

THE RELATIONSHIP BETWEEN MANAGEMENT DIVERSITY AND SUPPLIER
DIVERSITY PROGRAM DEVELOPMENT: A SUPPLIER DIVERSITY
PROFESSIONAL PERSPECTIVE

by

MARILYN L. KING

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ABSTRACT

THE RELATIONSHIP BETWEEN MANAGEMENT DIVERSITY AND SUPPLIER DIVERSITY PROGRAM DEVELOPMENT: SUPPLIER DIVERSITY PROFESSIONAL PERSPECTIVE

Marilyn L. King, PhD.

The University of Texas at Arlington, 2009

Supervising Professor: Sherman M. Wyman

Companies that supply the Federal government with goods and services are required by law to have a supplier diversity program/initiative. They are also required to appoint a supplier diversity professional to manage the program. Programs are audited by the Small Business Administration to determine due diligence efforts to achieve the mandated annual spend, education, and development requirements from the Veterans Administration for small businesses. Supplier diversity programs typically begin at the token level and can usually be developed to a world class level if the initiatives are strategically integrated in the corporation's supply chain and supported by senior management. For many years, senior management ranks across U.S. corporations have lacked diversity in both gender and race.

Currently, a database does not exist on how supplier diversity programs are classified, if supplier diversity professionals are full-time or part-time in their roles, or if diverse senior management impacts the program's development. In short, there is little

scholarly literature on supplier diversity program development (Whitfield, 2003). This study attempts to fill this void.

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CHAPTER 1
SUPPLIER DIVERSITY PROGRAMS

1.1 Introduction

Companies that supply the Federal government with goods and services are required by law to have a supplier diversity program or initiative and appoint a supplier diversity professional to manage the program. Supplier diversity professionals can be trained by a Commercial Marketing Representative (CMR) of the U.S. Small Business Administration (SBA) at no charge. Training is also offered by other non-government companies for a fee. Training involves how to administer supplier diversity programs and how to complete the subcontracting plans and other required documentation for annual reporting. Programs are typically audited by the SBA every two years. Audits are based on showing due diligence efforts to achieve the requirements of the Veterans Administration (VA), which included annual spend goals, supplier education efforts, and supplier development.

Supplier diversity programs typically begin at the token level and can usually be developed to a world class level if initiatives are strategically integrated in the corporation's supply chain and supported by senior management. Historically, senior management ranks across U.S. corporations lacked diversity in gender and race. However, since the 1980's, strides have been made to increase diversity in senior management via litigation and equal opportunity laws. Yet, empirical research on diversity among executives influencing the strategic decision-making in organizations has been practically defunct (Miller et al, 1998).

1.2 Purpose of the Study

This research examines the extent of gender and race diversity in the senior management ranks of the organization, director level and above. It then explores how managerial diversity impacts the development of the supplier diversity program classification. Finally, it examines if a full-time supplier diversity professional versus part-time supplier diversity professional impacts the development of the supplier diversity program. This research will also examine if an addition to the management team in gender or race from the year 2000 to 2008 moved a lower classification program, such as token or basic, to the next highest level: traditional, advanced or world class. It utilizes the opinions of supplier diversity professionals about their management and their programs.

The literature is void of factors that affect the classification levels of supplier diversity programs, such as size of the firm, the industry the firm is in or the turnover of employees. Moreover, there are few empirical studies treating the relationship of management diversity and supplier diversity program classification elevation.

1.3 Problem

Some supplier diversity programs have never excelled beyond the token level, while others have achieved world class status. The major challenge to program success is whether senior management regards supplier diversity as simply a tactical program or embraces it as a strategic issue (Moore, 1996). A review of the homogenous makeup of senior management across the United States provides evidence that there has been little change in race and gender in the upper echelons of corporations (Miller et al, 1998). Key questions include: Does a diverse senior management make a difference in program progression and are sufficient resources devoted to managing the effort?

For purposes of this study, sufficient resources refer to part-time or full-time supplier diversity professional. Can a part-time supplier diversity professional move a program from token to traditional or advanced without diverse senior management involvement? Is there a link between a diverse senior management and supplier diversity program progression? This research will examine the impact management diversity has, if any, on supplier diversity program development and provide organizations, and in particular, how supplier diversity professionals assess their senior management involvement in their programs and if being a full-time versus part-time program manager makes a difference in program development.

1.4 Definition of Terms

A supplier diversity professional is an individual, typically with a procurement or supply chain background, charged with designing a supplier diversity program that reflects a commitment to diversity and inclusion of diverse suppliers in its procurement process. This individual also oversees and drives internal diversity knowledge and awareness initiatives, including training and communication efforts that emphasize the corporation's strong commitment to diversity. Additional responsibility includes strengthening relationships between the organization and community organizations that align and share a diversity commitment.

A small business, including its affiliates, is a concern that is independently owned and operated, but not dominant in the field of operation in which it is bidding on government contracts. It qualifies as a small business under the criteria and size standards in 13 CFR 121 (FAR 19.1).

Diversity is a nebulous term that is difficult to define (Hastings, 2008). In a study of 1400 individuals representing diversity, practitioners and members of the Society for

Human Resource Management (SHRM), three-quarters of their organizations had no official definition of diversity (Hastings, 2008). Those who had a definition said that diversity is the differences and similarities among individuals, such as race and gender (SHRM, 2007). For this study, diversity will refer to one of a different race and/or gender from the majority represented.

Diverse suppliers is a comprehensive term that includes small, small disadvantaged, small woman-owned, small veteran-owned, small service-disabled veteran owned, HUBZone, Alaskan-Native and Indian Tribe business concerns

Diverseplus is the term given to the “yes” responses to questions #14 through #29 coded one, added together to determine management diversity.

A *prime contractor* is the term the Federal government gives to companies that supply them with goods and/or services.

A *commercial subcontracting plan* sets forth how a prime contractor will provide diverse suppliers with the “maximum practicable opportunity” Small Business Liaison Office Handbook, 2005 to participate in the performance of a contract or subcontract. The handbook is a documented account of annual achievements towards mandated goals from the Veterans Administration available to all prime contractors that are awarded Federal contracts for goods and services exceeding \$500,000. All efforts to provide the maximum practicable opportunity are documented in an annual subcontracting plan. Required documentation is also mandated on the Federal government’s online reporting tool, eSRS, of dollars spent with diverse suppliers. The Small Business Administration’s regulation 13 CFR 125.3 provides a comprehensive listing of actions prime contractors should take to demonstrate a good-faith effort to meet the goals in their subcontracting plans.

A supplier diversity program encompasses due diligence efforts to include diverse suppliers in all bid opportunities by seeking them out, assisting in their development, and encouraging joint ventures. In order to provide the “maximum practicable opportunity” (MPO), as required by the Federal government, Small Business Liaison Office Handbook, 2005, prime contractors are encouraged to advertise subcontracting opportunities, break large requirements into smaller packages, keep the playing field level, mentor/develop small businesses, and allow adequate time for firms to offer proposals and submit bids.

Management diversity shall be defined as race and gender diversity in the senior management ranks of organizations in which a supplier diversity program exists. It includes senior management pressing for the interests and desires of those whom they represent and advocating and participating in the advancement of supplier diversity initiatives. Furthermore, representative management will be defined as a level of diversity that includes an individual of a different race and/or gender from the majority represented in the organization.

A token supplier diversity program typically features no tracking of achievements, little if any outreach, low attendance at trade fairs, little if any program materials, and no budget. There is usually a contact person to answer calls and open the mail.

A basic supplier diversity program is compliance driven and includes a subcontracting plan administered by a coordinator, whose activities include limited attendance or participation at trade fairs. The program offers a published brochure for distribution at external events.

A traditional supplier diversity program features local and national membership in the National Minority Supplier Development Council and a visible program manager, but it is limited by little or no senior management interest, limited program tracking and

outreach resulting in few opportunities in professional services. Moreover, such programs are not included in the re-engineering process and are outside of the company's core corporate strategy.

An advanced supplier diversity process includes company membership at the local and national levels of the National Minority Supplier Development Council. The company CEO and/or senior management is involved in the internal and external process. There are realistic resource development, periodic training to buyers and key managers, and basic second tier tracking. A strategic communication plan exists; innovative supplier development initiatives have been documented; supplier diversity has been integrated with marketing and sales, and a process exists involving all business units.

A world-class supplier diversity process, integrated with other key corporate processes, has senior management leadership and is tied to annual performance objectives, advanced program tracking and measurement. This process focuses on mission-critical primary supplier development, a productive second tier program, superior communications, a marketing strategy, and contributions to market share. The organization has developed cross-functional process improvement teams to address the supplier diversity process.

1.5 History of Supplier Diversity Programs

Most agencies of the Federal government, including The Veterans Administration (VA) and The Department of Defense (DOD), require goods and services from public and private companies. Acquisition of goods and services are competitively bid and awarded via Federal contracts. A condition of receiving the award is to establish a supplier diversity program that encompasses a subcontracting plan. The Federal government

classifies these companies as prime contractors. For many years, the small, minority business owner had little opportunity to compete for Federal or corporate contracts to supply goods and services. Using diverse minority suppliers creates strong individual entrepreneurs and also contributes to the economic well-being of communities of color because minority businesses typically hire minority workers who contribute to the tax base (Castillo, 2006).

After the federal government became aware of the small business entrepreneur's situation, legislation was enacted to bring more equity to society for historically disadvantaged groups trying to gain entry and level the playing field for equal opportunities to compete. Congress passed the Small Business Acts of 1953 and 1958, which mandated companies selling goods and services to the Federal government to utilize small businesses in their daily operations fairly as subcontractors or suppliers. Along with this requirement, the Federal Acquisition Regulations (FAR) legislation 52.219-9 mandated the establishment of a supplier diversity program that includes a subcontracting plan, participation in diverse supplier activities, senior management awareness/participation and achievement of annual spend goals with diverse suppliers.

Per the Small Business Liaison Office Handbook, 2005, the FAR requires a small business subcontracting plan to ensure that diverse suppliers have the maximum practicable opportunity (MPO) to participate in the performance of contracts awarded by any federal agency. When too many members are chosen from the dominant group, attempts to impose dominant group values on the organization tend to prevail. Reagans and Zuckerman (2001) cite Pfeffer (1983) who argues that homogeneous groups are expected to perform at an elevated level because they can organize their actions easier than diverse teams. Hence, their values will prevail on the minority group, who to

minimize tensions during interactions, avoids topics that might offend the other party (Bobo and Fox, 2003).

1.6 Implementation Issues

Implementing a supplier diversity program requires the support of middle and senior management. The extent of management support received will determine how effective the program is communicated and accepted internally and externally. If senior management understands the business case for minority business development as a customer-driven process, then the program is likely to elevate to a classification of advanced or world-class. Society's changing demographics are expected to result in minorities being the dominant population by the year 2050 (Smith et al, 2002). Thus, the number of entrepreneurs, in particular, minority entrepreneurs, is expected to grow. Purchasing from minority suppliers puts money in their pockets which they will then spend on that company's products (Moore, 1996).

Once a company incorporates the business aspect of minority buying power for its sales into its rationale, it is more receptive to including diverse suppliers (Nesbitt, 2008). Malone (2007) cites the Sleigh Center for Economic Growth and contends that by 2009, minorities will command approximately \$2.6 trillion in U.S. buying power. A study conducted by the Hudson Institute in 1987 entitle 'Workforce 2000' indicated tat approximately 70% of the total increase in purchasing power would come from minorities (Worthington et al, 2007). Building and maintaining a community of diverse suppliers increases the company's opportunities to hear new ideas, apply different approaches and gain access to different solutions that respond to its customers' needs (Brown, 2008).

Companies that want to expand the use of diverse suppliers to its first tier supplier base can do so by implementing a second tier program. A second tier program is designed to have the company's first tier suppliers submit documentation quarterly on

the diverse suppliers they allow to bid on their business and that are awarded business. Companies requiring their primary suppliers to embrace doing business with minority suppliers demonstrates their commitment to diversity. Typically, a full-time supplier diversity professional is needed to maintain a second tier program. Second tier programs are indicative of an advanced or world-class supplier diversity process (Moore, 1996).

The Federal government does not mandate that supplier diversity programs have set aside programs, but it makes recommendations in the subcontracting plan to prime contractors that set aside programs are one way to be inclusive of small businesses and to realize contracts. The decision to have a set aside program is a business decision. The key to ensuring supplier diversity is to get those in charge of purchasing and contracting to step out of their supplier comfort zone and give new suppliers a chance (Richwine, 2008). Companies that go above the mandated spend goals tend to be more equitable, but the Federal government does not publicly acknowledge those companies (Chan, 2005). Non-government organizations, such as the National Minority Supplier Development Council (NMSDC) and the Women's Business Enterprise National Council (WBENC) recognize companies throughout the year that exceed their spend goals with diverse suppliers with banquets, awards and press releases.

The Federal government recommends spend goals with diverse suppliers to government agencies and prime contractors. Corporations with supplier diversity programs that are driven by government mandates generally view supplier diversity as 'compliance-driven' initiatives, similar to affirmative action (Castillo, 2006). The Veterans Administration communicates spend goals to prime contractors. In addition, the Veterans Administration has periodically revised the subcontracting plan requirements and annual spend goals. However, some corporations have characterized the new requirements as unrealistic. The Federal government has not communicated how spend goals are

derived, but has welcomed negotiations to establish realistic goals from several companies. Some companies could not meet the unrealistic goals because opportunities for diverse suppliers were not available due to contract award periods of three to five years. For example, suppliers to pharmaceutical companies are typically developed over a period of many years. When they finally meet requirements established with government agencies like the FDA, change becomes difficult and expensive. Companies that have positioned supplier diversity as a strategic link to sustained or increased market share will be viewed differently from compliance-driven companies (Castillo, 2006).

Some companies are hesitant to change from current suppliers when existing relationships have not been damaged by service or quality issues. Companies that provide bid opportunities to diverse suppliers expect them to meet their requirements and specifications like other suppliers. No special treatment is provided. If diverse suppliers are not competitive, they do not receive the business. Companies typically do not use them if their prices are higher than other suppliers just because they are diverse. Second bid opportunities may be deployed, but they are provided to all competing suppliers, not just diverse suppliers. The objective is a win-win situation for all involved. Some world-class supplier diversity processes in the telecommunications and automotive industries have gone above and beyond to develop diverse suppliers (Moore, 1996). In doing so, they may loan funds, coordinate partnerships with prime contractors and/or mentor them for an extended period of time until they reach the level of business acumen and quality product/service needed.

1.7 Significance of Study

This study is important because it contributes to public policy implementation and evaluation literature. The U.S. Small Business Administration and Veterans Administration are charged with implementing and evaluating policy. Interpretation allows

for policy to change after its adoption. Changes in the supplier diversity legislation have been and will be impacted by private corporation's interpretation and implementation.

This study is important to government agencies as it provides some insight into how the policy has been interpreted, changed and implemented by corporations. Policymakers are often not aware of the complexities of implementing policy (Pressman & Wildavsky, 1973). Implementation involves the creation of new departments, agencies, the assignment of new responsibilities to existing organizations as well as the translation of laws into operational rules and regulations (Dye, 2002). It is during the implementation phase that the meaning of the law is determined as well as the extent of its implementation (Taebel, 2005).

Dye (2002) asserts that systematic policy evaluation is relatively rare in government. No policy evaluation conducted by the Federal government tracks the success of supplier diversity programs. The biennial audits by the SBA of supplier diversity programs were cut in 2005 due to budget cuts that impacted government resources. The only evaluation that occurs is the documented annual reporting of spending with diverse suppliers against planned goals by the VA. This information is documented in the annual subcontracting plan. Acceptance of the annual subcontracting plan by the VA and SBA allows a corporation to continue contracting with the Federal government. The government should seek to learn whether or not policies are achieving their stated goals; at what costs; and with what effects, intended or unintended (Dye, 2002). But the Federal government makes no evaluation about the classification level of supplier diversity programs or the personnel devoted to its management.

An examination of the impact management diversity has, if any, on supplier diversity program development will provide organizations, and supplier diversity professionals, some insight into how they fare in comparison with other programs and if

being a full-time versus part-time program manager actually makes a difference in program development. This study will be important to corporations and supplier diversity professionals by providing a better understanding of what impacts the elevation of supplier diversity programs, and the importance of strategically linking supplier diversity to the corporation's overall objectives. Furthermore, it will also provide corporations with knowledge regarding supplier diversity resources and the limitations of the program with inadequate resources.

1.8 Organization

This dissertation proposal is organized into four chapters:

Chapter 1 includes a description of the problem followed by the purpose of the study, and a discussion of management diversity. Chapter 2 presents the theoretical framework beginning with an introduction, followed by a brief review of the literature pertaining to diversity, gender and race, supplier diversity, supplier diversity programs, and representative management. Chapter 3 articulates the methodology is explained followed by the study design, data collection, data analysis, correlations, preliminary results, and finally, other regression models, and Chapter 4 supports the study's findings, limitations, policy recommendations for policy implementation and evaluation. It also proposes topics for future research followed by a conclusion.

CHAPTER 2
REVIEW OF THE LITERATURE

2.1 Diversity

As society changes and its demographic makeup become more complex, organizations will find different compositions of groups working in close proximity to each other. Therefore, it has become critical for organizations to understand diversity, define it, recognize its impact on the work environment and possibly and more importantly, the organization's bottom line. Recognizing that diversity can be a competitive advantage and an important aspect of the organization's social performance, especially for women and ethnic minority interests, organizations can develop a favorable image and a stronger competitive position by managing workforce diversity effectively (Worthington, 2009).

In their study of eight multinational corporations, Wentling et al (2000) found that in order for organizations to effectively manage diversity, senior management must have a global mind set and promote a culture of inclusiveness of all employees. As corporate America expands domestically and internationally, and invests more energy to recruit, retain and promote women and minorities, changing the diversity landscape of the organization will require creativity, commitment and time (Lang, 2008). Diversity can increase the range of potential actions that management considers when making strategic decisions (Knight et al, 1999). Organizational strategies and effectiveness are viewed as reflections of the values and cognitive bases of powerful actors in the organization, senior management (Hambrick and Mason, 1984). Worthington (2009) refers to a study by Jain and Verma (1996) of diversity trends in the Canadian labor force

that revealed evidence of organizational gains linked to diversity that included better decision-making, increased levels of creativity and innovation (Worthington, 2009).

The definition of diversity is nebulous at best. The results of a 2007 study conducted by the Society of Human Resource Management and the American Institute for Management Diversity Inc. concluded that three-quarters of the 1400 diversity and human resource professionals surveyed had no official definition of diversity (Hastings, 2008). For Kelly and Dobbin (1998), diversity is “old wine in new wineskins,” meaning they liken diversity practices to affirmative action practices. For others, a dictionary definition for diversity is used. It means “variety”, a “point or respect in which things differ” (Milliken and Martin 1996). Other literature shows that diversity means honoring and actualizing the individual differences of all people (SHRM, 2003). Jehn and Bezrukova (2004) provided a broad definition of diversity as ‘any attribute that people use to tell themselves that another person is different’. They also cite Hickee-Clarke and Iltes (2000) definition of diversity as visible differences in age, gender and race.

The goal of diversity, according to Campbell (2003), is to increase the potential of all employees and “impact the organization’s bottom line by attracting and developing the best and brightest from a variety of backgrounds, skills and experiences resulting in a broader bench strength (Campbell 2003, p. 3)”. The demographic shifts in race, gender and age, and increased competition have effectively urged many organizations to consider diversity as part of their overall business strategy (Wentling and Rivas 2000).

Four out of every ten people entering the workforce from 1998 to 2008 were members of minority groups (Campbell, 2003). According to Vidu Soni (2000), effective utilization and management of diversity requires a theory-based understanding of the diversity, organizational demography, which determines if employees are ready and receptive to support diversity. This may depend on how they perceive the outcomes,

positive or negative. Diverse individuals bring diverse ideas and more relevant performance of tasks, therefore, making society more cohesive (Krislov, 1974).

Diversity can influence group processes in contradictory directions. For example, diversity leads to creativity, innovation and different ideas which results in better group performance (Knight et al, 1999). Bantel and Jackson (1989) agree that higher levels of diversity can lead to more effective executive decision-making and more positive organizational outcomes. Increasing minority representation in a group affects the group's total frequency of interaction (Hoffman, 1985).

Contrary to the above perspective, other researchers have argued that executive diversity can result in less communication, less effective decision-making and less positive organizational outcomes (Miller et al, 1998). Knight et al (1999) found that diversity has been shown to have negative effects on group cohesion, the frequency and quantity of communication, and can lead to increased conflict within the group. These negative effects arise from a lack of understanding the demographic characteristics of group members, such as race, age, sex, and education on group interaction, but more importantly, the potential compositional effects of these variables in superior/subordinate relationships (O'Reilly et al, 1989). Surprisingly, although the theory of organizational demography has been related to outcomes such as executive succession, no specific effort has been made to investigate what accounts for these findings. More research is needed to explore the processes by which demography influences outcomes (O'Reilly et al, 1989). Miller et al (1998) concur that there is no empirical research that supports either perspective.

The core of social psychological research on race, racism and discrimination has historically and overwhelmingly focused on how dominant group members view and treat members of minority groups. Social psychological research has long assumed that the

views of those in minority positions were derived entirely from perspectives of the dominant group (Bobo and Fox, 2003). Bobo and Fox (2003) contend that individuals identify with their own racial or ethnic group, that group conflict emerges from competing interests, and that dominant groups develop and propagate ideologies that maintain and even legitimize their higher social status. Race, racism, and discrimination are the fundamental bases and mechanisms of hierarchical differentiation that shape the ordering of social relations as well as the allocation of life experiences and life chances (Bobo and Fox, 2003). A 1998 review of the homogenous makeup of senior managers across the United States provides evidence that there has been little change in race and gender in the upper echelons of corporations (Miller et al 1998). While the numbers have slightly improved since 1998, women and minorities are still disproportionately underrepresented in top management and are paid less than Caucasian men when they do reach the top (Pichler et al, 2008).

Findings from a 1991 study reviewed by Edelman et al of four hundred and six organizations showed that sixty-three percent provided diversity training for employees and fifty percent provided a statement on diversity from top management (Edelman, 2001). As demographics change, organizations will have to learn how to manage heterogeneous groups since people will spend more time with others who have different backgrounds, skills, training and values (Milliken and Martins 1996). Corporations who fail to heed this demographic shift may find themselves with a myriad of issues that include high turnover and absenteeism that could lead to the failure of the organization (Milliken and Martins, 1996).

2.2 Supplier Diversity

The Office of Minority Business Enterprises (O.M.B.E.) was created by

President Richard Nixon to strengthen and expand the use of minority-owned firms by the Federal government and by corporate supply chains. Supplier diversity is defined by the Federal government as a “proactive business process that seeks to provide minority and women owned suppliers with equal access to procurement opportunities. It promotes supplier participation reflective of the diverse business communities and encourages economic development” (see National Minority Supplier Development Council, 1990). Bebea (2005) asserts that supplier diversity is a term that includes women, gays, ethnic minorities, and the handicapped.

In 1994, The Institute for Supply Management defined supplier diversity as a proactive business process that seeks to provide *all* suppliers equal access to *all* buying opportunities. It is a fundamental component of the changes that increasing diversity represents, and it provides economic benefits, such as access to new markets, stronger competitive positioning and enhanced corporate social responsibility (Whitfield, 2006). Results of a March 2008 study conducted by the Minority Business Development Agency on the characteristics of minority businesses and business owners concluded that minority suppliers are an economic engine of expansion with an increase in average growth receipts between 1997 and 2002 of five percent (Langston, 2008).

Supplier diversity is having a supplier base that reflects the gender and race of the community in which corporations reside and includes the consumers who buy their goods and services, namely, women and minorities. The Institute for Supply Management’s Minority and Women’s Business Development Group argues that supplier diversity becomes infused in the culture of the organization when economically driven as a business imperative (Nesbitt, 2008). The business case for supplier diversity is more compelling when accompanied by a favorable public policy and legislative government (Worthington, 2009). Organizations gain access to large public contracts that might

otherwise not be available to them if a supplier diversity program did not exist. Being awarded huge federal contracts is the reward organizations seek or the 'pay' for having a socially responsible purchasing group (Worthington, 2009). Companies need to assess their risks and ask themselves if they can afford not to have a supplier diversity program. Yet, supplier diversity professionals continue to make the business case for supplier diversity by giving opportunities to diverse suppliers and educating senior management personnel about the increased market share, profits and shareholder value that inclusion brings via a supplier diversity program.

The CEO's role in supplier diversity was discussed at the National Minority Supplier Development Council's 2007 annual conference. The discussion concluded that the entire diversity effort has to be supported from the top with clear intentions, objectives, quantifiable goals, and talented people leading the supplier diversity effort. An executive steering committee such as a Diversity Council should be established to demonstrate leadership. This Diversity Council should be led by senior management to insure they participate and remain involved. In their research, Handfield et al (2005) found that the Chief Financial Officer (CFO) championed the effort at a pharmaceutical company and had active sponsorship of the CEO. Also, creating an environment in which goals are determined and financial rewards are provided to those who reach established goals is important when nurturing supplier diversity. And, more important, supplier diversity must be openly and regularly discussed. The CEO has to be focused and convey expectations of supplier diversity as a priority within the organization.

At the National Minority Supplier Development Council's 2007 plenary session, Milton Carroll, chairman of the board of CenterPoint Energy Inc., described the appropriate attitude needed to set the 'tone at the top' of the organization. CEO's achieve their status because they are influential in setting the tone at the top. If they

want to do business with minority companies, they ensure the development of opportunities. Marriott International (2009) vice president of supplier relations reported they are committed to nurturing and strengthening existing relationships and actively looking to increase their portfolio with outstanding minority and woman-owned suppliers (MBN Staff, 2009). The message being repeated in supplier diversity arenas is the need to match diverse suppliers with the needs of the corporation (Dollinger and Daily, 1991). In their in depth study of how to revitalize supplier diversity through a renewed focus on supply chain management, Merkle and Kerr (2004) learned that as corporate cultures change and become more diverse, supplier diversity should become embedded into the operational model as a seamless part of procurement. When supplier diversity becomes embedded in every procurement professional's responsibility, the need for supplier diversity professionals and a separate supplier diversity program will be eliminated. The goal should be to mainstream supplier diversity into a functioning part of the daily process for corporations (Merkle and Kerr, 2004).

2.3 Efficiency or Equity?

There is a general concern for social equity and equal opportunity in this country. Being fair by implementing rules to eliminate personal bias enforces the equal treatment of people; therefore, race or gender should not matter. Yet, efficiency is demanded by a capitalistic system. Being efficient is not about being responsive, but it can mean sacrificing or forgetting some people until they speak up for themselves as coalitions and lobbying groups.

The classifications from the Veterans Administration for diverse suppliers constitute groups that have historically been excluded: the under-served, the economically disadvantaged, women, and persons with disabilities. These groups have

established coalitions and economic summits to address their inequities to government officials. Equity builds by “skilling people up” so that they acquire an understanding of the government’s operations and its processes (Cresswell et al, 2003). Diverse supplier classifications are small, small disadvantaged, small woman, veteran, service-disabled veteran, Blacks, Latinos, Asian/Pacific Islanders, and American Indians. All military veterans are recognized as an equity group in recognition of their service to country and Commonwealth (Glover, 2000).

It is increasingly difficult to steer significant revenues toward strategies to ameliorate social and economic inequities (Cresswell et al, 2003). In an effort to level the playing field, the Federal government mandated that prime contractors implement a supplier diversity program that includes the annual documenting of: spend with diverse suppliers, methods used to identify potential sources for solicitation purposes, administration of subcontracting plan and program, specific job duties, efforts taken to assure diverse suppliers have an equitable opportunity to compete for subcontracts, and compliance with the FAR clause 52.219-9.

Cresswell et al (2003) suggest that social equity of opportunity can be a form of justice that increases access to structures of government. Diverse suppliers were unsuccessful in gaining access to economic opportunities (Whitfield, 2003). Since diverse suppliers were unsuccessful, Federal legislation was enacted to ensure the fair, just and equitable implementation of public policy and the commitment to promote fairness, justice and equity in the formation of public policy (Bebea, 2005). Appearing periodically in supplier diversity literature has been the impact of public policy and demographic change in driving the development of supplier diversity programs (Worthington, 2009). Strategies implemented include procedural fairness in the awarding of contracts and equal access.

A benchmarking study by Handfield and Edwards, (2005) of current practices in minority supplier development suggested that organizations include minority suppliers in all requests for quotations without exception. Policies should be defined based on mutually agreed upon terms between internal business units and the supplier diversity council. Handfield and Edwards (2005) also recommend supplier diversity program goals and objectives be tied to the supply chain management strategy, and that business units have diversity goals in order to increase minority supplier participation and program commitment. Increasing diversity will provide organizations access to ignored and untapped ethnic markets, provide the ability to leverage flexibility and insight from smaller suppliers and improve the opportunity to realize significant cost savings from same (Worthington, 2009). Outcome disparities are still a challenge for government agencies as they have yet to implement an evaluation mechanism that will investigate why disparities exist as a result of the policy and program implementation.

2.4 Women and Minorities

The average female participation in management jobs remains very low, with women significantly under-represented in senior positions and clustered in industries and occupations that are segregated by gender (Rehfuss, 1986). Rodriguez (2008) asserts that “women have failed to reach leading positions in major corporations, irrespective of their abilities.” Although women have made tremendous gains in the professions of law and medicine, they occupy the lower-paid positions in both categories. In addition, from 1993 to 2004, overall management diversity in the financial services industry changed very little. According to their 2008 study, Catalyst Census of Women Board Directors of Fortune 500 and the 2008 Catalyst Census of Corporate Offices and Top Earners of the

Fortune 500, women's advancement in corporate leadership continues to stagnate, with virtually no growth seen in top corporate positions (Lang, 2008).

In general, women and minority men in government positions increased from 11.1% in 1994 to 15.5% in 2004 (US Government Accountability Office, 2006). "There's been quite a lot of diversification by gender in occupations like doctors and lawyers" (Cohn, 2004), but study results from Pichler et al (2008) on the lack of women in senior management showed that the glass ceiling is still the invisible barrier preventing women from reaching the upper echelons of management even though they are just as qualified as their male counterparts. Over the last ten years, women's representation in the top levels of management has not changed. They remain disproportionately underrepresented and underpaid (Pichler et al, 2008). No change in a year of change is unacceptable for businesses, policy makers, and for the public which looks to business leadership for innovative solutions and accountability (Lang, 2008). The poor representation of women and minorities in supervisory levels act as barriers to the full participation of women and minorities throughout the organization (Naff, 1996).

Few white executives have identified personally with minorities in the middle management groups of their company. It is an indisputable fact that, in America, even after applying the appropriate controls for education attainment, experience, wealth, and gender, whites occupy the uppermost positions on the racial dimension of social stratification, which lends credence to the notion that whiteness brings with it an unexplained power and a social privilege (West, 1993). Renzetti (2007) concurs and adds that white privilege is an institutional rather than personal set of benefits granted to those who by race, resemble the people who hold the power positions in our organizations. The business elite not only controls and influences major aspects of American society, it is also dominated by relatively few people. Those in power in

corporate America hold the reins to more than half of the country's industrial assets (Dye, 1995). White privilege is so pervasive and embedded in social life, that it has an everyday, taken-for-granted character that, ironically, renders itself invisible to people who are white (Renzetti, 2007).

Race has also become a factor in representation (Soni, 2000). In many cases, the problem is exacerbated because senior management does not have a great number of minorities (if any) in their sphere of social acquaintances (Heery, 1993). Therefore, they are not accustomed to associating with minorities. Case study results of diversity management in a federal agency conducted by Soni (2000) showed that women and minorities have more support for diversity initiatives when compared to their white male associates. King (1992) contends that to be successful in leveraging diversity in the organization, the organizational culture must change by starting at the top, beginning with diverse leaders who integrate diversity into the corporation's culture. Most organizations will soon have to account to their employees, consumers and shareholders for the lack of balance between women and men in top management positions (King, 1992).

Gender also shapes decision and policy making attitudes. As more women become business owners, they seek a fair and open dialogue for opportunities to grow their businesses. They expect a level playing field irrespective of their gender or race. The agency case study of diversity practices conducted by Soni (2000) concluded that diversity is an increasingly prominent issue in the working environment and that perception and attitudes about diversity vary considerably by gender and race.

Diversity is intended to result in a greater variance in ideas, creativity, and innovation, therefore, generating better group performance (Knight et al, 1999). Swain (2006) asserts that like minded representatives from all races and ethnic backgrounds are needed as the needs of one race cannot be adequately addressed by a

representative of that same race. Of course, this is relative as one would expect minorities to be sympathetic to other minorities because they have all experienced some form of discrimination. Findings from a study conducted by Sowa and Selden (2003) on administrative discretion concluded that when administrators assume the minority representative role in their organizations, they are more likely to favor policy outcomes that benefit minority interests. Free and Cantril (1968) agree and suggest that race and ethnicity are predictors of representative attitudes and likely include adult experiences that reinforce the attitudes and perceptions. Hiring minorities can serve not only to attack any prejudices within the organization but also to provide a means of economic advancement (Peters, 2001).

In spite of the benefits noted by diversity scholars, Jehn et al (1999) contend that no theory suggests that a workgroup's diversity with regard to gender and race should have benefits except to the extent that diversity creates diversity of information or perspective. A review of the homogenous makeup of senior managers across the United States provides evidence that there has been little change in race and gender in the upper echelons of corporations (Miller et al 1998).

2.5 Glass Ceiling or Sticky Floors

Despite gains in entry, African-Americans have not been successful in their climb up the managerial hierarchy, thereby failing to make inroads into key decision-making positions and in the racial redistribution of power (Collins, 1997). Bobo and Fox (2003) assert that race, racism, and discrimination are the bases and mechanisms of hierarchical differentiation that shape the ordering of social relations as well as the allocation of life experiences and chances. Higher positions of authority constitute a coveted social resource that whites as a group are reluctant to relinquish (Elliott and

Smith, 2001). The study by Elliott and Smith (2001) revealed that the 'sticky floor' is a group's position in the organization, and that position can keep opportunities for authority attainment out of reach. In other words, if an ethnic group dominates higher level positions, then one's authority attainment opportunities will improve. But if the ethnic group dominates lower level positions, then the opportunities for authority attainment within the organization will not develop. Group composition and position within the organization are critical as they are the dynamics that can hinder advancement even one level above positions that ethnic groups dominate.

The concept of representation at all levels gained notoriety in the Civil Service Reform Act of 1978, which mandated a civil service that "reflects the nation's diversity" (Crumpacker, 2008; Cuellar and Vega, 2007)). Other definitions include standing or acting for others; one that represents a constituency or community; those with discretionary decision-making that reflects the demographic characteristics of those they employ (Sowa et al 2003).

2.6 Full-Time versus Part-Time

To be successfully integrated into corporate strategy, most supplier diversity programs require a full-time supplier diversity professional. The duties of developing and managing a program/process in a manner which generates senior management support can be challenging (Moore, 1996). A full-time position is defined as 100% of activities devoted to supplier diversity. A part-time position is defined as 50% or less of activities devoted to supplier diversity. As corporations begin to realize the business advantages of establishing supplier diversity programs, it is critical that they understand the competencies required for supplier diversity professionals to be successful (Cole, 2008). A Token program, (having a contact person) or a Basic program (doing just enough) can be conducted by a part time person. However, the varied elements of a successful

program normally will require full-time attention. They include internal and external communications, tracking and reporting systems, training and accountability, a budget, a dedicated staff and action plan, a formal policy as well as executive commitment and involvement (Smith et al, 2002).

2.7 Supplier Diversity Programs

Academic research on supplier diversity programs is quite limited (Whitfield, 2003). Little literature on the number of supplier diversity programs and current classifications exists. A corporation conducting business with the Federal government is assumed to have a supplier diversity program, but there may be some corporations that are without a program; therefore, they are in violation of the Federal law 95-507, Section 2111, and FAR 19.7, Subcontracting with Small Business and Small Disadvantaged Business Concerns.

Federal policy for subcontracting plans is not being observed by some corporations, and the government has been slow to enact penalties due to workforce reductions. Bob Taylor, Area Director of Government Contracting with the Small Business Administration (SBA) advised that liquidated damages do not have to be approved by the SBA (Taylor, 2005). The Army Corps of Engineers assessed damages of \$100,000 against a prime contractor for failure to make a good-faith effort to meet the goals in its subcontracting plan (SLBO Handbook, 2005). The Navy's counterpart to the Army Corps of Engineers (NAVFEC) has also assessed damages. There have been cases in which a contracting officer threatened a contractor with liquidated damages, causing the contractor to come into compliance, so the contracting officer did not pursue it further (Taylor, 2005). The principal focus of Federal legislation, Public Law 100-656 (The Business Opportunity Reform Act of 1988) was the 8(a) Program, but it contained a

number of other provisions which affected the Subcontracting Assistance Program. One of these provisions included Section 304, which requires the Federal Acquisition Regulation be amended to include a requirement for a contract clause authorizing the Government to assess liquidated damages against large contractors failing to perform according to the terms of their subcontracting plans and not demonstrating that they have made a good faith effort to do so. Other levels of the U.S. government have also been subject to scrutiny for setbacks in diversity programs. The city of Philadelphia failed to execute laws that set-aside twenty-five percent of all public works programs for minority and women contractors, and Contra Costa County of California was sued for discrimination against women and minority contractors (Goode and Baldwin, 2005).

For business reasons, other corporations have established supplier diversity programs with annual spend goals because they contend it is the right thing to do. However, assessing the number of supplier diversity programs that exist today has only been done by word of mouth. In recent years, with the surfacing of questions from new supplier diversity professionals, the Center for Advanced Purchasing Studies (CAPS) surveyed organizations to research the nature of supplier diversity programs and found professionals often experience apprehension when trying to level the playing field for bid opportunities. Additionally, many organizations were unaware of the classification level their program effort held (Moore, 1996).

Established not only as a result of Federal legislation in 1978 (Public Law 95-507), supplier diversity programs were mandated in response to changing demographics and minority business growth. As a strategic business imperative that enhances a corporation's reputation, it can be an ethnic marketing tool if integrated into the supply chain management practices. The mission of a supplier diversity program is to promote

a supplier base that is reflective of the diverse communities in which corporations do business (Richwine, 2006).

By establishing supplier diversity goals and objectives and challenging themselves to continuously raise the bar, corporations can measure their progress. According to Watlington (2007), what gets measured is what gets done. Goals are typically a percentage of annual spend identified by corporations or mandated by the Veterans Administration (VA). They are broken down by diverse supplier classification and can be annually negotiated with the VA. Corporations compare their actual spend performance to the annually established goals to determine achievement of success. Recent supplier diversity research revealed the implementation of online registration and measurement tools being employed by corporations to locate diverse suppliers and measure actual progress against annual goals for their procurement professionals and government reporting (Whitfield, 2003).

Through a supplier diversity program and the efforts of supplier diversity professionals, diverse suppliers have greater opportunities to compete and bid on new business with corporations that historically were practically nonexistent. The need for integration makes it imperative that the supply chain managers take advantage of the opportunities presented by supplier diversity (Whitfield, 2006).

Keeping tabs on how minority business enterprises are fairing economically is the Minority Business Development Agency (MBDA). The MBDA conducts research about minority businesses and has helped to shape public and private sector programs in support of their development. This agency also serves as a catalyst for dialogue among business leaders, advocates, academics and public policy decision makers (Langston, 2008).

Several organizations have spearheaded supplier diversity training programs, namely, The Institute for Supply Management (ISM), The National Minority Supplier Development Council (NMSDC) and Diversity Information Resources (DIR). These organizations provide training opportunities that educate and train individuals on how to move supplier diversity programs from the token level to world-class level. Opportunities are provided throughout the year to supplier diversity professionals at various locations across the United States.

2.8 Management Diversity

Management is an act performed by individuals to achieve a common goal (Kasi and Ore, 2008). If those individuals are diverse in race and gender, the outcome of the goals may differ from those of a homogeneous group. In their research of African American representation in municipal government, Goode and Baldwin (2005) found that African American elected officials can influence African American representation by appointing officials committed to representation and enforcing affirmative action plans. While some studies revealed mixed results on the relationship between African American representation and African American mayors and council members, other studies show a significant correlation with the presence of a minority in senior management to the decisions impacting minority interests (Goode and Baldwin, 2005). Representative bureaucracy theory and administrative advocacy theory argues that African American administrators will readily champion the recruitment, selection and promotion of African Americans than their non-African American peers. When in the majority, African American administrators are in positions that can actively increase the representation of African Americans. This advocacy is regarded as natural and obligatory for the underrepresented. The expertise and willingness of decision-making African Americans to alter racial representation depends heavily on their leadership traits and cultural values

(Goode and Baldwin, 2005). The political and legal setbacks in diversity efforts such as Proposition 209 and Initiative 200 that ended affirmative action in California and Washington reduced opportunities for minorities already underrepresented in decision-making roles (Goode and Baldwin, 2005).

Diversity in groups has been linked to both favorable and unfavorable performance (Pelled, 1996). Results of research conducted by Milliken and Martins on the impact of diversity on the decision-making patterns of a diverse group found that diverse groups are able to make higher quality decisions (Milliken and Martins, 1996). Increasing minority representation in a group affects the group's total frequency of interaction (Hoffman, 1985). One's decision making is affected by his/her individual values and attitudes; therefore, individuals use discretion in ways that produce positive outcomes for their own social groups. Diverse individuals bring diverse ideals and more relevant performance of tasks, therefore, making society more cohesive (Krislov, 1974). Organizations with diverse management teams are positively associated with superior corporate performance (see *The Academy of Management Journal*, 2002). Goode and Baldwin (2005) argue that a diverse labor force will stimulate the release of creative energy and will be more predisposed to develop innovative solutions to problems and challenges.

In most firms the chief executive shares tasks and power with team members (Hambrick and Mason, 1984). The results of a 2008 study showed seventy-six percent of global senior executives report their companies have one or no minorities among their top five executives even though fifty-four percent of them have implemented workplace diversity policies (Rodriguez, 2008).

When management represents a diverse group of individuals, they possess discretionary decision-making that reflects the demographic characteristics of those they

employ (Sowa et al 2003). It is important for the composition of the organization mirror the population of the community so that the decisions reflect the desires of the group served (Peters, 2001). Findings from a study of top management team diversity showed that differences in demographics lead managers to interpret the organization's strategy differently, therefore, resulting in a lack of consensus. This in turn makes it difficult to demonstrate shared values (Knight et al, 1999).

In a study of top management team diversity, Knight et al (1999) discuss an upper echelon theory in which executives make decisions that are consistent with their cognitive base or executive orientation (Knight et al 1999). Bantel & Jackson (1989) support the upper echelon perspective in that innovation has been shown to be associated with the demographic characteristics of the top management team. Arguments have been made that groups positively concur with management's decisions if the demographic composition of management reflects that of the group (Sowa et al 2003).

Organizations need to be aware of the potential problems created by increasing diversity among top executives, but this does not imply that firms should avoid diversity (Knight et al, 1999). In their study of top management team diversity and the effects of demographic diversity within top management teams on group process and strategic consensus, Knight et al (1999) discuss the upper echelons theory.

Upper echelons theory links observable demographic characteristics of top executives to a variety of organizational processes and outcomes (Hambrick and Mason, 1984). Key to upper echelons theory is that demographic measures are systematically related to the psychological and cognitive elements of executive orientation, which works through a filtering process that leads to managerial perceptions (Hambrick and Mason, 1984; Knight et al, 1999). Upper echelons theory employs the use of observable

demographic characteristics to determine executive orientation thereby greater power to predict organizational outcomes (Knight et al, 1999; Hambrick and Mason, 1984).

Miller et al (1998) assert that empirical research on the link between demographic diversity and executive decision-making is weak. There is no consistent support for either position. Demographic diversity is not hypothesized to have direct effects on processes or outcomes, but is hypothesized to have indirect effects through cognitive diversity. Thus, they investigate and offer an alternative theory, cognitive diversity. Cognitive diversity is defined in terms of differences in beliefs and preferences held by upper echelon executives within the organization (Miller et a, 1998). Cognitive diversity is the variation in beliefs concerning cause-effect relationship and the variation in preferences concerning various goals for the organization (Miller, 1990; Miller et al, 1998). Cognitive diversity and demographic diversity both produce unclear effects, some positive and others negative, positive being more prevalent.

Diverse values and perspectives may bring challenges to managing group processes and the company's strategies. CEOs and senior management need to be aware of the potential pitfalls and take active steps to counter any possible negative consequences when implementing diversity initiatives (Knight et al, 1999). Soni (2000) attributes the lack of understanding of what diversity is to the lack of consensus in organizational agreements. Implementing diversity initiatives rarely involves senior managers of the organization. Consequently, diversity initiatives tend to lack the knowledge and skill development necessary to maintain working relationships (Campbell, 2003).

The National Minority Supplier Development Council (NMSDC) is slowly impacting this paradigm. Senior executives of corporations are becoming involved in executive mentoring programs hosted by the NMSDC in which minority CEO's are

matched with corporate executives to expand their capabilities and, eventually, their partnerships with corporations. Mentoring can change the experiences of minority CEOs as well as change the overall paradigm by facilitating company growth (Crawford and Smith, 2005). Research on what is working in the diversity arena revealed the common denominator for success is mentoring. A three year study by Thomas (2001) on minority advancement in corporate America revealed that while white managers received more attention and opportunities early in their careers, minorities advanced farther with a strong network of mentors and corporate sponsors who nurture their professional development. There are some mismatches and not all alliances end positively, but early intervention and communication identify which mentoring relationships are not working and why.

In their study of minority authority attainment, Elliott and Smith (2001) explain why racial and ethnic minorities are unlikely to occupy positions of authority in U.S. workplaces. They contend that those in power tend to prefer others like themselves, especially when trust is at stake. Historically, and much has not changed in society today, the primary decision makers in organizations are whites. They therefore, benefit most from this in-group preference (Elliott and Smith, 2001). Minorities are left under-represented in positions of authority in most organizations. The group in charge reproduces its ascriptive characteristics in those they select to join them. This process was characterized by Kanter (1977) as 'homosocial reproduction' or top-down ascription (Elliott and Smith, 2001). While they do not debate this theory, they believe it to be incomplete and offer an alternate position.

Elliott and Smith (2001) argue that group membership impacts authority attainment, and based on identity theory, that elites only reproduce themselves. The closer one gets to elite status, the potential for top-down ascription increases as well as

forces of bottom-up ascription at lower levels of the organization. The bottom-up ascription refers to matching the race and ethnicity of lower-level managers to the dominant race and ethnicity of their subordinates. In other words, Blacks are more likely to supervise Blacks and Latinos are more likely to supervise Latinos. This will maintain organizational harmony by curtailing perceptions of unfairness with respect to inequalities in opportunities for upward mobility. Milliken and Martins (1996) cite Lefkowitz's (1994) study in which new black hires tended to be assigned to black managers more frequently than to white managers, even during reassignments. This segregation grew over time and was labeled ethnic drift by Lefkowitz (Milliken and Martins, 1996).

Elliott and Smith (2001) contend from their findings that ethnicity and race of the work group is a significant indicator of the race and ethnicity of the supervisor, particularly among minorities. When increasing wages were considered, bottom-up ethnic matching significantly decreased and exclusion by whites increased with movement up the organizational chain of command. Pressures for group homogeneity increase as positions of authority become available. These positions are considered a coveted social resource that whites, as a group are unwilling to abandon (Elliott and Smith, 2001).

The Civil Rights Act of 1964 and the Equal Employment Opportunity Act of 1972 dramatically increased the probability of minority participation in decision-making roles in the federal government (Hoffman, 1985). Hiring minorities can serve not only to attack any prejudices within the organization, but also to provide a means of economic advancement (Peters, 2001). Milliken and Martins (1996) found in their research that organizations would benefit if they matched the diversity of their employees to the increased diversity of their marketplace. Through federal legislation, the Federal Acquisition Regulation (FAR) legislation 52.219-9, supplier diversity programs are mandated to include a subcontracting plan, participation in diverse supplier activities;

senior management awareness/participation and achievement of annual spend goals with diverse suppliers.

2.9 Senior Management and Supplier Diversity Programs

There is little literature on the subject of the diversity of the management team's decision-making impact on supplier diversity programs. Empirical research on the influence of diversity among executives on strategic decision-making in organizations has been practically defunct (Miller et al, 1998).

Mixed results were found in two studies of the impact of diversity in top management. One found that diversity in top management teams was associated with greater innovation, while another found that diversity in top management was associated with higher rates of turnover among team members (Bantel and Jackson, 1989; Bantel and Jackson, 1991; Kochan et al, 2003). Management is an act performed by individuals to achieve a common goal (Kasi and Ore, 2008). If those individuals are diverse in race and gender, the outcome may differ substantially from those of a homogenous group.

Businesses with a strong commitment to inclusiveness often have structured in-house programs and follow formal supplier diversity guidelines (King, 1992). Studies show a significant correlation with the presence of a minority in senior management to the decisions impacting minority interests (Goode, 2000).

The study by Kochan et al (2003) about the business case for diversity supports the contention that unless the CEO shows strong public support for diversity as being critical to the strategic business goals of the company, and without the CEO holding senior executives accountable for using diversity in every line of business, a diversity program will not be successful. Their research revealed a financial services firm that has

45 diversity councils and 1000 active employees. They started by establishing a company-wide Diversity Council that is chaired by the CEO with each business unit having its own Diversity Council chaired by its respective business executive. This model was considered a 'best practice' by many other organizations implementing diversity.

In a Chief Diversity Officer study conducted in 2008 of the top 50 companies for diversity, Frankel (2008) discovered that 84% of CEO's signed off on goals and achievements for supplier diversity while 30% did not; 70% had mandatory diversity training; 30% did not; and 88% offered diversity training monthly. Leaders' diversity messages are most effective when they share their values; diversity messages should be constant, on a regular basis, as routine as budget reviews and reports on other programs. Handfield et al (2005) agree and assert that the CEO and other high ranking officers of the company should demonstrate personal commitment to supplier diversity programs through participation in supplier diversity events, meetings with diverse suppliers, spread success stories and personal commitment through formal communications within the organization. The direct engagement of senior leadership can result in measurable improvements in supplier diversity (Rodriguez, 2008).

Normally, organizations rely on a hierarchy of management in which bias can exist among those with authority. A study by the Society for Human Resource Management (2003) concluded that diversity initiatives improved corporate culture and allowed challenges to historically accepted perceptions by creating dynamic work environments. Yet, an increasing number of senior level executives in diversity, supply chain and procurement are supporting supplier diversity because they see their customers and workforces becoming more diverse. It makes smart business sense to grow the relationship with diversity supply chain partners (Squyres, 2008).

It is well known that senior management support in any company initiative is critical to its success. Handfield et al (2005) agree and recommends supplier diversity goals are included in the executive performance plans of the organization. In their study, a leading aerospace company implemented this recommendation which resulted in active executive leadership at the top and triggered initiatives such as outreach events, support of advocacy groups, and country-wide travel to locate diverse suppliers. Supplier diversity professionals need the support of senior management to be successful as they manage supplier diversity programs up the classification level from token to world class (Hambrick & Mason, 1984). The annual performance reviews of managers involved in any buying activities should include supplier diversity program goals (Handfield, 2005). Managers cognizant of their objectives will be mindful during the supplier decision-making process.

2.10 Diversity and Decision-Making

The composition of the decision-making team can determine the information available and the interpretation, influence the quality of solutions generated, and impact discussions about alternative solutions (Bantel & Jackson, 1989). Do the personal characteristics of leaders affect their decision choices? (Bantel & Jackson, 1989). The literature is bleak on the subject of a diverse management team's decision making affecting supplier diversity programs. Furthermore, empirical research on the effects of diversity on decision making has produced mixed results. Those results showed diverse groups outperforming homogeneous groups while other studies revealed that poor communication patterns and excessive conflict plague diverse groups (Jehn et al, 1999).

In a five-year study commissioned by the Business Opportunities for Leadership Diversity (BOLD) Initiative, researchers reported that the CEO of Hewlett Packard wanted

a way to convince his fellow executives and managers that to manage diversity effectively is a business necessity not only because of the nature of labor and product markets, but more importantly because a more diverse homogeneous workforce would produce better business results (Kochan et al, 2003). Kochan et al (2003) assert that after a review of the research literature and completion of their study, that there has been very little research conducted in actual organizations addressing the impact of diversity or diversity-management practices on financial success. This literature gap may be due to the sensitivity of the subject, the organization's reluctance to share their experiences and the legal climate for possible litigation.

The sociology and psychology literature discusses the diversity of management teams and decision making from which inferences can be made regarding supplier diversity programs. In their study of the effects of diversity in workgroups, Jehn et al (1999) found that groups with diverse members were ineffective at capitalizing on the potential benefits of their informational diversity as managers expressed frustration with the time and resource demands of functionally diverse teams. Therefore, diverse teams tended to work less effectively together. Kochan et al (2003) found in their study that diversity may simultaneously produce more conflict and employee turnover as well as more creativity and innovation. One study they cited by (Bantel and Jackson, 1989) found diversity in top management teams was associated with greater innovation within bank branches, while another by (Jackson et al, 1991) found diversity was associated with higher rates of turnover among top management team members.

Although the workforce is becoming more diverse in gender, ethnicity and age, Jehn et al (1999) contend that people prefer similarity in their interactions. But interacting within homogeneous groups will decrease as the workforce evolves. Organizations must learn how to manage more heterogeneous workgroups than they have managed

previously (Milliken and Martins, 1996). Social interaction among diverse perspectives can lead to the emergence of new insights and the creation of knowledge. The discovery of insight by groups appears to depend on the presence of diverse viewpoints and perspectives about the task (Jehn et al 1999).

When making choices, each decision-maker brings his or her knowledge or assumptions about future events, alternatives and knowledge of consequences as well as a reflection of his or her values (Hambrick & Mason, 1984). A question that many have discussed is if there is diversity in gender and race in the senior management ranks of the organization, director level and above, will their decision-making impact the development of the supplier diversity program classification. Empirical evidence from psychological research on groups supports the overall conclusion that team diversity is beneficial for groups engaged in complex problem solving (Bantel & Jackson, 1989). But the research reviewed suggests it is unlikely that there would be typically great enough diversity among members of top management teams to significantly impact group functioning.

Narrow recruitment from any social stratum will tend to bias programs and policies (Peters, 2001). When too many members are chosen from the dominant group, attempts to impose dominant group values on the organization tend to prevail. Individuals identify with their own racial or ethnic group, so dominant groups develop and propagate ideologies that maintain and even legitimize their higher social status (Bobo and Fox, 2003). Reagans and Zuckerman (2001) cite Pfeffer (1983) who argues that homogeneous groups are expected to perform at an elevated level because they can organize their actions easier than diverse teams. Hence, their values will prevail on the minority members of the group.

The 2007 study of race-based networks and job turnover by Kmec (2007) revealed the homophily theory, which maintains that social similarity eases communications, fosters trust, strengthens personal bonds, and predicts that information sharing between socially similar individuals differs in quality and content than information between dissimilar pairs.

2.11 Diverse Representation

Representative in the private sector can be defined as one that exemplifies others of the same group or kind. Other definitions include standing or acting for others; one that represents a constituency or community; those with discretionary decision-making that reflects the demographic characteristics of those they employ (Sowa et al 2003).

A public bureaucracy, given its potential for representativeness, has an unusual opportunity and responsibility to social integration and community building (Krislov, 1974). Management that reflects the diversity of the community in which it operates and serves is more likely to respond to its interests in decision-making. Not only will organizations gain better insight into the needs and expectations of ethnic consumers and communities if they engage diverse suppliers in their supply base, they will also create a backlog of goodwill and trust within and beyond the minority community which can generate positive attitudes and responses from government, employees, interest groups and local citizens (Worthington, 2009). If bureaucracies are sensitive to the diversity of interests and if interests are represented in bureaucratic decisions and behavior, then bureaucracy is a representative institution (Krislov, 1974).

Robert Dahl (1982) maintains that autonomous organizations are inevitable. However, he is suspect of their independence as it creates an opportunity for the

organization to do harm, “organizations may use the opportunity to increase or perpetuate injustice rather than reduce it.

2.12 Conclusion

The literature provided numerous perspectives on diversity, the growth of a diverse population, diverse groups, diversity within senior management, but very little research related to supplier diversity program classification. The reviewed works suggest that diverse groups do not always work well together and they bring their diverse ideals into the workplace to support objectives for groups similar to themselves. However, as demographics shift and society becomes more diverse in the workplace, people will inevitably spend more time with others who are different from themselves.

Implementing a supplier diversity program pursuant to Federal Acquisition Regulation requirements can result in a multitude of different programs because of various interpretations of the policy. Evaluating the implementation of a supplier diversity program has not been a priority of the Federal government. Periodic audits have waned due to budget cuts and lack of personnel. Therefore, supplier diversity professionals have independently had to assess their programs against Moore’s typology of five levels (Token, Basic, Traditional, Advanced and World Class) of supplier diversity program classification.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

Diversity initiatives filter down throughout the organization. When initiatives begin at the top of the organization, success is more likely to be achieved. Management diversity brings a variety of cultures and ideas together and companies are recognizing the need to leverage the diversity of their employees in order to sustain their competitive advantages in a global marketplace (Wentling and Rivas 2000). In their study of eight multinational corporations, Wentling and Rivas (2000) found that many corporations realize diversity should be an essential part of their business because diversity enhances the organization's ability to compete. Specifically, a greater representation of women and minorities in the workplace is bringing together more people from diverse backgrounds (Jehn et al, 2002).

Supplier diversity professionals should know how their programs rank against other companies. A study about what constitutes the profession of one working in supplier diversity conducted by Cole (2008) revealed that those working as supplier diversity professionals need to have the same competencies, and that currently, there are no shared competencies for supplier diversity professionals. Her research goes on to address the knowledge required of supplier diversity professionals (Cole, 2008). But benchmarking activities are limited; an informational U.S. database for supplier diversity professionals does not exist.

This study explores the impact, if any, of management diversity on supplier diversity program classification levels. The time devoted to manage the program, full or

part-time, is also explored as it is expected to impact the level at which the program operates.

3.2 Study Design

The research is based on the following overarching null hypotheses: Management diversity does not impact supplier diversity program advancement to higher program levels and there is no difference in the impact between a part-time versus full-time supplier diversity professional. A cross-sectional survey was used to measure the classification level of supplier diversity programs in the year 2000, and later in the year 2008.

The participants for this study were randomly selected from a population of more than 500 supplier diversity professionals represented on email and membership lists from government agencies, supplier diversity committees, and representing their companies at tradeshow and trade fairs. The study population consisted of 144 supplier diversity professionals randomly selected from the population. An online survey, approved by The University of Texas at Arlington's Institutional Review Board (IRB), was distributed via SurveyMonkey.com to the study population.

For purposes of this research, management diversity is defined as a woman and/or minority to senior management during the years 2000 through 2008. Crosstabs were analyzed to determine the relationship between two different pairs of variables. The study used multinomial logistic regression to predict if the addition of a diverse person to senior management and if being a full-time versus part-time supplier diversity professional would impact the classification level of the supplier diversity program. The survey was also used to gather demographics and information about the classification of programs in the year 2000. Information was also gathered to determine if an addition to

senior management in gender or race during the years 2000 through 2008 resulted in a new program classification level in 2008.

3.3 Respondents

The unit of analysis for this study is the supplier diversity program. The scope of this research includes supplier diversity professionals from companies with Federal contracts since these companies are mandated by the Federal government to have an active supplier diversity program with a supplier diversity professional managing the program.

Using simple random sampling from a population of more than 500 supplier diversity professionals, the Survey Monkey.com survey was emailed to 144 supplier diversity professionals that represented 98 different companies and 24 different industries (see Appendix A). The number of employees in the surveyed organizations ranged from 500 – 25,000 employees. See Appendix A for the distribution of responses indicated with an asterisk.

The largest organization responding had approximately 86,000 employees; the smallest organization responding had approximately 500 employees. The respondents were asked to answer “yes” or “no” to 30 survey questions. A total of 76 supplier diversity professionals responded for a return rate of 52.7%.

Email addresses were already available from previous supplier diversity communications and supplier diversity events. A limitation of this study is that a conclusive database identifying the universe of supplier diversity professionals does not exist. Awareness comes through government communications, memberships and participation in various local and national events.

3.4 Instrumentation

This study explored supplier diversity program classification in the year 2000 and the change, if any, in the supplier diversity program classification level from year 2000 to year 2008 (questions 2 and 30, Appendix B). If the supplier diversity program had not been in existence since the year 2000, the respondent was asked not to complete the survey and thanked for their time. A survey instrument of thirty questions was utilized (see Appendix B).

To test the theory that having a more diverse senior management would elevate the program level, question 10 asks the supplier diversity professional to provide a classification of their program in the year 2000. Question 30 asks the supplier diversity professional how they would rate their program in 2008. The primary dependent variable is supplier diversity program classification level. Another dependent variable, IMPROVE was created to see if any programs improved during the eight year time span. Two additional models were created with the dependent variable, IMPROVE to ascertain the relationship between management diversity and the level of supplier diversity program. They are variations on the dependent variable, IMPROVE using binomial logistic regression and multinomial logistic regression.

Three additional independent variables were created to explore the change in the level of supplier diversity program between year 2000 (question 10) and 2008 (question 30). They are DIVERSEPLUS (questions 3, 4, and 11-29), DIVERSEMINUS (questions 11-29) AND CHNOCH (if change gt 0); then $chnoch = 1$; else if change equal 0, then $chnoch = 0$). Additionally, four new independent variables that had commonality were created to determine the impact, if any, on the dependent variable. They are PERFEFF, MGMTSTRAT, ADMPROC AND MGMTINVOL. (PERFEFF) performance and effectiveness was created with questions 25 and 26. (MGMTSTRAT) management

strategy was created with questions 20, 21, 22, and 23, (ADMPROC) administrative process was created with questions 12 and 13. And finally, (MGMTINVOL) management involvement was created with questions 14, 15, 16, 17, 18, 19, 24, 28 and 29. Binary logistics was used to conduct the statistical analysis.

The primary independent variable, DIVERSEMINUS is defined as the actions of senior management. In other words, based on the hypothesis discussed above, this main independent variable is change in the diversity of manage cadre of the organization. Question 3 asks if a minority person was added to senior management and question 4 asks if a woman was added to senior management during the years 2000 to 2008. Another independent variable, part-time versus full- time status, is addressed with question 6, which asks the survey participants if they are a full-time or part-time supplier diversity professional. Two questions (7 and 8) also gathered demographics: (Are you a woman? Are you a minority -African-American, Hispanic, Mexican, Asian, Indian, or non-Caucasian?)

The programs have been classified according to Moore's (1996, p.2) typology of supplier diversity program development: a token supplier diversity program, a basic program, a traditional supplier diversity program, an advanced supplier diversity process and a world-class supplier diversity process.

3.5 Data Collection

The focus of this study is supplier diversity programs that have been in existence from the year 2000 to 2008. The first model was constructed with supplier diversity program as the dependent variable and two independent variables, management diversity and the full- time versus part-time position of the supplier diversity professional. In the theoretical model of Soni's case study (2000), receptivity to diversity was

measured by employee perceptions of salience of diversity and their attitudes toward diversity. Responses were collected as yes or no.

This research assigned scores (yes =1; no = 0) to all the independent variables which included management diversity questions 3 and 4, which asked about the addition of minority or women to senior management staff during the year 2000 to 2008. Independent variable, question 6 which asked about being a full time or part time supplier diversity program manager, as well as questions (11-29), which asked about senior management involvement in various internal and external supplier diversity activities.

The 'yes' responses for questions (11-29) received a score of one and were then added to determine the level of management diversity, and summed to create the overall diversity measure called DIVERSEMINUS. Stewart (2003) developed a "yes"/ "no" survey based on indicators of diversity management to measure engagement in diversity management by state agencies.

Questions (7-9) asked the gender and race of the supplier diversity professional, and if a set aside program existed for the organization. The independent variables, management diversity questions (11-29) gathered information on the following categories of diversity in senior management ranks: training, senior management participation/commitment, measurement and tracking of performance, internal visibility of program, external visibility of program, and program outreach. Question 6 asked if a supplier diversity professional was part-time or full-time position to determine if the time devoted to managing the supplier diversity program directly impacted the classification level of the program. All of these impact the dependent variable, i.e., if the supplier diversity program classification level changed to a higher level.

Question (9) inquires about set aside programs for diverse suppliers. Successful integration of the supplier diversity process into corporate strategic planning

by senior management depends on the level at which the initiative/program operates (Moore 1996).

Program elevation is expected to occur with senior management participation and is most likely to occur with a diverse senior management representing minority interests (Moore, 1996). As previously detailed, there are five levels at which supplier diversity programs operate (Moore, 1996). Those levels of classification for year 2000 are measured with survey question 10, and for the year 2008, measured with survey question number 30, which asks how would you classify your supplier diversity program today (Token, Basic, Traditional, Advanced or World-Class)?

Survey questions were modified for this specific research from previous research survey questions developed by Dr. Victoria E. Stewart in her dissertation, Representative Bureaucracy: A Compelling State Interest (2003). Stewart developed a survey based on indicators of diversity management to measure engagement in diversity management by state agencies. Her survey instrument consisted of eleven items of engagement in diversity management all weighted equally (three questions per item) that the literature suggests are primary indicators of diversity management (Stewart, 2003). Stewart's survey questions were modified to focus on diversity in senior management between years 2000 to 2008 and adapted for use to measure management diversity with questions weighted equally (See Appendix B).

As part of the survey process, survey questions were reviewed by credible supplier diversity professionals who are board members of the Institute of Supply Management's Supplier Diversity Group and the Pharmaceutical Forum to ensure questions measured what they were intended to measure. These individuals include senior and executive directors of supplier diversity programs for major corporations such as AT&T, Delta Airlines, Pfizer, Chevron, Shell, IBM, Hilton Hotels, Coca-Cola, Bristol-

Myers Squibb, Novartis, Wyeth, Roche, Amgen, Schering-Plough and American Express. Feedback was received regarding the wording of questions. Changes were made and the final version of the survey was entered into SurveyMonkey.com. Survey questions were also reviewed by dissertation committee members as well as the University of Texas at Arlington's Institutional Review Board.

3.6 Frequency Analysis

To determine if those surveyed actually managed a supplier diversity program, and if their program has been in existence since the year 2000, participants were asked do you manage a supplier diversity program? and has your program been in existence since the year 2000?. Over eight-six percent of respondents manage a supplier diversity program, and seventy-six percent of the programs have been in existence since the year 2000 (see Table 3.1). Ten respondents did not manage a supplier diversity program, and eighteen others responded 'no' to question 2 and did not complete the survey. Nine participants responded 'yes' to program existence in the year 2000, but did not complete the balance of the survey.

Table 3.1 Frequencies and Percentages of Responses to Study Criterion

	Frequency	%	Total
Manage Supplier Diversity Program	66	86.84	76
Program Existed in Year 2000	58	76.32	76

Note: Frequencies not adding to 76 reflect missing data.

The demographic characteristics of the supplier diversity professionals are presented in Table 3.2. There are more women managing supplier diversity programs (65.96%) than men, and more minorities (76.60%).

Table 3.2 Demographics

	Frequency	(%)	Total
Women managing Supplier Diversity Program	31	65.96	47
Minorities managing Supplier Diversity Program	36	76.60	47

Note: Frequencies not adding to 76 reflect missing data

This suggests that more women and minorities fill mid-level manager positions supplier diversity programs. It also suggests that more women and minorities are appointed to manage supplier diversity programs because they represent diversity and therefore, may be more interested in it. In their five year study to examine the relationships between gender and racial diversity, Kochan et al (2003) found that racial diversity may heighten performance, especially when organizations promote learning from diversity. Gender diversity was found to be less problematic than racial diversity. Working with other women and minorities may be easier for a woman or a minority business person as people prefer similarity in their interactions (Jehn et al, 1999).

As shown in Table 3.3, between the year 2000 and 2008, the number of individuals (16 out of 36 responses) added to senior management ranks were African Americans with (37.21%). Hispanics and non-Caucasians ranked second at 16.28%. Asians and Indians represented the smallest number of diverse individuals added to senior management at 6.98%. Those adding African Americans were from the following industries: USPS, local government agencies, telecommunications, electronics, oil, energy and automotive. Two respondents did not identify what race was added to senior management. These findings suggest that during the eight year time span, demographics

shifted and more qualified African Americans (37.21%), Hispanics (16.28%), and non-Caucasians (16.28%) entered the upper echelons of corporate America.

Table 3.3 Additions to Senior Management between Year 2000 and 2008 by Race

	Frequency	(%)
African American	16	37.21
Hispanic	7	16.28
Asian	3	6.98
Indian	3	6.98
Non-Caucasian	7	16.28
Total	36	

Note: Frequencies not adding to 76 reflects missing data

A breakdown by gender is presented in Table 3.4. More women (80.43%) were added to senior management ranks than men (19.57%) from the year 2000 to 2008.

Table 3.4 Additions to Senior Management between Year 2000 and 2008 by Gender

	Frequency	(%)
Women	37	80.43
Men	9	19.57

Note: Frequencies not adding to 76 reflect missing data

Presented in Table 3.5 are those with full-time positions (89.58%) versus part time positions (10.42%).

Table 3.5 Full-Time versus Part-Time Positions – Year 2000

	Frequency	(%)
Full-time	43	89.58
Part-time	5	10.42
Total	48	100.00

Note: Frequencies not adding to 76 reflect missing data

The low number of part-time respondents, five was not surprising. But the range of program classification (1) managed a token program, (1) managed a traditional program, (1) managed an advanced process, and (2) were managing world-class processes was surprising as shown in Table 3.6.

Table 3.6 Part-Time Supplier Diversity Professionals – Programs Managed

	Token	Basic	Traditional	Advanced	World-Class
Part-Time	0	0	1	2	2

This surprising observation showed just the opposite of what was expected. The classification responses suggest that there is an inverse relationship between being part-time supplier diversity professional and program classification level. There were more part-time supplier diversity professionals managing traditional and world class processes than lower program classifications

Perhaps being at the world class process level does not require full-time attention, but just maintaining what is already working well. A decision to appoint a part time supplier diversity professional would be made in comfort by the organization. It is important to note, however, that this result reflects responses from only five individuals. The results indicate that the probability of being in a program classification of five or world class increases as one goes from a full-time to a part-time position.

By the year 2008, the only change reported by part-time supplier diversity respondents was a token program elevated to an advanced process at a pharmaceutical company. Job responsibilities of part time supplier diversity professionals reporting to purchasing departments may include cost savings objectives for various commodities. If they report to a finance department, they may have budget reporting responsibilities in

conjunction with supplier diversity. Being at the world-class level would require maintaining rather than building the program and would allow for additional purchasing responsibilities.

Next, respondents were asked to classify their supplier diversity programs in one of the five program classifications for the year 2000 (question 10). There were forty-seven responses presented in Table 3.7 that showed programs in all five classifications, with the majority of programs in Traditional (16) and Advanced (17).

Table 3.7 Program Classification in the Year 2000

	n	(%)
Token	3	6.38
Basic	2	4.26
Traditional	16	34.04
Advanced	17	36.17
World Class	9	19.15
Total	47	

Note: Frequencies missing data - 28

Three respondents representing a hotel and two pharmaceutical companies classified their programs as Token (6.38%). Two respondents representing a school system and a pharmaceutical company classified their programs as Basic (4.26%), which indicates they were performing minimal activities to be considered a supplier diversity program. Respondents representing the following industries: airline, telecommunications, pharmaceutical, oil, and classified their programs as Traditional with a 34.04% response for the year 2000, which indicates that despite the increased visibility for the supplier diversity program, these programs were not integrated into the re-engineering process of the company. Traditional classification is viewed as a foundation for the advanced or world class level. Again, the challenge is getting senior management to embrace supplier diversity as a strategic issue (Moore, 1996). Other respondents from the transportation, electronics, pharmaceutical, city government, energy, office products,

telecommunications, railroad, and banking industries indicate they had been successful in achieving an advanced classification level (36.17%). ¹Only (19.15%) of the respondents from consumer goods, computer products, local and state government and local transportation operations classified their programs as World Class in the year 2000.

As shown in Table 3.8, responses to question 30 indicate that the three token and two basic program classifications were elevated during this eight year time span to higher classifications. Supplier diversity professionals did not classify their programs as basic or token in the year 2008.

Table 3.8 Program Classification for Year 2008

	Frequency	(%)
Traditional	17	35.42
Advanced	20	43.75
World Class	10	20.83
Total	47	

Note: Frequencies not adding to 76 reflect missing data

An examination of the results suggests that all three classifications increased from the year 2000. Respondents classified 21 programs as Advanced in 2008, an increase of 4. This is comparable with what Moore found; this is a direct response to the strategic value of effective programs (Moore, 1996). Achieving an advanced process level means that senior management supports the program and supplier diversity is incorporated into the organization's strategic plan and overall corporate objectives.

¹ Note a respondent answered twice to question 30, therefore, the total responses were 48 (see Table 3.5), and not 47 as reflected in Table 3.4.

Table 3.9 Supplier Diversity Program Change
From Year 2000 to 2008

Yr. 2000	Traditional-2008	Advanced-2008	World Class-2008	Total 2000
Basic	2	0	0	2
Token	2	2	0	4
Traditional	11	4	0	15
Advanced	2	14	1	17
World Class	0	0	9	9
Total 2008	17	20	10	47

The fifteen Traditional programs in the year 2000 changed in the year 2008 to seventeen Traditional. Four token in the year 2000 changed to three Advanced in 2008 and one changed to World Class (see Table 3.9). The change to the Advanced program level is evidence of senior management's awareness and involvement and reflects that they embrace the program as a strategic issue (Moore, 1996). Changes observed in the seventeen Advanced programs in the year 2000 included one pharmaceutical company and a bank moving back to Traditional.

Surprisingly, two participants lowered the classification of their programs (see Table 3.9) from Advanced to Traditional (a pharmaceutical company and bank services company). Responses from these two participants to questions 11-29 indicated a lack of senior management support. Their program suffered during the eight year time span with changes in senior management. Both indicated that the addition to senior management was a non-Caucasian person, and that the supplier diversity professional was unsuccessful in arousing interest internally. Chi-Square tests were attempted, but eleven cells had an expected count less than five.

Fourteen programs remained in Advanced and one changed to World Class. Changing to World Class indicates the supplier diversity professional was able to energize the supplier diversity program so that senior management was involved and

advocated the organization's supplier diversity program internally as well as externally. The nine World Class programs remained in this classification.

Another independent variable was addressed with question nine: do you have a set aside program? The results in Table 3.10 indicate that most companies (62.22%) do not have a set aside program to encourage diverse suppliers to compete for business. The Federal government does not mandate that prime contractors establish a set aside program. Respondents representing the following industries responded 'yes' to having a set aside program: airline, railroad, pharmaceutical (4), government agencies such as the USPS, local transportation, and a hotel.

Table 3.10 Set Aside Programs

Program	Frequency	(%)
Yes	17	37.78
No	28	62.22

Note: Frequencies not adding to 76 reflect missing data

In addition, set aside programs are considered controversial by non-minority and non-women suppliers who view set aside programs as discriminatory and unfair. Set aside programs require additional resources to manage. Those seventeen organizations that have chosen to have a set aside program have probably done so to increase minority spend in commodity areas that offered opportunities for diverse suppliers. Identifying a portion of spend for diverse suppliers can promote competition and allow organizations to experience suppliers without being put in jeopardy with existing suppliers (Dolan and Fedele, 2004). In doing so, the organization is demonstrating its commitment to be inclusive and diversify its supplier base. A risk an organization might encounter is a competitive threat from current suppliers.

3.7 Descriptive Statistics

A total of 76 supplier diversity professionals responded to the survey and are included in the study. A multinomial logistic regression model was constructed to examine how the independent variables, management diversity and part-time versus full-time impact the change in the dependent variable between questions ten and thirty. The level of determination of how an increase in management diversity impacts the program will be examined to test the hypotheses stated earlier:

1) There is no relationship between management diversity and change in supplier diversity program classification level.

2) There is no relationship between being a full-time or part-time supplier diversity professional and supplier diversity program classification level.

Essentially, will the addition of a woman or minority person to senior management in conjunction with their participation and commitment to the supplier diversity program elevate the classification level of the supplier diversity program? Also, is there a difference in program classification if the supplier diversity professional is part-time versus full-time?

To demonstrate the change in supplier diversity program classification from the year 2000 to 2008, the analysis revealed that of the three Basic programs in the year 2000, one became Traditional and two became Advanced as shown in Table 3.9. This could indicate that a diverse senior management has an impact on supplier diversity program classification level moving two programs up two levels. The two Token programs in the year 2000 became Traditional in the year 2008, reflecting diverse senior management involvement in the program.

Supplier diversity professionals responded surprisingly (see Table 3.11), that only 38 percent of senior management is required to have annual supplier diversity

training (question 17). This finding indicates that senior management is more likely to engage in discovery through internal meetings and events. Yet, to advance the development of positive organizational cultures and support the effective development of diversity, diversity training must be started at the top and aimed at “valuing diversity” (Kochan et al, 2003).

Another surprising revelation was that 47.92% of senior management’s compensation is tied to annual achievement of supplier diversity goals (question 24). Twenty-three respondents were aware of supplier diversity goals being tied to senior management compensation.

Supplier diversity was included in all senior management’s annual objectives in one pharmaceutical company. Another respondent from an oil company regularly investigates senior management’s annual objectives to learn if compensation is linked to annual supplier diversity goals.

Table 3.11 Annual Training of Senior Management and Annual Compensation Tied to Supplier Diversity

	n	(%)
Annual Training of Sr Mgmt	18	38.30
Annual Compensation tied to SD	23	47.92

Note: Frequencies not adding to 76 reflect missing data

To further investigate if any of the independent variables contributed to the improvement of a program classification, a new variable was computed and labeled IMPROVE.

Binary logistic regression was used with the independent variable, DIVERSEMINUS to determine how many programs improved (see Table 3.12).

Nine programs showed improved, while twenty-seven showed no improvement.

Table 3.12 Program Improvement

	Predicted		
	Improve		
	0	1	Percentage Correct
NO IMPROVE	27	0	100.0
IMPROVED	9	0	0
Overall Percentage			75.0

	B	S.E.	Wald	Df	Sig.	Exp(B)
DIVERSEMINUS	-.019	.087	.049	1	.825	.981
Constant	-.854	1.165	.538	1	.463	.426

NOTE: DV - CHANGE

To better understand the independent variable relationships that have a high correlation with each other, a correlation analysis was conducted. Kendall's Tau B Correlation Coefficient was selected as the statistical measure to examine the relationship between the independent variables that showed a significant correlation (see Tables 3.13, 3.14, 3.15 and 3.16 below). Kendall's Tau B was also used to determine the strength of association between the independent variables (zero-one), to see if the correlations differ from each other.

Table 3.13 Kendall's Tau B Correlation Coefficients

	MASM-Q3	WASM-Q4	SMADSD- Q11	RTP- Q12	RTF-Q13	SMSDI-Q14
MASM-Q3	1.00000	0.04963	0.54433	-0.017541	0.03953	0.47434**
WASM-Q4	-0.04963	1.00000	0.36470	0.16541	0.15694	0.15694
SMADSD-Q11	0.54433**	0.36470	1.00000	-0.21483	0.12910	0.60246***
RTP-Q12	-0.17541	0.16541	-0.21483	1.00000	0.18028	0.05547
RTF-Q13	0.03953	0.15694	0.60246	0.05547	0.25000	1.00000
SMSDI-Q14	0.47434**	0.15694	0.60246***	0.05547	0.25000	1.00000
SMSDO-Q15	0.40291	0.32794	0.72375***	0.14135	0.02548	0.56061
SMHPSD-Q16	0.50000	0.09926	0.68041***	-0.04385	0.15811	0.63246***
SMSDTRNG-Q17	-0.16116	-0.03999	-0.06580	0.24030	-0.02548	0.20386
SMADSDI-Q18	0.39757	0.20859	0.69561***	-0.06974	0.03592	0.46697**
SMADSDE-Q19	0.32714	0.36125	0.63439***	-0.07890	-0.14225	0.28449
SDORGMS -Q20	0.15811	0.29819	0.51640**	0.05547	0.10000	0.40000
MVSD-Q21	0.31250	0.04963	0.40825	0.17541	-0.03953	0.55340**
SMBDMEM-Q22	0.39528	0.01569	0.51640**	-0.19415	-0.01250	0.40000
SDCOUNTF-Q23	0.48238**	0.00871	0.50128**	-0.10769	-0.06934	0.38829
SDANCOMP-Q24	0.15738	0.09763	0.35337	0.03451	0.06221	0.47279
MEASSD-Q25	0.42640	0.10581	0.52223**	0.03740	-0.13484	0.40452
SMREWSQ-Q26	0.39703	-0.24138	0.36470	-0.14799	0.01569	0.15694
EASECOM-Q27	0.34300	0.18725	0.42008	-0.15041	-0.02712	0.54233
SDADDMOV-Q28	0.00000	0.01186	-0.09759	-0.02097	0.07559	0.07559
SDADVHL-Q29	0.47809**	0.15423	0.55301***	0.10483	0.41576	0.52915***

Note: Level of Significance is *p< = .10; **p<.005; ***p<.001.

Table 3.14 Kendall's Tau B Correlation Coefficients

	SMSDO-Q15	SMHPSD-16	SMSDTRNG-17	SMADSDI- 18	SMADSDE-19
MASM-Q3	0.40291	0.50000**	-0.16116	0.39757	0.32714
WASM-Q4	0.16883	-0.04029	1.00000	0.15561	0.12522
SMADSD-Q11	0.72375	0.68041***	-0.06580	0.69561***	0.63439***
SMADSDI-Q12	0.70518	0.32714	0.12522	0.53419	1.00000
RTF-Q13	0.48416**	0.51387**	0.08919	0.35921	0.55606
RTP-Q14	0.44320**	0.500000**	0.10073	0.36918	0.28625
SMSDI-Q15	1.00000	0.64466***	0.16883	0.50344	0.70518***
SMHPSD -Q16	0.64466***	1.00000	-0.04029	0.56796***	0.32714
SMSDTRNG-Q17	0.16883	-0.04029	1.00000	0.15561	0.12522
SMADSDI-Q18	0.50344	0.56796***	0.15561	1.00000	0.53419
SMADSDE-Q19	0.70518***	0.32714	0.12522	0.53419**	1.00000
SDORGMS-Q20	0.48416**	0.51387**	0.08919	0.35921	0.55606***
MVSD-Q21	0.44320	0.50000**	0.10073	0.36918	0.28625
SMBDMEM-Q22	0.36949	0.50000	-0.16116	0.39757	0.32714
SDCOUNTF-Q23	0.52300	0.61394	0.11308	0.64758***	0.43756
SDANCOMP-Q24	0.38680	0.51148**	0.29802	0.42458	0.09975
MEASSD-Q25	0.37796	0.42640	0.03436	0.46014**	0.40105
SMREVSQ-Q26	0.47191	0.54592**	-0.03999	0.20859	0.21513
EASECOM-Q27	0.30403	0.34300	0.19348	0.25325	0.32260
SDADDMOV-Q28	-0.09631	0.23905	-0.13484	0.14935	-0.16618
SDADVHL-Q29	0.59715	0.59761***	0.09631	0.31227	0.30303

Note: Level of Significance is *p< = .10; **p<.005; ***p<.001.

Table 3.15 Kendall's Tau B Correlation Coefficients

	SDORGMS-20	MVSD-Q21	SMBDMEM-Q22	SDCOUNTF-Q23	SDANCOMP-Q24
MASM-Q3	0.15811	0.31250	0.39528	0.48238**	0.15738
WASM-Q4	0.08919	0.04963	0.01569	0.00871	0.09763
SMADSD-Q11	0.51640**	0.40825	0.51640	0.50128**	0.35337
SMADSDI-Q12	0.55606	0.17541	0.19415	-0.10769	0.03451
RTF-Q13	1.00000	-0.03953	0.01250	-0.06934	0.06221
RTP-Q14	0.31623	0.55340	0.40000	0.38829	0.47279**
SMSDI-Q15	0.48416**	0.44320	0.36949	0.52300**	0.38680
SMHPSD -Q16	0.51387**	0.50000	0.51387**	0.61394***	0.51148**
SMSDTRNG-Q17	0.08919	0.10073	0.14015	0.11308	0.29802
SMADSDI-Q18	0.35921	0.36918	0.35921	0.64758***	0.42458
SMADSDE-Q19	0.55606	0.28625	0.32329	0.43756**	0.09975
SDORGMS-Q20	1.00000	0.31623	0.21250	0.30509	0.28616
MVSD-Q21	0.31623	1.00000	0.31623	0.17541	0.19672
SMBDMEM-Q22	0.15811	0.31623	1.00000	0.42989	0.17419
SDCOUNTF-Q23	0.30509	0.17541	0.42989	1.00000	0.40719
SDANCOMP-Q24	0.28616	0.19672	0.17419	0.40719	1.00000
MEASSD-Q25	0.26968	0.85280***	0.26968	0.26179	0.11744
SMREVSD-Q26	0.15694	0.27296	0.15694	0.47880**	0.09763
EASECOM-Q27	0.21693	0.30012	0.21693	0.12033	0.25641
SDADDMOV-Q28	-0.03780	0.23905	0.18898	0.35642	0.10346
SDADVHL-Q29	0.41576	0.41833	0.18898	0.35642	0.21632

Note: Level of Significance is *p< .10; **p<.005; ***p<.001.

Table 3.16 Kendall's Tau B Correlation Coefficients

	MEASSD-Q25	SMREVSD-Q26	EASECOM-Q27	SDADDMOV-Q28	SDADVHL-Q29
MASM-Q3	0.42640**	0.39703	0.34300	0.00000	0.47809
WASM-Q4	0.10581	-0.24138	0.18725	0.01186	0.15423
SMADSD-Q11	0.52223**	0.36470	0.42008	-0.09759	0.55301
RTP-Q12	0.03740	-0.14799	-0.15041	-0.02097	0.10483
RTF-Q13	-0.13484	0.01569	-0.02712	0.07559	0.41576
SMSDI-Q14	0.40452**	0.15694	0.54233***	0.07559	0.52915
SMSDO-Q15	0.37796	0.47191**	0.30403	-0.09631	0.59715
SMHPSD-Q16	0.42640**	0.54592***	0.34300	0.23905	0.59761***
SMSDTRNG-Q17	0.03436	-0.03999	0.19348	-0.13484	0.09631
SMADSDI-Q18	0.46014**	0.20859	0.25325	0.14935	0.31227
SMADSDE-Q19	0.40105	0.21513	0.32260	-0.16618	0.30303
SDORGMS -Q20	0.26968	0.15694	0.21693	-0.03780	0.41576
MVSD-Q21	0.85280***	0.27296	0.30012	0.23905	0.41833
SMBDMEM-Q22	0.26968	0.15694	0.21693	-0.03780	0.18898
SDCOUNTF-Q23	0.26179	0.47880**	0.12033	0.10483	0.35642
SDANCOMP-Q24	0.11744	0.09763	0.25641	0.10346	0.21632
MEASSD-Q25	1.00000	0.35975	0.36564	0.15289	0.35675
SMREWSD-Q26	0.35975	1.00000	0.18725	0.01186	0.58132***
EASECOM-Q27	0.36564	0.18725	1.00000	0.04100	0.28697
SDADDMOV-Q28	0.15289	0.01186	0.04100	1.00000	0.08571
SDDVHL-Q29	0.35675	0.58132***	0.28697	0.08571	1.00000

Note: Level of Significance is *p< .10; **p<.005; ***p<.001.

Senior management involvement in supplier diversity programs is critical to their success. The successful integration of the supplier diversity process into corporate strategic planning depends on the level at which the initiative operates (Moore, 1996). If support does not start at the top, achieving an advanced or world class process classification is unlikely. There is a high correlation (.60246) between question (11) senior management advocates supplier diversity inside/outside the organization and question (14) senior management is involved in supplier diversity internally (see Table 3.13). Supplier diversity professionals are at ease when communicating with senior management when there is involvement in internal supplier diversity activities as shown with the result of (.54233), the positive correlation with questions (14) and (27) as seen in Table 3.13. Supplier diversity managers of a world-class program/process can typically quote verbatim their chairman's message in the annual report and enumerate their contributions to corporate objectives (Moore, 1996).

Also noted in Table 3.13 are high correlations between questions (11) and (16), senior management participation in supplier diversity events (.68041); questions (11) and (18) senior management advocacy of supplier diversity internally (.69561); and questions (11) and (19) senior management advocacy of supplier diversity externally (.63439); questions (11) and (29) senior management advocacy of a higher program level (.55301).

As seen in Table 3.14, there is a high correlation (.64758) between question (18) senior management advocacy of supplier diversity internally and question (23) having a supplier diversity council, taskforce, or committee. Spreading the message about supplier diversity is more effective and efficiently conducted when more internal stakeholders participate. Visionary senior management can support the transformation of minority/women supplier initiatives from a stand-alone, non-mission-critical program to

an integrated, bottom-line strategy (Moore, 1996). Also in Table 3.14, there is a high correlation (.59761) between questions (16) does senior management participate in supplier diversity events/meetings, and (29) does senior management advocate for a higher level program level.

There is also a significant positive correlation (.70518) between senior management being involved in activities outside of the organization (question 15) and advocating supplier diversity externally (question 19) see Table 3.14. It also appears that given the existence of a pro supplier diversity mission statement, senior management will be involved in supplier diversity activities and advocate supplier diversity externally. As presented in Table 3.14, when senior management participates in supplier diversity meetings/events (question 16), they also become concerned about the program's classification level, advocating for one higher than currently exists (question 29) as demonstrated with the positive correlation of (.59761). Senior management advocating supplier diversity externally, question 19, showed a positive correlation to also advocating supplier diversity internally, question 18 (.53419), (see Table 3.14) as well as having a supplier diversity mission statement for the program, question 21 (.55606).

With every organization, a mission or vision statement establishes the goal and intent of the program or initiative so that everyone, including senior management is aware of the goals of the organization. The significant positive correlation (.85280) between questions (25) and (21) indicates a relationship between having a supplier diversity mission statement and measuring supplier diversity program performance (see Table 3.15). If the organization establishes a mission statement, then supplier diversity program performance is important enough to be measured for effectiveness. However, this high correlation implies that both of these variables should not be used directly in the multivariate analysis at later analysis stages.

Having supplier diversity incorporated in the organization's mission or vision statement communicates to employees, external customers and clients the organization's commitment to the initiative. There was a positive correlation (Table 3.15) between question (20), having supplier diversity incorporated in the organization's mission/vision statement, and:

- Senior management advocate supplier diversity inside and outside the organization, question 11 (.51640),
- Senior management being involved in supplier diversity activities outside the company, question 15 (.48416),
- Senior management hosting/participating in supplier diversity events/meetings, question 16 (.51387),

Having a supplier diversity committee, council or taskforce for supplier diversity existed (question 23), showed a positive correlation to questions (15) senior management was involved in external supplier diversity activities (.52300), and a significant correlation to question 16 (Table 3.15) which asked if senior management hosted and/or participated in supplier diversity events and meetings (.61394). Having this internal support from other parts of the organization demonstrates an enhanced commitment level for supplier diversity from senior management.

Measuring performance to assess effectiveness of the supplier diversity program in achieving stated objectives (question 25) showed a positive correlation (see Table 3.16) to questions (21) a mission/vision statement for supplier diversity (.85280), (14) senior management involved in supplier diversity internally (.40452), (16) hosting/participating in events and meetings (.42640), and (18) senior management advocating supplier diversity internally (.46014).

Senior management's annual review of supplier diversity performance (question 26) implies concern for achieving the objectives and identifying obstacles and barriers to performance (see Table 3.16). And indeed there was a positive correlation of question 26 and questions 15 senior management involvement in supplier diversity activities outside of the organization (.47191), and question 16 senior management hosting and/or participating in supplier diversity events and/or meetings (.54592). If senior management is aware of how the organization is performing annually, the external benchmarking with peers in other organizations can bring forth ideas on how to infuse the program and this can be communicated at internal meetings and events. There is also a high correlation (.58132) between question 26 senior management reviews performance/effectiveness of supplier diversity program annually and question 29 senior management advocacy of a higher level supplier diversity program level (see Table 3.16).

Finally, supplier diversity professionals responded that they are at ease in communicating with senior management (question 27). There was a positive correlation between question 27 and questions (14) senior management involvement in supplier diversity activities internally (.54233 -see Table 3.16)).

To see if the independent variables in the survey instrument are equally correlated and to gauge the survey instrument's reliability, Cronbach's Alpha was used and showed a high degree of coefficient reliability at 0.865553, ($r > .85$). This high coefficient of reliability indicates a high correlation between the 19 independent variables (questions 11-29), for which the responses to these questions do not contradict each other. By combining these questions to make a single measure or underlying construct, the high alpha indicates reasonableness in that the responses to the questions were reliable and represents a good predictor of the correlation between the independent variables. The test excluded demographics (questions 6 through 9).

To try to ascertain the relationship between diversity in senior management and the level of supplier diversity program classification as defined by question 30 as well as the relationship between diversity in senior management and the change in the level of supplier diversity program classification from the year 2000 to the year 2008 as defined by question 30 minus question 10, various models were fitted to the data. A discussion of these models follows.

Linear Regression

A new dependent variable, denoted, CHANGE, was created by subtracting question 10 (program classification in the year 2000) from question 30 (program classification in the year 2008) to determine the amount of change in the level of supplier diversity program from year 2000 to 2008. Then a linear regression was performed using this change variable as the dependent variable with the same independent variables as in the first model. The results can be seen in Table 3.17. None of the independent variables was significant in accounting for any of the variation in the dependent variable.

Table 3.17 Linear Regression with DIVERSEPLUS

	DF	Parameter Estimate	Standard Error	t-value	Pr> t
Intercept	1	.078025	0.70411	1.11	0.2772
DIVERSEPLUS	1	-0.00115	0.03400	-0.03*	0.9732
FTPT	1	-0.72118	.50550	-1.43	0.1647
Woman	1	-0.09015	0.34623	-0.26	0.7965
Minority	1	0.53329	0.39331	1.36	0.1860
Set Aside Program	1	-0.43149	0.34876	-1.24	0.2263
R ² = 0.1431					

Note: Dependent Variable: Change (q30-q10);
Level of Significance is *p<.05.

The model in Table 3.17 explains 14.31% of the variance in the dependent variable, CHANGE (see Table 3.18).

Multinomial Logistic Regression

This model was fitted with multinomial logistic regression with cumulative logits. In estimating the set of independent variables that predict the probability of the outcome, the log of the probability of the event over one minus the probability of the event is logit, which is the log of the odds that an event will occur. The cumulative logit model is eminently suitable for the analysis of ordinal response data (Lee, 1991). Cumulative logits of data in question 30 (the program classification in the year 2008) were modeled as the dependent variable to determine if various independent variables had an impact on the probability of being in the various classification levels. Cumulative logit extends the logistic model for binary responses to allow for several ordinal responses (Pongsapukee and Sukgumphaphan, 2007). The dependent variable was the cumulative logits derived from program classification in the year 2008 question, and the independent variable was DIVERSEPLUS.

A measure of DIVERSEPLUS was created that included 'yes' responses to question 3 (minority added to senior management from 2000 to 2008), question 4 (woman added to senior management from 2000 to 2008) and questions 11-29 that involved management performance and effectiveness, management strategy, management involvement and administrative process. The results of the modeling process are shown in Table. 3.18, and shows DIVERSEPLUS significant at .0006 (<.05), which supports the hypothesis that a diverse senior management (the addition of women and/or minorities) influences program classification level. Evidence supports a relationship between a diverse senior management, having a set aside program, which is significant at the (<.10) level at .0877, and being a full-time versus part-time supplier diversity professional which is significant at .0441 (<.05). A proportional odds test did not

reject the null hypothesis that the slopes of the independent variables were the same for all logits being modeled. However, each had a separate intercept in how they impacted the dependent variable.

Table 3.18 Multinomial Logistic Regression

	DF	Estimate	Standard Error	Wald Chi-Square	Pr>Chi Sq	Exp (est)
Intercept 3	1	7.0072	2.8850	5.8994	0.0151	1104.519
Intercept 4	1	10.9614	3.3692	10.5846	0.0011	56605.44
DIVERSEPLUS	1	-0.7100	0.2064	11.8386	0.0006*	0.492
FTPT	1	4.2904	2.1316	4.0513	0.0441*	72.998
Woman	1	0.6536	0.9484	0.4749	0.4907	1.922
Minority	1	-1.9819	1.2626	2.4638	0.1165	0.138
Set Aside Program	1	-2.0729	1.2140	2.9156	0.0877**	0.126

Note: Dependent Variable: Cumulative Logits (q30); Level of Significance is *p<.05; **P<.10

Whether the program is staffed full-time or part-time is significant at 0.0441.

The log odds of being in one of the higher program classifications, 4 or 5, is greater for those organizations with part-time supplier diversity professionals than full-time supplier diversity professionals. For each woman managing the supplier diversity program, the odds of the program improving increase by .92% as shown in Table 3.18 (1.922 - 1). For each active set aside program, the odds of the program improving are less likely by -.874 (.126-1). For every one unit increase in a part-time diversity professional, the odds of the program improving increase by 71.99% (72.998 – 1).

Multinomial Logistic Regression with Cumulative Logits

Finally, another model fitted used the change variable of the previous model (the linear regression model) above as the dependent variable, but modeled it as the dependent variable in a multinomial logistic regression with cumulative logits rather than as a linear regression. The same independent variables as in the third model above were used. Because the dependent variable is ordinal, cumulative logits were used in the

logistic regression models. The results are shown in Table 3.19. Again, none of the independent variables were significant in accounting for the variation in the dependent variable, CHANGE (program classification in the year 2008 minus program classification in the year 2000). However, like the previous model, the set aside variable is again significant (.0951) at $p < .10$.

Table 3.19 Change – Year 2000 to Year 2008 with DIVERSEPLUS

	DF	Estimate	Standard Error	Wald Chi-Square	Pr>Chi Sq	Exp (est)
Intercept -1	1	-4.8387	1.8683	6.7072	0.0096	0.008
Intercept 0	1	-0.6522	1.5440	0.1784	0.6727	0.521
Intercept 1	1	0.7226	1.5783	0.2096	0.6471	2.060
Intercept 2	1	1.1705	1.6237	0.5197	0.4710	3.224
DIVERSEPLUS	1	0.00420	0.0813	0.0027	0.9588	1.004
FTPT	1	1.0025	1.1511	0.7584	0.3838	2.725
Woman	1	0.5195	0.8227	0.3986	0.5278	1.681
Set Aside Program	1	1.6037	0.9607	2.7865	0.0951*	4.971

Note: Dependent Variable: Change (q30-q10); Level of Significance * $p < .10$

New Models - Same Dependent Variables

The next set of models was a repeat of the models above with the same dependent variables, but with a slight change in the independent variables.

DIVERSEPLUS was manipulated by removing question 3 and question 4 to create DIVERSEMINUS. Questions 3 (minority added to senior management (MASM)) and 4 (women added to senior management (WASM)).

To determine management diversity, all of the 'yes' responses to questions 11-29 were coded as number one and added together to create the measure of DIVERSEMINUS. Then question 30 was analyzed using multinomial logistic regression with cumulative logits. Because the dependent variable is ordinal, cumulative logits were used in the logistic regression models.

Linear Regression

In the first model, a variable denoted change was created by subtracting question 10 from question 30 to determine the amount of change in the level of supplier diversity program classification from year 2000 to year 2008. Then a linear regression was performed using DIVERSEMINUS as the independent variable with the same independent variables as in the model above in 3.18.

Table 3.20 Linear Regression with DIVERSEMINUS

	DF	Parameter Estimate	Standard Error	t-value	Pr> t
Intercept	1	1.00025	0.75641	1.32	0.1976
Diverseminus	1	0.01033	0.04859	0.21	0.8333
MASM	1	-0.01425	0.42248	-0.03	0.9734
WASM	1	-0.40114	0.43222	-0.93	0.3619
FTPT	1	-0.69046	0.51958	-1.33	0.1954
Woman	1	-0.05030	0.36603	-0.14	0.8918
Minority	1	0.41919	0.42578	0.98	0.3339
Set Aside Program	1	-0.44526	0.35700	-1.25	0.2234

Note: Dependent Variable: Change (q30-q10); Level of Significance *p<.05

Table 3.20 shows the results of this model. None of the independent variables were significant in accounting for any of the variation in the dependent variable.

Multinomial Logistic Regression

As shown in Table 3.21, MASM (minority added to senior management) and WASM (women added to senior management) were not significant in impacting the supplier diversity program classification. DIVERSEMINUS was significant at 0.0016 and question 6 (full-time versus part-time) was significant at 0.0271. In other words, removing question 3 (were any minorities added to senior management during 2000-2008) and question 4 (were any women added to senior management during 2000-2008) resulted in the actions of senior management (DIVERSEMINUS) being significant (0.0016) and

being a full-time versus part-time supplier diversity professional (question 6) being significant (0.0271) on supplier diversity program classification.

Table 3.21 Multinomial Logistic Regression with Cumulative Logits

	DF	Estimate	Standard Error	Wald Chi-Square	Pr>Chi Sq	Exp (est)
Intercept 3	1	8.0737	3.0165	7.1637	0.0074	3209.005
Intercept 4	1	12.2389	3.5921	11.6090	0.0007	206666.9
Diverseminus	1	-0.6625	0.2097	9.9852	0.0016*	0.516
MASM	1	-1.5549	1.1786	1.7405	0.1871	0.211
WASM	1	-2.2736	1.4089	2.6041	0.1066	0.103
FTPT	1	4.9546	2.2425	4.8816	0.0271*	141.819
Woman	1	0.5463	1.0060	0.2949	0.5871	1.727
Minority	1	-2.4670	1.3938	3.1327	0.0767*	0.085
Set Aside Program	1	-2.3873	1.2868	3.4419	0.0636*	0.092

Note: Dependent Variable: Cumulative Logits (q30); Level of Significant is *p<.10.

Being a minority supplier diversity professional is significant at (0.0767), indicating an impact on the supplier diversity program classification. Having a set aside program is also significant at (0.0636) which indicates supplier diversity program classifications are affected by having set aside programs.

Multinomial Logistic Regression with Cumulative Logits

This fourth model was fitted using the change variable of the linear regression model above as the dependent variable, but modeled it as the dependent variable in a multinomial logistic regression with cumulative logits rather than as a linear regression. The same independent variables as in third model above were used. The results are shown in Table 3.22. None of the independent variables were significant in accounting for any of the variation in the dependent variable.

Table 3.22 Change – Year 2000 to Year 2008 with DIVERSEMINUS

	DF	Estimate	Standard Error	Wald Chi-Square	Pr>Chi Sq	Exp (est)
Intercept -1	1	-5.4028	1.9162	7.9502	0.0048	0.005
Intercept 0	1	-1.0913	1.5948	0.4683	0.4938	0.336
Intercept 1	1	0.3406	1.6023	0.0452	0.8317	1.406
Intercept 2	1	0.8260	1.6402	0.2536	0.6145	2.284
DIVERSEMINUS	1	0.0676	0.1144	0.3488	0.5548	1.070
MASM	1	-1.0722	1.0362	1.0706	0.3008	0.342
WASM	1	0.5827	0.9644	0.3651	0.5457	1.791
FTPT	1	1.1040	1.1782	0.8781	0.3487	3.016
Woman	1	0.2938	0.8495	0.1196	0.7294	1.342
SAP	1	1.5039	0.9412	2.5530	0.1101	4.499

Note: Dependent Variable: Change; Level of Significance p<.05.

New Independent Variables

To further research and unfold the impact that similar independent variables would have on the dependent variable, new independent variables that have commonality were created. For example, a new variable for administrative process (ADMPROC) was created with questions 12 and 13. Performance and effectiveness (PERFEFF) was created with questions 25 and 26. Management strategy (MGMTSTRAT) was created with questions 20, 21, 22, and 23. And finally, management involvement (MGMTINVOL) was created with questions 14, 15, 16, 17, 18, 19, 24, 28 and 29. Also created was a new dependent variable, improve.

Various models were constructed with these variables and with question 3 (were any minorities added to senior management during 2000-2008), question 4 (were any women added to senior management during 2000-2008), and question 9 (Set Aside Program). When PERFEFF is present, WASM is significant at the .10 level (.061). None of the other models supported the hypothesis that a diverse senior management has an impact on supplier diversity program level and none revealed any significance in accounting for the variation in the dependent variable, improve. The results are shown in Table 3.23.

Table 3.23 Additions to Senior Management w/New Independent Variable

	B	S.E.	Wald	df	Sig.	Exp(B)
Constant	.098	1.127	.008	1	.930	1.103
MASM	-.086	.830	.011	1	.917	.917
WASM	-1.744	.931	3.511	1	.061*	.175
PERFEFF	.310	.542	.327	1	.567	1.363

Note: Dependent Variable: IMROVE

Then, a binary logistics analysis was conducted on a number of model variations to determine if a diverse senior management improved the supplier diversity program classification. The independent variables analyzed included PERFEFF (performance efficiency –questions 25 and 26), MGMTSTRAT (management strategy – questions 20, 21, 22, and 23), question 3, (MASM-minority added to senior management), question 4 (WASM-women added to senior management), question 7 (WOMAN-are you a woman) and question 9 (SAP-do you have a set aside program). Three models exhibited significance, but Model 2 showed the most impact. The results of the three models are shown in Tables 3.24, 3.25 and 3.26.

In Model 1 (see Table 3.24), all the independent variables were analyzed and only SAP was significant (.074) in accounting for any variation in the dependent variable, improve. The model also shows that for every minority added to senior management (MASM), the log (odds) of the program improving increases by .231. Also, for each senior management performance and effectiveness (PERFEFF) effort, the log (odds) of the program improving increases by the same, .231. The model has a Nagelkerke R Square of .244, which means the independent variables explain 24.4% of the variance in improve. The results show a chi-square or -2 Log likelihood of 35.693 and 6 df.

Table 3.24 Model 1 - Additions to Senior Management

Model 1	B	S.E.	Wald	df	Sig.	Exp(B)
Constant	1.101	1.596	.475	1	.491	3.006
MASM	.231	1.027	.051	1	.822	1.260
WASM	-1.230	1.054	1.362	1	.243	.292
Woman	-1.049	1.043	1.011	1	.315	.350
Set Aside Program	-2.449	1.369	3.201	1	.074*	.086
PERFEFF	.231	.668	.120	1	.729	1.260
MGMTSTRAT	-.043	.414	.011	1	.918	.958
Nagelkerke R Square	.244					
-2 Log likelihood	35.639					

Note: Dependent Variable: Log Odds of Improve; Level of Significance: *p < .10

Looking at the B parameters, a 1-unit increase in a minority added to senior management (MASM) and performance effectiveness (PERFEFF), the odds of the program improving increase by 26%. Testing the contribution of the independent variable, set aside program (SAP) to the model shows a Wald of 3.201. The negative values for woman added to senior management (WASM), set aside program (SAP), and management strategy (MGMTSTRAT) indicate that as these independent variables are added to the model, the log odds of the program improving decreases by -1.230, -2.449 and -.043 respectively (see Table 3.24).

In Model 2, the independent variable MGMTSTRAT was excluded to see the impact on the remaining variables. MGMTSTRAT (questions 20-23) focused on senior management participation as board members, if a committee or taskforce existed, having a mission statement for supplier diversity and if supplier diversity is incorporated in the organization's mission statement.

The model (see Table 3.25) also shows that for every minority and woman added to senior management (MASM), for a woman managing the program, and having a set aside program (SAP), the log (odds) of the program improving decreases by -.078, -1.694, -.905, and -2.675 respectively. Also, for each senior management performance

and effectiveness (PERFEFF) effort, the log (odds) of the program improving increases by .374.

Table 3.25 Model 2 - Additions to Senior Management

Model 2	B	S.E.	Wald	df	Sig.	Exp(B)
Constant	1.113	1.391	.633	1	.426	3.043
MASM	-.078	.897	.008	1	.931	.925
WASM	-1.694	1.011	2.810	1	.094*	.184
Woman	-.905	.999	.820	1	.365	.405
Set Aside Program	-2.675	1.314	4.143	1	.042*	.069
PERFEFF	.374	.639	.342	1	.559	1.453
Nagelkerke R Square	.288					
-2 Log likelihood	38.655					

Note: Dependent Variable: Log odds of Improve; Level of Significance: *p <.10

The model has a Nagelkerke R Square of .288 and a chi-square or -2 Log likelihood of 38.655 and 5 df. Looking at the B parameters, a 1- unit increase in (PERFEFF), the odds of the program improving (Improve) increase by 45%. Testing the contribution of the independent variable, SAP to the model shows a Wald of 3.201, followed by WASM with 2.810. The pseudo R square or the Nagelkerke R Square of .288 is the most significant of the three models, and indicates the independent variables explain 28.8% of the variance in Improve . All the independent variables were analyzed and again, SAP was significant (.074) and WASM was significant (.094) in accounting for any variation in the dependent variable, improve. When PERFEFF is present in the model, WASM is significant, and when removed, WASM is not significant. Two correlation analyses were conducted (Kendall Tau B and Pearson) between these two variables. The correlation is significant at the .10 level (2-tailed) at .066 and .064, which indicates adding a woman to senior management matters to the performance and effectiveness of the organization.

In Model 3, both independent variables PERFEFF and MGMTSTRAT were excluded to see the impact on the remaining variables. PERFEFF (questions 25 ad 26) focused on senior management reviewing performance and effectiveness of the supplier diversity program. MGMTSTRAT (questions 20-23) focused on senior management participation as board members, if a committee or taskforce existed, having a mission statement for supplier diversity and if supplier diversity is incorporated in the organization's mission statement.

Model 3 (see Table 3.26) shows that for every minority (MASM) and woman added to senior management (WASM), for a woman managing the program, and having a SAP, the log (odds) of the program improving decreases by -.126, -1.5664, -.711, and -2.605 respectively. Looking at the B parameters, a 1- unit increase in (MASM), the odds of the program improving increase by -.11%. The model has a Nagelkerke R Square of .277, or the independent variables explain 27.7% of the variance in Improve. The results also show chi-square or -2 Log likelihood of 39.009 and 4 df. Testing the contribution of the independent variable, SAP to the model shows a Wald of 4.030, followed by WASM with 2.551. Of all the independent variables analyzed, only SAP was significant (.045) in accounting for any variation in the dependent variable, Improve.

Table 3.26 Model 3 – Additions to Senior Management

Model 3	B	S.E.	Wald	df	Sig.	Exp(B)
Constant	1.366	1.377	.984	1	.321	3.920
MASM	-.126	.901	.019	1	.889	.882
WASM	-1.566	.981	2.551	1	.110	.209
Woman	-.711	.933	.580	1	.446	.491
Set Aside Program	-2.605	1.298	4.030	1	.045*	.074
Nagelkerke R Square	.277					
-2 Log likelihood	39.009					

Note: Dependent Variable: Log Odds of Improve; Level of Significance: *p <.10

Concluding the binary logistics analysis, Model 2 results show that adding a woman (WASM) to senior management supports the hypothesis that a diverse senior management impacts and can improve the supplier diversity program classification. A set aside program (SAP) also impacts the supplier diversity program and improves the classification level. Both are significant when MGMTSTRAT (questions 20, 21, 22, and 23) is excluded from the model, WASM at .094 and SAP at .042.

What If Scenarios

Next, tests were conducted on a series of ‘what if’ questions to further support if adding a woman to senior management and having a set aside program improves the supplier diversity program level. Reference Table 3.28 for the independent variables used in Table 3.30. Descriptive statistics provided the Mean (1.1778) and Standard Deviation (.71633) for PERFEFF. The “Z” was calculated and provides an estimate of the probability overtime that the supplier diversity program improved. Different scenarios (10) were tested to calculate the probability of the program improving. Given the characteristics of the organization, the probability, over the eight year time period that the supplier diversity program improved was tested. The best results, three out of ten, are shown in Table 3.27.

Model 1:

$$Z = 1.113 \text{ (constant)} + .374 \text{ PERFEFF (1.1778 -.71633) (MEAN -1 S.D.)} -2.675 \text{ SAP} - .905 \text{ WOMAN} - 1.694 \text{ WASM} - .078 \text{ (0) MASM} = -3.9884.$$

Model 2:

$$Z = 1.113 \text{ (constant)} + .374 \text{ PERFEFF (1.1778 +.71633) (MEAN +1 S.D.)} -2.675 \text{ SAP} - .905 \text{ WOMAN} - 1.694 \text{ (0) WASM} - .078 \text{ (1) MASM} = -0.6499.$$

Model 3:

Z = 1.113 (constant) + .374 PERFEFF (1.1778) -2.675 (0) SAP –.905 WOMAN – 1.694
 WASM - .078 MASM = -1.1235.

Table 3.27 “What if” Scenarios – Probability of Supplier Diversity Program Improvement

Model	1	2	3
WASM	1.694	0	1.694
MASM	0	.078	.078
Woman	.905	.905	.905
Set Aside Program	2.675	2.675	0
Perfeff	.17259*	1.8941**	.4405***
Probability	.982	.343	.245

Dependent Variable: IMPROVE; *PERFEFF .374 - 1 SD;
 PERFEFF .374 + 1 SD; *PERFEFF .374 + Mean only

After reviewing the results of the three models, it appears the best ‘what if’ scenario results are shown in model one and support the results of prior analyses that adding a woman to senior management improves the supplier diversity program level. A low to average result for PERFEFF minus one standard deviation resulted in the probability of 98.2% that the supplier diversity program would improve in model 2 (see Table 3.27).

In conclusion, the hypothesis that management diversity does not impact supplier diversity program advancement to higher program levels can be rejected. The addition of a woman to senior management was found to contribute to the improvement of the supplier diversity program level. In general, the results suggest that there is a relationship between a diverse senior management and program classification level. It was also hypothesized that there is no difference in the impact between a part-time

versus full-time supplier diversity professional. The results (see Table 3.5 and Table 3.6) also indicate that a part-time position is more highly associated with world class program classification.

CHAPTER 4

CONCLUSION

4.1 Summary of Initial Findings

This research reveals that having a woman in senior management is a predictor of program classification level. Moreover, the study results show that there is a relationship between management diversity and supplier diversity program classification level when a woman is added to senior management and when a set aside program is present (see Tables 3.24, 3.25 and 3.26). Generally, a diverse senior management structure does encourage a higher classification.

The results also revealed an inverse relationship between full-time versus part-time supplier diversity professionals, and their supplier diversity program classification levels. A number of part-time supplier diversity professionals were managing world class programs. A caveat here is that only five respondents at the world class level were identified as part-time supplier diversity professionals. Hence, this finding is statistically insignificant. Since full-time supplier diversity professionals were managing mainly traditional and advanced level programs, it would appear that when a program has reached world class level, efforts to maintain this classification may only require a part-time person.

4.2 Other Findings

The study also provided interesting demographics about the supplier diversity professionals including the primary race and gender of those individuals added to senior management ranks. Insights into the relationships between independent variables were

also discovered. Supplier diversity professionals reported that there are more women, 65% managing supplier diversity programs than males, at 34%. Respondents also reported that during the period 2000 to 2008 more women, 80% were added to their senior management ranks compared to males (19%) and foreign born persons (48%). Also, more minorities, 67% were added to senior management. These findings may be an indication that the glass ceiling traditionally limiting the progression of minorities and women into the upper echelons of corporations has been broken by increased diversity initiatives within the organization. Moreover, a whopping 89% of the respondents have a supplier diversity mission statement for their programs.

The survey also revealed that most supplier diversity professionals, 70% report to the purchasing department. This reporting structure provides the supplier diversity professional with access to purchasing professionals so that they can be involved in sourcing strategies and supplier selection. The opportunities to introduce diverse suppliers to the purchasing staff are greater with this reporting hierarchy. Respondents advised that 82% percent of senior management are involved in supplier diversity activities inside their companies. Not as many, (63%) are involved in supplier diversity activities outside of the company, which follows along the pattern of involvement in external supplier diversity activities. Many corporations are doing just enough to get by and have failed to see the strategic value of minority supplier development (Moore, 1996). More than half, 64% of senior management advocates supplier diversity externally. Those participating on external diversity boards, when coupled with other similar questions about management strategy (MGMTSTRAT), resulted in a high probability (46%) of program improvement.

Senior management does appear to be significantly involved in internal supplier diversity activities. This was reflected in results showing advocating supplier diversity

internally at 86%, and reviewing annual performance of the supplier diversity program at 83%. The low percentage of senior managers, 38% being diversity trained annually coupled with the fact that only 47% responded that supplier diversity is incorporated into the organization's mission or vision statement seems to indicate that some companies are not actively pursuing a higher program classification. Despite the increased visibility, the major challenge to their success is whether senior management regards supplier diversity as simply a tactical program, or embraces it as a strategic issue (Moore, 1996).

4.3 Policy Recommendations

4.3.1 Policy Implementation

As noted earlier, there has been a notable absence of research to address policy and research questions about the positive or negative effects of management diversity on supplier diversity program classifications. Supplier diversity program implementations have not been uniform across corporations. Some corporations have adopted the bare minimum of a basic program, others achieved world class and still others are striving to enhance their traditional and advanced processes to a world class level. This picture falls short of the intent of Federal policy to establish supplier diversity programs where diverse suppliers have an opportunity to compete with clear identification of how to achieve the goals of the program (Chan, 2005).

At the Federal level, policy should require inclusion or addition of set aside programs for commodity areas that are identified as opportunities to increase diverse suppliers. As the data has shown, set aside programs showed significance in elevating the supplier diversity program classification level.

Policies that hold the promise of equity and justice should be the constant goal. Conflict theory can provide a framework for challenging structures that maintain an unjust

system. As corporations work toward these goals, it is important to offer opportunities for individuals to be full participants in the benefits of society. Supplier diversity programs present a major venue in which economic opportunities become available to diverse suppliers.

If senior management is not trained regularly on supplier diversity, they cannot truly be knowledgeable about government requirements, new mandates, changes and updates. Internal exposure in meetings and events does not typically provide the level of detail required for knowledgeable participation. Managers need to know about, and understand policy before it can affect their actions (Chan, 2005).

Policy implementation is the least well-developed and least understood of the policy phases (Brewer, 1974). Pressman and Wildavsky (1973) suggest that if relevant actors in policy implementation are not aware of the complexities of implementing policy and if there were no mechanisms in place through which implementation can be monitored and evaluated, then policies will not achieve their desired outcomes. The determinant factor here is the charge given to administrative boards or agencies to implement policy. Often times during implementation, interpretation allows for policy to change from its adoption to its implementation. Policy implementation requires an engaged process (Gonczi and Hager 1998), where the “structural, cultural, administrative, ideological and personal elements of the system into which policy is introduced ” (Taylor et al. 1997, p. 172) is taken into account.

Based on the findings of this study, policy recommendations for The Veterans Administration and the U.S. Small Business Administration should include the adoption of a classification system, perhaps the system created by Moore, 1996. Prime contractors should lobby for a national database of supplier diversity program classification so that

benchmarking and networking are enabled and thus possibly elevate programs that lack senior management support.

Furthermore, understanding the characteristics of supplier diversity professionals that succeeded in achieving world class processes can also help researchers to generalize from a larger universe of supplier diversity professionals, and possibly assist in improving the program classification levels for others.

Other factors such as diversity in the upper echelons of corporations may have a major effect on elevating supplier diversity program classification. Additionally, any annual changes should be included in the classification level of the program for each year of existence since its beginning. And finally, the Federal Acquisition Regulation (FAR) should be revised to mandate annual training for senior management staff so that they are knowledgeable about policy changes and the impact on their supplier diversity programs.

4.3.2 Policy Evaluation

Formal evaluation involves the use of a sophisticated statistical analysis. Informal evaluation involves feedback from the people impacted by the policy. Alice Rivlin (1971) stresses the importance of the evaluation process as it ensures government accountability. The evaluation phase considers who, what, when, where, why, how, how many, and how much. These questions should be asked and answered by non-governmental participants, such as third-party evaluators and university scholars specializing in policy evaluation (Anderson, 2003). Unfortunately, the Federal government ceased biennial evaluation audits of supplier diversity programs in 2005 due to lack of resources.

4.3.3 Limitations of the Study

There are a number of limitations to this study that need to be kept in mind while evaluating its results.

This study is limited to supplier diversity professionals that manage supplier diversity programs, it focuses on those programs for the years 2000 through 2008. The findings of the study limit the ability to generalize to other settings. The supplier diversity professional's responses are the only responses considered for this research.

The small number of participants and low rate response for part time supplier diversity professionals is also a limiting factor. The survey instrument was emailed to 147 supplier diversity professionals. A total of 76 responded to the survey. Nearly half did not respond to all the questions, so much of the analysis includes only 38 respondents. Further, only 5 respondents indicated they were part time.

Another limiting factor is that there is currently no mechanism to measure or evaluate policy implementation success since a nationwide database of supplier diversity programs does not exist for review and comparison.

4.4 Future Research

This research revealed that management diversity and having a set aside program are predictors of supplier diversity program classification. The quantitative findings support the positive relationship between diverse senior management, a set aside program and the improvement in supplier diversity program classifications.

More research on the implementation phase of supplier diversity programs is needed for public policy literature. The results that demonstrate that having a set aside program was statistically significant suggest that more research is needed on incentives to prime contractors to create such programs. Additionally, more research is needed on

evaluating what parameters determine successful implementation and on the effectiveness of Federal instructions to new supplier diversity professionals. Given budget cuts and lack of personnel at the Federal government level to audit programs and give direction, supplier diversity programs continue to be managed at the discretion of supplier diversity professionals and their managers. External knowledge of supplier diversity program classification levels continues to be shared only by word of mouth between supplier diversity professionals.

4.5 Conclusion

This study revealed that there are statistically significant relationships between management diversity and supplier diversity program classification. When a woman is added to senior management, when organizations measure the effectiveness of the supplier diversity program objectives and when senior management is directly involved in reviewing the annual performance of the supplier diversity program, the probability of the program improving is enhanced.

Moreover, women in senior management and set aside programs increased the probability of the supplier diversity program improving. There was a significant positive correlation between management diversity, a set aside program and supplier diversity program classification level.

The study also demonstrated an inverse relationship between being a full-time or part-time supplier diversity professional and supplier diversity program classification. However, there are more part time supplier diversity professionals managing world class supplier diversity processes than expected. The respondents indicated a full-time supplier diversity professional is not required to manage world class processes. The empirical evidence produced by the methods used in this study appears to support the

research that a diverse senior management positively influences supplier diversity program level classification.

In summary, this study demonstrated that a diverse senior management structure, the addition of women to senior management, and a set aside program can positively impact supplier diversity program classifications. It also provides recommendations to enhance future research for the benefit of policymakers, senior management and those managing supplier diversity programs.

APPENDIX A

DISTRIBUTION OF INDUSTRIES

Industry Responses	Firm	Industry	Firm
Advertising (1)	Interpublic	Healthcare (6)	Heart
Aerospace/Defense (4)	Aviall		BaylorHealth
	IBSA		ERAC
	Raytheon		ANRITSU
	Bell Helicopter		WellPoint
	Textron		McKesson
Airline (1)	Delta*		
Automotive (2)	Ford*	Hospital (1)	TriadHospital
	Volvo*		
Bank (3)	Comerica	Hotel (1)	Hilton*
	Saatchi		
	Citi*	Industrial Supply (1)	Parker
	BB&T*		
Broadcasting (1)	Belo	Manufacturing (1)	BerryPlastics
Construction (5)	Ensafe		
	Earthtech	Medical (2)	Covidien
	Austin Industries		GYRUSACMI
	UCB Group		
	Airliquide	Oil & Gas (3)	WNCO
Education (10)	TTU		Delerefining
	TAMU		Kiewit
	UTA	Pharmaceutical (22)	Merck*
	DallasISD*		BMS
	DCCCD*		Wyeth
	UTSouthwestern		AstraZeneca*
Electronics (2)	Samsung		Gene
	Sanmina		Roche*
Engineering (1)	Freese		GSK
Environmental (1)	Safety-Kleen*		Healthpoint
Financial (1)	CSC		BBN*
Food (3)	Brinker		Pfizer* 86K
	Nestle		Sanofi-Aventis*
	Sodexo		Abbott*
Gas (3)	Shell*		Schering-Plough*
	Chevron		Sepracor
Government (10)	USPS*		Biogenidec
	Lockheed Martin		Novartis*
	FTW gov*		Amgen*
	Sandoz		Galderma
	Dallas City Hall*		Watson
	AAFES		Gilead
	TarrantCounty*		Boehinger-Ingelheim*
			Eli Lilly*

Industry	Firm	Industry	Firm
Printing (3)	FedExkinkos	Technology cont'd	Nortel Networks
	Richo		AT&T*
Publishing (1)	IDEARC		Cisco
Retail (9)	JCPenney*		Bosch*
	Frito-Lay		SAS
	OfficeDepot*		IBM*
	HomeDepot	Transportation (6)	Kalytx
	Macys		BNSF*
	Nike		UPS
	Pepco		DFWAirport*
Staffing (1)	WNCO		Dart*
Technology (13)	Sprint*	Travel (1)	Sabre Holdings
	EDS	Utilities (3)	CenterpointEnergy*
	Earthlink*		Excelenergy
	I-3 com		TXU
	Nokia	Other (2)	UP.com
	Texas Instruments*		Na.ko.com
	Unisys*		il@pg.com*

APPENDIX B

SUPPLIER DIVERSITY SURVEY

Informed Consent

Researcher: Marilyn King

The Relationship Between Management Diversity and Supplier Diversity Program Development: A Supplier Diversity Professional Perspective

Duration
20 minutes

Possible Benefits

There are no direct benefits of your participation. Indirect benefits include improving knowledge about supplier diversity program development.

There are no identified possible risks and/or discomforts and no financial costs with your involvement and participation in this research.

Confidentiality

Every attempt will be made to see that your responses to this study are kept confidential. Neither IP nor e-mail addresses will be collected or saved with the responses. A copy of the records from this study will be stored in a locked file cabinet in room 530 of University Hall on the University of Texas at Arlington campus for at least three (3) years after the end of this research. The results of this study may be published and/or presented at meetings without naming you as a subject. Although your rights and privacy will be maintained, the UTA IRB and personnel particular to this research (individual or department) have access to the study records. Your records will be kept completely confidential according to current legal requirements. They will not be revealed unless required by law, or as noted above.

Voluntary Participation

Participation in this study is voluntary.

Electronic Signature

By clicking yes, you are consenting to voluntarily participate in this survey. You confirm that you have read or had this document read to you. You have been and will continue to be given the chance to ask questions and to discuss your participation with the researcher.

You will automatically be prompted to page one of the survey. Thank you in advance for your time and participation.

By clicking no, you are choosing to decline participating in this voluntary survey.

YES

NO

(If NO is selected, you will be automatically directed to the end of this survey)

1. Do you manage a Supplier Diversity Program/Small Business Subcontracting plan?

Yes

No

2. Has your Supplier Diversity Program been in existence since the year 2000?

Yes

No – discontinue this survey

3. During the years 2000 through 2008, were any minority persons added to your senior management staff? (Minority = African-American, Hispanic, Mexican, Asian, Indian, or non-Caucasian)?

Yes

No

4. During the years 2000 through 2008, were any women added to your senior management staff?

Yes

No

5. During the years 2000 through 2008, were any foreign born (Asian, Indian, Chinese persons) added to your senior management staff?

Yes

No

6. Is your position a

Full-time position?

Part-time position?

7. Are you a woman?

Yes

No

8. Are you a minority (African-American, Hispanic, Mexican, Asian, Indian, or non-Caucasian)?

Yes

No

9. Do you have a set aside program or budget designated for supplier diversity management?

- Yes
 No

10. Based on the definitions below, how would you classify your supplier diversity program (year 2000) **before** a minority/woman/foreign person(s) was added to your senior management staff? (Check One)

A token supplier diversity program typically features no tracking of achievements, little if any outreach, low attendance at trade fairs, little if any program materials, and no budget. There is usually a contact person to answer calls and open the mail (Level 1).

A basic program is compliance driven and includes a subcontracting plan administered by a coordinator, who has limited attendance or participation at trade fairs. A program brochure has been published and is available for distribution at external events (Level 2).

A traditional supplier diversity program features local and national membership in the National Minority Supplier Development Council and a visible program manager, but it is limited by little or no senior management interest, limited program tracking, outreach and few opportunities in professional services. Moreover, such programs are not included in the re-engineering process and are outside of the company's core corporate strategy (Level 3).

An advanced supplier diversity process includes company membership at the local and national levels of the National Minority Supplier Development Council. The company CEO and/or senior management is involved in the internal and external process so there is realistic resource development, periodic training to buyers and key managers, and basic second tier tracking. A strategic communications plan exists, innovative supplier development initiatives have been documented, supplier diversity has been integrated with marketing and sales, and a process exists involving all business units (Level 4).

A world-class supplier diversity process is integrated with other key corporate processes, has senior management leadership, and is tied to annual performance objectives, advanced program tracking and measurement. This process focuses on mission-critical primary supplier development, a productive second tier program, superior communications, a marketing strategy, and contributions to market share. The organization has developed cross-functional process improvement teams to address the supplier diversity process (Level 5).

11. Does your senior management, publicly and repeatedly advocate supplier diversity both inside and outside of your organization?

- Yes
 No

12. Do you report to the procurement/purchasing section of your organization?
 Yes
 No
13. Do you report to the finance section of your organization?
 Yes
 No
14. Do members of your senior management get involved in supplier diversity activities inside the company?
 Yes
 No
15. Are members of your senior management involved in supplier diversity activities outside the company?
 Yes
 No
16. Do members of your senior management host and/or participate in supplier diversity related events/meetings?
 Yes
 No
17. Is annual diversity training **required** of all senior management personnel?
 Yes
 No
18. Do you have one or more senior management representatives advocating supplier diversity internally?
 Yes
 No
19. Do you have one or more senior management representatives advocating supplier diversity externally?
 Yes
 No
20. Is supplier diversity incorporated into your organization's mission or vision statement?
 Yes
 No
21. Do you specifically have a mission or vision statement for supplier diversity?
 Yes
 No

22. Are there senior management members participating in any supplier diversity efforts for your organization as board members?

- Yes
- No

23. Do you have a committee, council or taskforce in place to address supplier diversity issues?

- Yes
- No

24. Is the achievement of supplier diversity goals tied to senior management's annual evaluation for performance and compensation?

- Yes
- No

25. Do you measure performance to assess effectiveness of your supplier diversity program in achieving stated objectives?

- Yes
- No

26. Do members of your senior management ranks review the performance/effectiveness of your supplier diversity program annually?

- Yes
- No

27. Are you at ease communicating to members of your senior management staff about supplier diversity?

- Yes
- No

28. If you had diversity (minority and/or woman) in your senior management ranks, would you be able to move your supplier diversity program to the next supplier diversity classification level as shown in question #10?

- Yes
- No

29. Does your senior management advocate for a supplier diversity program level higher than your current program level?

- Yes
- No

30. Given the same definitions as above (question #10), how would you classify your supplier diversity program today?

- | Token | Basic | Traditional | Advanced | World-Class |
|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <input type="checkbox"/> Yes |
| <input type="checkbox"/> No |

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BIOGRAPHICAL INFORMATION

Marilyn Louise King is a native of Cleveland, Ohio where she earned her BSBA degree in Procurement and Materials Management/Administrative Management from Bowling Green State University. She spent eight years working in various positions in Materials Management until she earned her Masters degree in Business Administration by attending evening classes at Baldwin-Wallace College. She has worked in the pharmaceutical industry for seventeen years in areas of Procurement and Materials Management as a Buyer, Sr. Purchasing Agent, Purchasing Manager and Supplier Diversity Manager. She spent approximately ten years working as a Supplier Diversity Manager. Her passion for small businesses was demonstrated as the recipient of numerous internal and external awards and recognition for her efforts. Complying with government requirements combined with her interest to further her education about the U.S. government motivated her to pursue her Ph.D. in Urban and Public Administration at the University of Texas at Arlington. Marilyn currently plans to remain in the private sector with future plans to teach at the University level.