’s getting larger as time passes,” he said. Wright-Lacy noted that such statistics would have a significant impact on minority entrepreneurs seeking to start up and fund businesses, as net worth is what is used, in many instances, to receive credit at most financial institutions.

“One of the barriers to getting capital is the fact that disparity in wealth makes it very difficult for many minorities to seek funds in the public sector,” she said.

Wright-Lacy asked Chuck Harvey of Johnson Controls about his company’s strategy for attracting human capital and talent globally. Indeed, corporations are highly challenged globally by a dearth of human talent to advance their business operations, he said. “We are everywhere, and we are challenged everywhere,” noting that Johnson Controls supports some 170,000 employees worldwide at more than 500 manufacturing operations on six continents.

Harvey said corporations in the face of rapidly evolving global trends can either be a victim of globalization or a beneficiary. For the workforce of the future, talent will derive essentially from two places — “You’re either going to recruit it or buy it, or you’re going to have to develop it,” he said. No matter the method they deploy, corporations will need to be very good at doing both, and both come with economic consequences, according to Harvey. When companies develop talent, they are investing in skill sets that are going to provide an economic value to the respective business. When companies recruit talent or buy it, they may not keep it, unless they invest in the culture of an organization where people want to be a part of it,” he said.

At Johnson Controls, the company operates regional councils globally, in order to be involved in all aspects of the type of culture the company believes as an organization it needs to be a part of, Harvey said. “With that involvement is an empowerment that we think is critical and essential, especially when you think about the global trends that impact you. We’ve all heard of near-shoring, on-shoring, off-shoring, and all of these types of things. But, the bottom line is that wherever you end up on that realm, you’re going to need talent to be able to execute,” he said. Key for companies is having a robust process in place to identify where that human talent resides, while also having the flexibility to be able to transfer that talent if necessary, he added. “Equally important is having very specific ways to develop and train the talent in a given market, so that you can, ultimately, compete,” he said.

Wright-Lacy asked Camden of Kelly Services, the world’s largest provider of outsourced employee staffing, to discuss the company’s approach to the issues it faces globally amid dramatically shifting demographics. He noted that over the course of a year, Kelly Services will have a direct employment relationship with about 600,000 people. The company also manages talent supply chains on behalf of its customers, amounting to the deployment of another 650,000 individuals. In managing talent, he observed that members of corporate procurement and supply-chain organizations, including many attendees at the summit, “are really the [human resources] officers” for their companies and will require greater involvement in HR issues in the future. “You all really are the voice of talent. But, because you focus on inside procurement and supply chain on costs and risk, you don’t talk about the issues that [human resources] talks about in terms of engagement, culture, and loyalty. I will tell you that those issues are deeply important,” he said, noting that the HR function is engaged at most with about 40 percent of the talent deployed on behalf of a global operation.

Camden said corporations must be attentive to emerging shifts in work culture as well. He said how people go to work today is a megatrend in itself, mentioning a Kelly Services study of 2,000 people deployed as independent contractors/consultants on behalf of Kelly Services clients. In reviewing the LinkedIn profiles of the independent contractors/consultants, about two-thirds of them claimed not to be working for the company deploying them — Kelly Services — or for themselves, but for the company where they were currently on assignment. “In their heads, they’re part of that talent pool,” he said. “It means that the management of companies is not paying attention to that dramatic shift in culture.”

Additionally, Camden said HR departments no longer can view a resume with skepticism when they see candidates who have changed jobs every couple of years. In fact, in some circles today, those who stay at a company 20 to 25 years are termed as being risk avoiders, inflexible, or culturally not adaptable, he added, noting that in surveys many college students of today say they expect to remain on their first jobs for three years or less in order to gain a “credential” and then move on to the next employer. “The world of work has changed, and we expect our talent to be mobile, to have had a lot of experience, and to bring diversity — not just because of their background and not just because of the circumstances under which they grew up,” he said. “We’re expecting to import diversity into our companies based on the experiences they have.”

Camden offered this statistic that typifies how much the world of work has changed in the United States: 45 percent of people go to work every day as free agents who are not tied full-time to a particular company. Those are temporary employees, self-employed, independent contractors, and, generally, those receiving IRS Form 1099 earnings. In Europe, that number is about 35 percent. Further, Camden predicted that the restructuring of employment will continue, particularly should another economic recession occur. He said he can envision the United States having more than 50 percent of its workers as free agents in the future, adding that the last time that occurred was during the pre-World War II era before the ramp-up of industrialization when the United States was a nation of small businesspeople, crafts people, and independent workers. “We’re heading back to that state around the world,” he said.

Wright-Lacy asked Kountz to expand further on the impact of education and how it will affect future markets, particularly how a lack of education will determine the ability of American youth and American minority communities to
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be able to participate in the economy. He said the impact will be felt in the amount of discretionary spending that is available, prompting companies to look closely at how minority groups spend on essential items such as food, energy, and housing, and then on luxury items, such as vehicles. “You have to target what you’re selling to the groups,” he said. “I would say try to educate yourself on what various groups spend and what amount of money and on what products. Then target those products toward that group.”

Panel 2: Megatrends affecting the supply chain and their implications on future strategy

Panel 2, moderated by Leonard Greenhalgh, a professor of management at the Tuck School of Business at Dartmouth College, took on the challenge of examining global megatrends specifically, including how they affect the supply chain and their implications on future corporate strategy. Introducing the panel, he noted how global megatrends have altered models for corporate competitiveness. Because corporations today outsource large parts of their supply chains to supplier groups, they gain competitive advantage via full and diverse operations within their supply chains rather than traditional head-to-head competition with rivals, he said. According to Greenhalgh, companies are no longer solely engaged in domestic outsourcing; today, it is occurring globally. “It’s no longer Ford versus General Motors versus Chrysler. You have 60 percent to 70 percent of the value of the automobile that’s outsourced,” he said. “It’s the Ford value chain versus the General Motors value chain versus the Chrysler value chain. Competitive advantage can come from anywhere in the supply chain.”

Greenhalgh said stakeholders of supply chains need to think about supply chain effectiveness not only from a philanthropic point of view, but also from a practical, business prism. “It’s your own competitive advantage. It’s in your strategic interest to have the strongest supply chain you can,” he said. Global companies mean global supply chains, he added. “We’ve come from basically domestic companies to multinational companies,” he said. “We’re in Motor City. Ford has Ford of America, Ford of Germany, and Ford of England. That’s a multinational company. You set up separate manufacturing, business, accounting, and strategic locations in your major markets.”

Panelists discussed specifically how their supply chains are being impacted by emerging global issues. Courtney Billington, vice president at Janssen Supply Group LLC, a unit of Johnson & Johnson responsible for global manufacturing and distribution of biopharmaceutical brands, said the health care industry he sees each day demands a higher expectation of care occurring in emerging global regions, as nations grow their middle classes. In health care, changing global demographics are one of opportunity for both corporations and their suppliers, he said, noting that by 2015 more people in the world will be over 65 years of age than under the age of 5 for the first time in history. “That’s critical for us in health care, because once individuals go over the age of 65, they access the health care system seven times more than younger people,” he said. “That’s opportunity and growth” — particularly in emerging nations. He told summit attendees that emerging nations spent $5.5 trillion for health care in 2012 and that number will accelerate in the future despite austerity measures. He added that the expansion of the population globally also will impact corporate supply chains, since the middle class will demand a higher standard of health care as it grows.

Billington said those businesses that seek to grab these health care opportunities will need to respond and react very quickly. “It’s growth on a global basis,” he said. “This message of global is critical.” Johnson & Johnson, he said, has annual sales of more than $68 billion and operates more than 250 companies around the world in three major sectors — consumer, pharmaceuticals, and devices and diagnostics. He said amid global growth in health care, he is seeing a greater level of partnering in emerging nations like India, Brazil, and China. “If you want to grow in those countries, you need to have a presence there,” he said. “In many cases, it doesn’t necessarily have to be your corporation. We look to partner with corporations and other companies and service providers around the globe to help make sure that we can reach this global marketplace.”

Cindy O’Connor, vice president, home and apparel, at Sam’s Club, where she leads merchandising from seasonal to tire and battery centers to diamonds and jewelry, offered a view of global sourcing and her reliance on a diverse supply chain. She outlined the key touch points of her organization’s supply chain, including data and technology, natural resources and commodities, acquiring human talent, changing consumer bases, and multichannel product distribution. (continued on page 54)
“From our perspective, we’re always thinking about how to leverage the diverse supply chain that we have and how we use that,” she said. “We talk about being a global company, but we also talk about being local.”

O’Connor said three pillars constitute Sam’s Club global sourcing strategy — price leadership, differentiation, and member experience. Suppliers who understand those dynamics can create supply chain opportunities, she said. Price leadership is vital since Sam’s Club is a member service and members pay for the privilege of shopping; differentiation is the reason Sam’s Club customers keep coming back and telling their friends about their shopping experiences and what Sam’s Club relies on to separate it from formidable competitors such Costco Wholesale Corp. Member experience ingratiates shoppers to the Sam’s Club brand. Comparing Sam’s Club’s strategy with parent Wal-Mart, she said, “Wal-Mart is a little different. We have a much higher group of household income versus Wal-Mart. Wal-Mart is more like America. We tend to be a little bit higher and more like a Nordstrom’s and higher than a Macy’s as far as household income goes.”

She said suppliers need to understand those differences. Sam’s Club focuses on delivering value-added merchandise to its customers, which can come from anywhere in the supply chain, she said.

Regarding global megatrends, O’Connor noted a Wal-Mart meeting that discussed those trends most important to the company. Trends included effective use of technologies such as the Internet, sustainability of resources and raw materials, and global talent shortages, she said, noting that suppliers who can help Sam’s Club meet its goals in such areas can realize supply-chain advantages. “As a retailer, we’re really challenged to figure out how to catch up with some of our competition [using technologies such as the Internet] and how to stay ahead and lead with others,” she said.

“Over the next 10 years, we have to figure out how to translate a shortage of natural resources into opportunities [for sustainability],” she said. Discussing global talent shortages, she said, “All of us would agree that people are our most major competitive advantage. The reality is that we’re really not prepared for what’s ahead of us on that. In the next decade, that’s going to become even a bigger piece of the conversation, and I think it’s just going to intensify.”

She said a key initiative for Sam’s Club is attracting more women-owned companies globally. “We’re really trying to see what the roadblocks are and how we can support them,” she added. “We’re really trying to figure out how to take global local.”

Karl Jeppesen, vice president of procurement contracting and risk management within The Boeing Co.’s Defense, Space & Security business, discussed the global Boeing footprint and how he works with suppliers. The approach for procurement, he said, is “People first and customer always.” So, suppliers within the Boeing global supply chain “are part of us,” he said.

Jeppesen outlined some Boeing statistics from 2012, supporting the company’s procurement footprint:

1. Customers in more than 150 countries
2. More than 160,000 employees in the United States and globally
3. Total 2012 revenue of nearly $82 billion
4. Annual spending within the supply base surpassed more than $51 billion
5. Ten percent of suppliers are classified as small businesses
6. 22,000 suppliers in the supply-based global partners in parts manufacturing and service

Central to the success of the supply base are quality performance and delivery performance, Jeppesen said. Quality performance is rated at greater than 99 percent from its supply base, and delivery performance is at 97.2 percent. Delivery performance is directly related to the supply base, he said, and Boeing is continuing to push its suppliers to perform even better. “We’ve got to continue to do better,” he said. “It’s first-time quality. Our customers demand that — whether it’s on the commercial end where passengers fly, or it’s our military where our kids are out there flying that aircraft. They deserve to get that product on time and when they need it,” he said.

“On the supplier content, 500,000 employees are part of Boeing that represents that supply base, and they count on us to do a good job.”

Operating a global supply base for any large corporation is wrought with challenges and his industry is no different, Jeppesen said. Boeing draws 60 percent of revenue from commercial business and 40 percent from the government and defense industry. In its commercial business, Boeing is seeing “new competitive dynamics,” he said. With a number of entrants pressing for commercial business — such as selling to airlines — its supply base will play a central role. “This is about price and about being competitive,” he said. “As we deliver these products, we want our supply base to say, ‘My partner of choice is The Boeing Co.’”

In its defense business, coping with budget issues — such as U.S. Department of Defense sequestration issues — dictates much of the landscape, Jeppesen said. “We’re going to see impact there,” he said. With its U.S. defense business impacted by greater government demands on cost and performance from contractors, he said Boeing, invariably; must look globally for enhanced business, adding that 30 percent of sales are international, but now the bar is being moved to 40-45 percent, as a driver for corporate growth. Nations like the United Arab Emirates, Saudi Arabia, South Korea, India, and Brazil are examples of international markets for aircraft growth.

In the current global environment of shrinking budgets, Jeppesen said Boeing’s suppliers are bearing some of the burden as well. “We went to the supply base and said, ‘We need you to pay part of this,’” he said. Suppliers responded with greater sophistication in their operations.

Additionally, Boeing needs suppliers to look beyond its domestic footprint. “I need [suppliers] to start thinking, ‘How do we work to engage some of these internationals and what capabilities can we do to foster that relationship?’” Jeppesen said. Other areas where suppliers can be invaluable are cutting development costs, moving products to market quicker, and solving parts-obsolescence issues.

From the prism of academia, Michael P. Verchot of the University of Washington Michael G. Foster School of Business offered his thoughts on global megatrends and their implications on global supply chains. Founding director in 1995 of the school’s Consulting & Business Development Center, he works directly with businesses that participate in supply chains.

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In particular, he honed in on how megatrends affecting supply chains are impacting minority-owned, women-owned, and veteran-owned businesses, particularly around the issues of inequality and growing the global middle class.

Reviewing statistics with attendees on global income distribution, Verchot said significant growth is occurring in global middle income. He said middle class inhabitants commanded 5.6 percent of global income in 2007, up from 2 percent in 1990. More good news shows a simultaneous dropping of the absolute global poverty rate, defined by the World Bank as living on less than $1.25 a day, he said.

Verchot believes these two trends (growing global middle income and dropping of the absolute global poverty rate) will impact global supply-chain management going forward, particularly in the arena of the growth in the global middle class. He pointed to statistics highlighting emerging market share of financial assets among established and developing nations between 2000 and 2020. China, for instance, expects growth during that period to increase from 3 percent to 17 percent, while United States growth is expected to fall to 24 percent from 35 percent during the span. “We see the growth in financial assets really going to developing countries and the countries of Brazil, Russia, India, and China,” he said. “If we look at it in terms of consumption issues, or where the middle class is consuming, it is no longer dominated by a United States-European Union perspective.”

Supply-chain management for corporations in the future will be focused on where developers’ and consumers’ products, services, and technology are located. “I would presuppose that it changes the geography of where global supply chains are,” Verchot said, posing two questions for summit attendees:

What happens for minority-, women-, and veteran-owned businesses in the United States that are part of the global supply chain now, because products are being shipped here?

What happens when products are increasingly being shipped to China, India, and other parts of the developing world?

Following up on one of the points offered by Malleret, Verchot said as the global middle class grows and increases its consumption, an impact on resource development and utilization will be apparent. “We want to be careful to say that a growing middle class is a good thing, but what happens when they start consuming more? What does that do to resource allocation?” he said. Resource allocation will affect global supply chains — and diverse businesses that rely on them — according to Verchot, noting that in the northwest United States where he lives, water shortages are a concern. “There’s a lot of talk these days that the next war isn’t going to be over oil and energy, but over water. What does that mean for global supply chains, if we have some basic resources that aren’t going to be available? I think that’s another important question we need to address, especially when it comes to minority- and women-owned businesses that are in the supply chain here in the United States,” he said.

“There are hugely disruptive impacts when we look at the growing middle class around the world,” he said. “It’s disruptive on impacts to resources, to where consumers are, and — really significantly — to where research and development is done and where innovation comes from.”

Ted Childs, founder of Ted Childs LLC, an organization that serves as a global strategic diversity adviser to corporate senior management, offered a human resources perspective about emerging global megatrends. Childs retired from IBM in August 2006 after a 39-year career as a member of its corporate human resources team, including 15 years with executive responsibility for global workforce diversity programs. Greenhalgh called Childs the “ultimate diversity guru” for his work within IBM, a founding member of the BDR. “IBM has also gone from being a domestic company to a multinational company to a global company. Ted has lived through that entire set of transitions, thinking about supply chains,” Greenhalgh said.

Childs highlighted some statistics to support what he called the “new American reality” where population demographics of the country are changing dramatically and have an impact on business and industry. “In 1940, America was 89 percent white and 11 percent minority. In 1970, those percentages only dropped to 83 percent white and 17 percent minority. By 2000, it was 69 percent white and 31 percent minority. In 2042, it will be 50 percent and 50 percent. In 2050, it’s going to be 40 percent white and 54 percent minority. That’s the track,” he said.

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Global corporations will need to pay attention and understand this population trend line, Childs said. He said when he addresses CEOs, such statistics are getting their attention. Major companies, like the Billion Dollar Roundtable corporate members, will need to look downstream to 2042 because in America, for instance, the population pattern has been shaped and is now inevitable. “It will dominate America’s future,” he said.

“We’re going to be 400 million people in 2042. That’s going to be 200 million people white and 200 million people of color. Half of the 200 million people of color are going to be Hispanic,” Childs said, citing additional statistics.

There are three messages for U.S.-based global corporations, according to Childs. The first imperative is that global firms must jointly focus on the U.S. economy and U.S. communities, covering particularly the marketplace, workforce, and supply chain. “That is an extraordinary dynamic, and the blend of that dynamic is pivotal,” he said. The second message is recognizing the inevitability of America’s changing population pattern. “It’s 30 years when we get to this 2042 deal. You have to determine what you want to see. And, if you don’t just determine it, but impose your will on it, America is not going to be what you want it to be,” he added.

Childs’ third message to U.S.-based global firms is that they need to ensure that America’s evolving minority community “has a seat at the U.S. economic table.” Additionally, he added that major U.S. cities need to be a meaningful component of the U.S. community of cities or “our nation is on track to become a third-world country.” He said America needs to “recalibrate” to be able to leverage the changing population, or “we’re going to become expendable.”

Panel 3: “Fast forward — megatrend implications for supplier diversity initiatives

The summit’s final panel looked inward and examined strategies emanating from global megatrends that will be beneficial in supporting diverse suppliers within corporate supply chains. Moderator Pamela Prince-Eason, president and CEO of the Women’s Business Enterprise National Council, directed the discussion of panelists that included Walter Charles III, global chief procurement officer, Kellogg Co.; Lynn Tilton, founder & CEO, Patriarch Partners LLC, a holding company of her 75 companies certified by WBENC; James Lowry, senior advisor, The Boston Consulting Group and a nationally recognized supplier diversity expert and pioneer; Gary Stiffler, president & CEO, The MATLET Group LLC; and Javier Palomarez, president and CEO, United States Hispanic Chamber of Commerce.

Prince-Eason noted that over the past 30 to 40 years, supplier diversity and inclusion within corporations has changed dramatically from one of a requirement to that of a business imperative. On a positive front, no longer is supplier diversity an exercise in social responsibility, she said. “It’s also a business imperative. People want to be involved with women, minorities, and diverse businesses for the purpose of doing better in their business,” she said. “It’s not the handout.” However, Prince–Eason said progress in certain areas can be better, citing, for instance, a dearth of inclusion of women and minorities in board representation of corporations. “I’m a white female, and board representation is only changing to putting one white female on there,” she said. “It is not changing to what it needs to change to, so we all need to work together to make sure we truly have board representation. That’s the one we’re making slow progress on.”

Examining global megatrends and their implications for supplier diversity progress, Prince-Eason said corporate supply chains need to be strategic and creative in tackling the forces they are confronting. Gaining an understanding of how changing demographics will affect future initiatives concerning diverse businesses within corporate supply chains was a charge she put to the panel. “We want to look to really see what the changing demographics mean to every one of us, whether we represent the corporate or government side of the house or one of the women, minority, or other diverse businesses,” she said. Those executives and professionals who support corporate supply chains will be at the forefront of affecting change — without the luxury of waiting too long, according to Prince–Eason. “The pace of change is requiring that you act very quickly on a lot less information and have really great partnerships with those you do business with,” she said. “You’ve got to have the strategy. You’ve got to have creativity built into everything you’re doing.”

Javier Palomarez of the United States Hispanic Chamber of Commerce, an organization representing more than 3.1 million Hispanic-owned businesses that contribute some $465 billion annually to the American economy every year, offered some perspective on the contribution of small firms to the economy and how they can expect to fare amid global megatrends. Using the automotive industry as a launching point for his remarks, Palomarez praised the industry for its “interplay between big and small businesses. These companies absolutely get it. Not only do small businesses play an indispensable role in developing engines that power the most advanced automobiles in the world, but these small businesses themselves are the very engine of the American economy.”

Palomarez said the most significant megatrend today in his view is the proliferation of the Hispanic population in the United States and globally. “Our growth in this nation alone is, frankly, being spoken about in nations all over the world,” he said. When he speaks to business people in other countries, such as tours in Israel, England, Columbia, Mexico, and Spain, they show their reverence in this nation alone is, frankly, being spoken about in nations all over the world,” he said. When he speaks to business people in other countries, such as tours in Israel, England, Columbia, Mexico, and Spain, they show their reverence for the American entrepreneur, he said. “Our entrepreneurs and business owners are taking risks and starting new ventures, providing jobs, and creating the economic tax base and the economic development that is critically needed at a time when our nation needs us,” he said. “Our business owners are not waiting for others to point the way. We are blazing our own trails.”

Another key megatrend impacting small firms is technology, serving to help companies connect on the global stage, Palomarez said. Technology “frankly has overtaken our world. We now live in the most interconnected age in history. From an American business perspective, that means our corporations can readily access the global market,” he said. He further explained that technology gives
small firms the tools to compete in the global arena. “We must adopt a strategy that focuses on restoring our global economy, and that [strategy] means diversifying our businesses in ways that spur innovation, job creation, and growth,” he said.

The world is a big stage, but Palomarez said he wants to see efforts accelerating on how foreign markets can be attracted to American goods and services. “While we advocate on behalf of business owners and job creators who happen to be of Hispanic descent, we never forget that first and foremost, we are American businesses. Every tax bill we pay, every product we manufacture, every service we provide, and every single job we create goes to benefit this American economy,” he said of the work of the USHCC.

Prince-Eason asked Lynn Tilton of Patriarch Partners to discuss the trend of globalization. Patriarch Partners is a holding company managing 75 companies with revenues of $8 billion, employing 120,000 people. Recognized by WBENC as the largest woman-owned company in the United States, Patriarch Partners’ portfolio includes DURA Automotive Systems, Spiegel LLC, MD Helicopters Inc., Rand McNally, and Stila Styles LLC. Prince-Eason praised Tilton for bringing many jobs back to the United States and revitalizing companies. “It’s hard to take companies from death’s door, which I do. I always buy them on the cusp of liquidation. It’s my way of knowing that I’ve added value by rebuilding and saving jobs, which is really what I’ve devoted my life to,” Tilton said. “I really do believe that the ultimate gift we can give someone is the dignity of work. I knew that if I bought companies other people threw away, and I was able to keep those people working as I rebuilt these companies, it would be my legacy and gift to the world.”

Tilton said the move toward globalization at an amazingly rapid speed is both fascinating and frightening for minority- and women-owned suppliers. Most diverse companies are small and midsize businesses, so the global “inflection point of globalization,” combined with rapid advances in technology, can be challenging, she said. Midsize businesses today are being forged to enter the global state, despite the difficulty of lacking resources, she said. “It’s not just money. It takes people, who are our most important asset. It takes talent. It takes process, which is really having the mechanisms, financial systems, and management information systems to control that,” she said.

Further, midsize firms need to have a plan for globalization and that includes addressing technology, according to Tilton. “Technology is moving so fast that everything we’re making today we won’t be making five years from now,” she said. “As a smaller, midsize company, you can embrace are three-dimensional printing, artificial intelligence, and virtual reality, which is really my obsession. I’m trying to use it in everything I do,” she said.

“It can seem overwhelming, but as the leader of 75 companies and 120,000 people, I will tell you that the hardest part is getting people to let go. The hardest part
is not what I see or even what I can afford or access. It’s fighting my own people who are holding on tight to what they know and convincing them that not to let go is to fail,” she said. Not embracing technology can be disastrous for small and midsize firms, according to Tilton. She noted “amazingly productive” manufacturing operations she has seen in China, for instance. “It’s not just people sitting at little stations,” she said. “It’s also the best of machinery, robotics, and technology.”

Firms based in the United States have to follow the same manufacturing prescription, according to Tilton, thus fully leveraging domestic advantages. “The greatest power and energy of this country comes from our human capital,” she said. “We can talk about how we’re falling behind in education. We’re also falling behind in infrastructure, but we still have the greatest innovation coming from this country. We still have the greatest human capital, and we have the greatest rule of law.”

Prince-Eason asked Gary Stiffler of The MATLET Group to expand on the panel’s discussion of leveraging technology advancement. Stiffler, who has more than 30 years’ experience in the graphic arts industry and has held executive management positions with three of the five leaders in his industry, is majority owner of The MATLET Group, a printing, packaging, and fulfillment company with facilities in Rhode Island, Florida, and Missouri, along with strategic partnerships in Mexico. The MATLET Group is the largest minority-owned commercial printer in the country and is certified by the National Minority Supplier Development Council.

Stiffler said running a business today means embracing technological change with both partners and customers. In 2008, his company made significant capital investments in cutting-edge equipment that allowed it to expand and better compete globally as a manufacturer, including enhancing its partnerships with companies with the scale of Billion Dollar Roundtable corporations. As a supplier, he said it was important for the company to invest in some of the same technology as that of its clients. Investing in the latest technological processes “helped us get an edge with a number of clients, especially with companies like [The] Procter & Gamble [Company], who saw the value of what we were bringing and built up additional trust with us,” he said.

Diverse firms often do need help from their major partners as they look for opportunities to forge a global presence, but help is only as strong as the supplier itself, according to Stiffler. “From an MBE perspective, before we can go global, we need help to be able to do that,” he said. “You can’t just set up shop in Mexico or China without having some of that support mechanism there. That means the support of the companies here in the U.S. having — first — that level of trust.”

Stiffler said his company received that cooperation from The Procter & Gamble Company in Mexico. He said he viewed the opportunity with The Procter & Gamble Company not as a strategic alliance, but more as an owner of the business with The Procter & Gamble Company that The MATLET Group was responsible for. While smaller firms always have a need for capital, his company’s relationship with The Procter & Gamble Company in Mexico was not based solely on getting financial help, he said. “We’re a fairly successful MBE. We have capital resources,” he said. “One of the things that The Procter & Gamble Company did as we looked at Mexico was to not help us so much from a financial standpoint, but give us that opportunity to look at what business they’re doing down there. If we can bring the certain technologies to them, then it wasn’t something that was also going to be RFQ-ed out to the world.”

Major corporations are risk-averse, and suppliers have to operate with the same principles, if they are going to leverage the opportunity of supplier diversity as a global megatrend, Stiffler said. Smaller firms should not try to begin the partnership with major corporate buyers based on capital needs, he said. “MBEs should look at the innovation and technology,” he said. “Capital is wasted conversation. We knew we had to expand, not only because of our industry changing, but also because the clients were changing, and we needed to get there. We needed to get as risk-averse as we could.”

Walter Charles III, vice president, Global Procurement, and chief procurement officer, previously of Kellogg Co., moved the panel’s discussion to strategic sourcing related to supplier diversity and what he said is “busted” about the process. Charles, said corporate buying is fundamentally different than in the past. “I’m using the word ‘busted’ intentionally,” Charles said, “because ‘broken’ or ‘problem’ doesn’t define exactly what I’m getting at.”

He framed the discussion by outlining obstacles faced by diverse suppliers seeking business within corporate supply chains. The greatest obstacle they face is cost savings, according to Charles. “Delivery will be a key deliverable,” he said. “You have to be competitive out of the gate to even get in the game.” Moving to to a different company, it was clear that he articulate to stakeholders “what we had to do to fundamentally change the game within procurement.”

According to Charles, the first step he took was to communicate an audacious goal of 50 percent improvement within the supply chain. Key was to move quickly and make the changes sustainable, he said. Complicating matters was the charge he received from his boss to create those efficiencies with the same suppliers in the supply chain.

Procurement is the single most powerful lever within most supply chains and leveraging procurement is the way to deliver savings, Charles said. “You have a huge amount to spend. Roughly 50 percent of the spending goes through the hands of buyers,” he said, adding the caveat that the jobs of buyers are “extraordinarily difficult” because they lack visibility about suppliers.

Charles said what can be difficult today is actually reaching diverse suppliers through the maze of qualifying procedures. “I need a singular source of truth to make the sledding for my team easy. We have to figure out how to get one database with everybody in it that’s automatically updated,” he said. “There are too few diverse suppliers participating in the game. Not every bid we do is over $1 million and requires this huge derisking approach that we risk-averse major companies are concerned about. I’ve gotten $100,000, $50,000, and $20,000 bids all day long. There are lots of folks that could be in the consideration set for getting that work. I just can’t find them effectively.”

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Such changes are necessary because procurement is going through an extraordinarily dynamic period in its transition, Charles said, adding that next-generation procurement tools are arriving to make the process of procurement meaningfully more robust and in radically shortened cycle times.

Charles described a globally focused procurement scenario in the future: “Supplier selection is going to be an automated process. It’s going to ping the database. It’s going to be increasingly global,” he said. “Folks that are from outside the United States are going to be bidding and vying for the same stuff. Bring your A game when you bid. It’s going to fundamentally change what the outcomes are. Diverse suppliers are going to be included.

“The highly structured bid template that will be constructed will be category-specific. Basically, as the suppliers populate the data, they’ll get real-time feedback. Are they in the ballpark, way off, or going to win the bid?” he asked. “I will also then be able to ‘radio-button’ the suppliers from this mega list of suppliers. I’ll be able to radio-button the ones that I want to put into an RFP process, based on online screening criteria. I’ll be able to type in, ‘I need a packaging supplier within 200 kilometers of my plant in Mexico that provides corrugate to the following specifications.’ Up comes the list of players. I’ll be able to radio-button select the players that’ll be in that bid. It’ll take nanoseconds. I’ll be able to get rich, context-sensitive data about every single one of the suppliers.”

Such a process is not occurring today, Charles said. Procurement that happens today is based on receiving a Standard Industrial Classification code and email address within an arcane system he said is “busted.” He added, “We have to figure out, as procurement leaders, how to basically action every single amount of spending we’ve got in a robust and game-changing way. In the not-too-distant future, we’ll be able to action in a very robust way almost every dime of spending we’ve got. We’ll be able to put statements of work together, do the comparative analysis to figure out who we should go into business with, and award contracts in a fundamentally different way.”

Diverse suppliers must have a key role in the procurement process of the future, and Charles urged diverse suppliers to seek online solutions in order to share what they can more robustly with buyers. Suppliers need to create profiles and regularly update them to “give us enough granularity to make a decision on whether they should be considered or not,” he said. Additionally, diverse suppliers can win when they offer ideas and innovation to buyers, he said. “No longer should you leave your global strategies in your strategic planning room in your business within your four walls,” he said. “You’ve got to be bold enough to share that with folks that have global aspirations like our companies. Then, we can collaboratively solve to connect the dots.”

James H. Lowry wrapped up the panel presentations. Introducing Lowry, Prince-Eason noted that he is considered a pioneer in minority enterprise development in the supplier diversity industry and is well-positioned to discuss any of the megatrends. “He can talk about all of them together, and he is probably one of the few people in the room who can actually tell us the solution to all of these,” she said.


A regular speaker and attendee at BDR summits, Lowry praised the discussion of global megatrends, noting that the 2013 forum offers perspective on what diverse businesses have to do in the future to survive. “Too often we’ve talked about the past, which I will do,” he said. “We also talk about the present, but we don’t talk about the future. Unfortunately, because we don’t do it enough, too many [minority-owned firms] die, and many of the corporations die.”

Lowry said many experiences have shaped his thinking about trends impacting supplier diversity. In the 1960s, he worked in Brooklyn at the Bedford Stuyvesant Restoration Corp., a program established by Kennedy family scion and then-Sen. Robert Kennedy to bring the private sector into a city to drive economic development, while raising the living condition of residents. The first black television show in New York City, “Inside Bedford-Stuyvesant,”...

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lowry noted that his and greenhalgh’s book, “minority business success” stresses that point — that rapid growth and scale of diverse businesses are necessary and beneficial to society at large. “if we’re going to win this thing by the year 2043,” he said, “we’re going to need to have a lot of minority businesses that are big.” the mindset of diverse firms has to be to grow to be a fortune 500 company, he said.

“get there, lowry added, diverse firms will need to enhance many of their business processes. one is how they find and utilize human resources within the global economy, he said, “we have to change and accept the fact that if we grow, compete, and are a part of a global economy, we have to get the best talent we can find. we have to not only recruit the best talent we can find, but we have to develop the best talent that we can find — irrespective of race, gender, or nationality,” he said. “everybody knows that hispanics hire hispanics, blacks hire blacks, greeks hire greeks, and italians hire italians. a lot can be said for that. but, if we’re going to compete globally, we’ve got to go beyond that. we’ve got to get out of this thought that we can only deal with our own.”

another imperative for diverse firms is to do their research, according to lowry. research means keeping ahead of trends that are occurring. research about new business opportunities can translate into dollars for women and minority business. “we have to do research on every trend and everything that’s happening. we have to do a better job,” he said.

“diverse firms also have to be open to forming strategic partnerships,” lowry said. “we cannot go it alone. we have to work with other people within corporations and outside the corporations, domestically and internationally.” diverse firms often shy away from accepting equity investors, but that is the worst strategy, he said. “you can’t grow without equity investors. the growth, the speed, and the demands financially are so large that we cannot do it the old way,” he said.

concluding summary
the detroit summit — global megatrends in the corporate supply chain and their impact on supplier diversity — offered an opportunity for the billion dollar roundtable to engage participants in a different way. judging by comments, questions, and reactions of speakers and attendees, the topic and approach for the summit were fitting, given the enormous, sweeping changes occurring globally.

the detroit summit was abstract in nature and wholly different than other bdr summits. previous summits examined more practical topics in supplier diversity, such as building capacity of diverse firms in seattle or opportunities for diverse suppliers in advertising and marketing in new jersey.

as a corporate-affiliated organization focused on providing thought leadership surrounding critical topics in supplier diversity and effecting the sharing of best practices, bdr started the discussion in detroit to offer some context about how current global megatrends are poised to affect the relationship of corporations and their diverse suppliers, how corporate supply chains will be accessed in the future, and what emerging strategies and initiatives in supplier diversity are likely to surface.

“today’s summit is aligned with our vision and mission,” noted don mckeeney, co-founder and chairman emeritus of bdr, and president and CEO of textcorp communications inc., which publishes minority business news and women’s enterprise.

sig huber, senior director, purchasing, chrysler, said emerging global megatrends are surfacing at what he termed an interesting time in U.S. history. “what we see are some very interesting inflection points in these different trends,” huber said. “as you think about how it’s going to impact your company from a longer term or middle-term standpoint, what you’re going to see is that the way you interact with your customer is going to be vastly different moving forward. when we look at it, the product development standpoint, the way we engineer cars and the way we buy parts are going to be completely different over the next 10 years.”
on his discussion of supply-chain risk management. The questioner wanted to hear more about how Boeing and other large companies ensure they are able to balance risk with supplier diversity and innovation, especially because larger suppliers are viewed as safer partners than diverse suppliers. Jeppesen acknowledged that risk does have an impact on the suppliers Boeing does business with. While government contracts nudge defense contractors to do business with small firms, he said that Boeing has no such requirement for commercial business, but the company values what small firms offer. “You’ve got to look at the risks, but there’s something I like about small businesses, and it’s not because it’s a requirement on the government side,” Jeppesen said.

Attendee Ralph G. Moore, president of Ralph G. Moore & Associates, a Chicago-based consulting firm that has developed and evaluated supplier diversity programs for both public and private-sector entities, offered comments about what he termed the power of the consumer, as it relates to driving growth of business. Consumers need to reach decision makers and compel them to support companies that embrace supply diversity, he added. “We have to know who their competitors are,” he said. “You can’t do a rating or ranking, if you don’t know who they’re competing with for business.”

Ying McGuire of the Technology Integration Group and formerly of BDR member company Dell elicited the thoughts of purchasing officers on Panel 2 about what corporations can do to help diverse firms, “so they don’t lose their share of wallet and can increase their share of wallet with you in the global supply chain.”

Courtney Billington of Johnson & Johnson said he believes corporations do have a responsibility to help diverse suppliers that express a desire to go global. “Those who obviously have a global presence are the ones that we access more readily than those who are trying to go global. I’ll be very frank,” he said. “Especially as we look to grow our businesses globally, we’re trying to partner with those companies that share in our values, ethics, and business conduct policies and processes.”

Cindy O’Connor of Sam’s Club said knowing that diverse suppliers are certified as minority- and women-owned firms makes a difference in support of their global aspirations. “By going through our certification processes and partnering with you, we know you do business well,” she said. “We certainly would embrace bringing others along. We see that as part of our responsibility.” She noted that Sam’s Club is investing in diverse companies by having them work with the company’s international group, in order to learn what’s best for the company’s businesses. “We’re taking a lot of American brands, and — in some cases — American-made product,” she added, “and we’re taking that exact same idea and exporting it to Mexico, Brazil, and China to try to take what we think is the best model and make it the same around the world.”

As part of the intent of the summit, BDR welcomed the participation of attendees as a means for drawing out additional perspective from speakers and panelists. Another participant asked panelists how they drive supply-chain diversity excellence throughout their organizations, driving the concept down to their buyers who are often under pressure to meet corporate financial goals. Another commented to BDR member companies that while the Detroit Summit discussed many challenges faced by diverse suppliers amid global megatrends, “What are going to be the solutions?”

And another attendee, citing the demographic changes discussed by panelists, commented “Real social policy that affects economic policy in this country has been accompanied by a great deal of activity — like in 1967, there was the civil war we had in our country. Those are the things that really drove social, political, and economic change. If we can do it by corporate America imposing its will, what should we say to them as minority companies as part of this diverse demographic that will help them make that move?”

Ted Childs of Ted Childs LLC said one way corporations can impose their will is on the education front. “I talk to these CEOs about diversity and the demographic shift,” he said. ‘Some very powerful CEOs have said to me, ‘I know, Ted, but it won’t happen on my watch.’ They’ve been stunned recently because they’ve found out that it is happening. I’m not talking about imposing our will as some form of dictatorship. I’m talking about as a survival strategy.”

With innovation as the topic of the next BDR summit, the Detroit Summit and its examination of global megatrends served to move the discussion in that direction for 2014.
For a major U.S. city in the doldrums due to a massive municipal bankruptcy brought on by spiraling public indebtedness, Detroit pulled out all the stops for Billion Dollar Roundtable attendees and guests at the networking reception and dinner at the Charles H. Wright Museum of African-American History that preceded the Detroit Summit.

By holding a summit program annually, BDR seeks to promote consensus and solutions on critical issues influencing supply-chain diversity. A consensus of the Detroit Summit that emerged was that the Motown-themed event at the Wright Museum was one of the most stirring events in the now 12-year history of BDR summits.

Hosted by Chrysler Group LLC, Ford Motor Company, and General Motors Company — the “Big Three” Detroit-based automakers, each a BDR-member company — the purpose of the Wright Museum reception and dinner, according to the hosts, was to introduce BDR members and guests to the cultural richness and diversity of southeastern Michigan, while providing a venue for networking.

From presentations to dinner featuring uniquely Michigan fare to live performances of Motown music by the Stephen Grady Jr. Quartet, vocal group Serieux and Dal Bouey Band, attendees were impressed.

“Last night was incredibly awesome,” said summit panelist Cindy O’Connor, vice president, home and apparel, at Sam’s Club, of the program. “I was so inspired by the high level of engagement that I’ve already emailed everybody back at Sam’s Club and Wal-Mart and told them this is an incredible organization.”

Joset B. Wright-Lacy, president and CEO of the National Minority Supplier Development Council Inc., who served as a summit panel moderator, remarked: “Every time I come to Detroit, I find something else to love. Last night, it had to be the museum. I’d never been to that museum before, and it was absolutely wonderful.”

The reception and dinner program featured a Who’s Who list of luminaries. They included:

- Rhonda Walker, anchor, WDIV-TV, mistress of ceremonies
- Mary Wilson of The Supremes, national anthem performance
- Dennis W. Archer, former Detroit mayor, welcome
- Saad Chehab, president and CEO, Chrysler Group LLC, remarks
- Alan R. Mulally, president and CEO, Ford Motor Co., remarks
- Mark Fields, chief operating officer, Ford Motor Co., remarks
- Daniel F. Akerson, chairman and CEO, General Motors Co., remarks
- Jerome Bettis, NFL analyst, Detroit native, and founder, Bus Stops Here Foundation, keynote address
- will.i.am, recording artist & founder, i.am.angel Foundation, remarks via video conference
- Dan Gilbert, founder and chairman, Quicken Loans Inc., interview

Speakers enthusiastically discussed Detroit’s future, urban and economic development issues, and solutions to challenges the city has faced.

Capping off the evening was another Detroit favorite son — Jalen Rose, former collegiate and professional basketball player, who addressed attendees about the work of the Jalen Rose Leadership Academy, an open-enrollment, public charter high school on the northwest side of Detroit that provides a leadership-focused education to inspire youth to succeed. He hosted an “afterglow” for attendees to close out the evening.

Facilitating the event for BDR was Ignition Media Group, a Detroit-based boutique marketing and public relations firm headed by Detroit-native Dennis Archer Jr. The firm also publishes the bimonthly, Michigan-based lifestyle magazine “Ambassador.”

Addressing the start of the summit the next day, Linda Ware of General Motors Company — one of the planners of the reception and dinner — said the event had a key purpose. “We wanted all of you to have a great experience here in Detroit, especially if it was your first time here,” she said.