

Importance of Partnering With Minority Vendors

Albert J. Simone

**President
Rochester Institute of Technology**

Awards Luncheon Keynote Address

**Supplier Diversity Expo and Conference
Upstate New York Regional Minority Purchasing Council**

Riverside Convention Center

June 21, 2005

INTRODUCTION

I shall begin by sketching the small business profile in the United States and then the minority business profile. Next, I shall discuss the vital importance of small and minority businesses to the future of our country.

Issues of opportunity, quality, and access – which can be sensitive and controversial – will then be addressed. Finally, I shall speak to a strategy – for both suppliers and customers – going forward.

My conclusion – which I shall offer up front – is that we build quality and competition through diversity.

SMALL BUSINESS PROFILE

There are approximately 23 million small businesses in the United States. The definition of “small business” officially varies by type of industry, but the most common definition is 100 or fewer employees. Small businesses represent 99% of all employers and employ 50% of the private work force, accounting for 41% of private sales nation-wide.

Drilling down a little more, small businesses account for 39% of the jobs in high technology sectors and represent 97% of all U.S. exporters. Small businesses hire a larger proportion, when compared to large businesses, of employees who are younger workers, older workers, and part-time workers. They provide 75% of the net new jobs added to the economy.

It is evident that we started out as a nation of small businesses, and small business remains the bulwark of our national economy.

MINORITY BUSINESS

With regard to minority businesses, the growth rate of minority businesses has exceeded those of all U.S. firms. In recent years, minority businesses have increased by 30% compared to 4% for all U.S. businesses. Minority businesses tend to hire a larger percentage of minority employees than majority firms do.

Officially, a Minority Business Enterprise (MBE) is a for-profit enterprise, regardless of size, which is owned, operated, and controlled by minority group members. Minority group members are African American, Hispanic American, Native American, Asian-Pacific American, and Asian-Indian American.

In order to be certified as an MBE, the business must be legally organized, at least 51% owned by a minority group member, independent and not affiliated with a non-minority firm, and under the day-to-day operational management and control of a minority group member.

IMPORTANCE OF SB/MBE

As the previous discussion illustrates, small businesses (SB) represent the fabric and foundation of the U.S. economy. We hear and read about the large corporations every day – the new products and innovations they are bringing forth, the number of employees being laid off, and their global engagements. Yet, the cumulative effect of SB represents a quiet but dominant force in our nation's economy. In many ways, SB are the American dream. Note that each large corporation started out sometime in history as a small business. Also note that SB similarly bring forward new products and innovations, expand the employee base, and are engaged internationally.

Speaking of international engagement, globalization is an increasing fact of life. International commerce represents increasing business opportunities for SB and MBE's. At the same time, globalization compels American businesses, especially large corporations, to be as efficient as possible – that means keeping costs as low as possible – in order to be able to price competitively in the international marketplace. And the international marketplace means within our own borders, as we face competition from foreign products coming in under free trade policies.

To be efficient, large corporations are focusing more and more on their core competencies and strengths, outsourcing many functions they previously undertook under a more vertical organizational structure. Outsourcing overseas can be controversial if American jobs are lost in the short-run. But outsourcing also creates opportunities for American SB and MBE's.

It is important that these opportunities be present because in the year 2050, the majority of the American population will be composed of minorities. This reflects the impact of immigration and high birth rates among minorities. It is projected that 90% of the growth rate in the U.S. population between now and 2050 will be attributable to minorities.

As this implies, in order for the U.S. economy – and the standard of living for all Americans – to sustain itself, these opportunities must be fulfilled. In order for this to occur, attention must be paid to the issues of quality and access.

QUALITY AND ACCESS

The rationale behind outsourcing is the increase in efficiency and lowering of cost. The quality of the product or service provided is the essence of efficiency and cost. The product must meet all manufacturing or service specifications, and it must be provided on schedule. The supply chain cannot be broken; this means that product specifications and deliveries must be reliable. Innovations and quality enhancements are encouraged, sometimes expected, and (hopefully) rewarded.

I have the privilege of serving on the Board of Directors of an MBE. This MBE employs 250 people, and has sales of \$15 million and pushing \$20 million annually. The business involves manufacturing, packaging, distribution, printing, and assembly. It is 98% minority owned. Its major customers are the two largest manufacturing corporations in the region.

I am happy to report that quality and innovation are the watch words in this MBE. The management systems and procedures – from strategic planning to budget and sales monitoring – are comparable to the best run companies of any size. The founder/CEO participates heavily in organizations and activities in the community as a whole. He has assembled a broad-based Board – composed of majority and minority directors – which offer distinctive points of view on policy and strategy, views which he actively encourages.

This MBE is hiring people and helping global organizations be more competitive. It is an example of what we need to see more of in this country in the days and years ahead.

This last statement leads to the issue of access. This nation has a history of discrimination against and exploitation of minorities. Sometimes the discrimination is unconsciously subtle and even unintentional, based on culture and habit. For this reason, the federal government has intervened and introduced “affirmative action” policies in order to level the playing field and create access.

I have taken the position that in hiring employees, admitting students, or selecting vendors, we have to look to quality first. We cannot remain competitive in any of our businesses or activities unless we insist on quality throughout the organization in everything we do.

I have also said that in cases of a tie or a close call or a small majority advantage, the decision should be made in favor of the minority candidate. I have made this statement publicly – for example in Rotary and school board addresses – and been taken to task for it, publicly and privately, by certain individuals. I stand my ground, based on the history we all know and the future I have sketched in this talk.

At RIT, we need to do more in vendor selection. We are trying. Our membership in this organization is one illustration. Our record to date is not good. We have less than 100 minority vendors, representing only about 3% of our purchases.

STRATEGY

Strategically, what can we do? For MBE’s, they can focus as much as possible on quality, and be as creative and aggressive as possible in gaining access. For large majority organizations, they can do three things.

First, to be globally competitive, they must widen as much as possible the pool of vendors from which they select. The wider the pool, the greater the opportunity to find the highest quality possible. Widening the pool is not easy. It may require breaking down the existing culture within the firm. It will require hard-nosed, no-nonsense leadership from the top. It will require truly creative and aggressive approaches to identifying, promoting, and growing quality MBE’s.

RIT has enjoyed great success in recent years in hiring faculty. The two leading minority journals in higher education – *Black Issues in Higher Education* and *Hispanic Outlook in Higher Education* – have featured RIT on their covers and lead stories, citing RIT as the role model for

higher education. The actions I suggested above were what we followed – honestly and with tough actions, not just with rhetoric.

The second strategy is for large organizations to get involved – to try to understand the issues faced by MBE’s and minorities in general; to respect, celebrate, and take advantage of differences where they exist.

At RIT, for example, we have reproduced Mayor Johnson’s Bi-Racial Partnership program. Last year, 40 pairs of faculty, staff, and students – one minority member in each pair – worked together over the year in a prescribed program to get to know one another better and to get to know what each partner’s responsibilities were. As a consequence, mutual understanding and respect were achieved, and business at RIT is being conducted more effectively because of the networking. We are repeating the program this year. In fact, Mayor Johnson and a dozen community leaders were at my house this morning for a breakfast meeting to discuss how his program could be further expanded in the region and across the nation.

As a third strategy, large organizations must communicate often and wherever/whenever they can about the importance of the changing national demographics relating to minority population growth, buying power, and education level. These corporations also need to communicate about the importance of developing a wider pool of MBE’s to meet the challenge U.S. large corporations face from globalization and the market competition that results.

CONCLUSION

My conclusion as to what needs to be done is simple. I just offered three strategies. However, my prescription – while simple – is also tough to accomplish. It requires resilience, tenacity, and perseverance. It is hard work – for SB, MBE’s, and large majority corporations.

The motivation is that the survival and enhancement of our standard of living depends on our being globally competitive. Competitiveness requires quality. We achieve quality through diversity.

All of you here today – as SB and MBE’s – are critical to the success of the American economy and the American story. Thank you for what you do. Thank you for the privilege of being here with you today.