

Supplier Diversity at ExxonMobil

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BACKGROUND

Having started my graduate career at Exxon (as it was then, before the merger with Mobil), and spent 13 years there including 6 in procurement, I was really looking forward to learning about what the *old firm* was up to in this area which I now work in as a consultant. I was not disappointed and my review led to some very useful findings for this case study. Probably the most important finding for organisations looking to develop their supplier diversity approach is that:

Different organisations must plot their own, individual paths to success with supplier diversity. Each must tailor its approach to match its particular infrastructure, culture and operating requirements. While there are some best practices, there is no one-size-fits-all solution.

I was reminded of this when I compared my review of ExxonMobil with that for the first case study, PepsiCo. And as I have witnessed in two of our supplier diversity consulting projects with other blue chip organisations in the last six months:

This principle extends to operations across different parts of the same organisation also, for example approaches in the USA versus the UK.

Therefore, it's important to explore and understand a variety of organisations' experiences, so please read on...

RECENT CONTRACT AWARDS

I reviewed five ExxonMobil contracting relationships with Ethnic Minority Business (EMB) suppliers. The values of these ranged mainly from mid-five figures to six figures sterling per annum, with one worth seven figures over a three year period.

FINDING EMB SUPPLIERS

This of course is a pre-requisite. For the reasons outlined later, it's relatively early days in the development of supplier diversity at ExxonMobil in the UK. Nevertheless I came across several examples of EMB suppliers sourced via both MSDUK and separately. Both suppliers and MSDUK consistently emphasised the organisation's sincerity and commitment in these endeavours, auguring well for significant future success in accessing and contracting with many more EMBs. It's worth

pointing out that without such an attitude, organisations stand little chance of success. In such scenarios, initiatives generally fail, becoming a drain on resources and morale and thereby creating the opposite effect, i.e. a *negative impact*.

WHAT MADE EXXONMOBIL SUCCESSFUL WITH THEIR SUPPLIER DIVERSITY EFFORTS

- A formal link and close working relationship with MSDUK. There is a genuine respect and business friendship between the organisations, as well as shared objectives. The resulting openness and transparency has led to the identification of an increasing number of contracting opportunities for EMBs registered on the MSDUK database. Ivan Kay, European Manufacturing Procurement Manager for ExxonMobil, is also a board member of MSDUK. To quote Supplier Diversity Champion and Procurement Associate Azra Brackovic, "we couldn't do this without MSDUK, they are a great link between us and the business".
- Creating a formal plan and holding regular reviews with MSDUK. The process was initiated with a trip to procurement headquarters in Prague by MSDUK's Director Mayank Shah to present to the buying team and develop with it a formal planning process. Now, every quarter, specific opportunities for EMBs are identified via MSDUK's EMB database; expiring contracts and spot order needs are reviewed by procurement and line personnel and discussed with MSDUK. Mayank describes it as "a well oiled machine", adding that this "systematic way of finding the right supplier has resulted in a greater success rate than others have achieved". For example, one project under development is a new service agreement consolidating some 100 low value orders currently delivered via around 70 suppliers. Potential EMB suppliers have been identified.
- An effective internal champion. As Mayank puts it, "Azra's, and her predecessor Clara's, approaches were very well planned and professional throughout".
- Running promotional campaigns targeted at internal business lines to showcase EMBs, once they had been vetted. This is a key initiative for 2010.

**SUPPLIER DIVERSITY AT
EXXONMOBIL**

- Participating in Meet the Buyer events, to get to know potential EMB suppliers. This also helps ExxonMobil to understand EMBs' development needs and develop its contributions, for example provision of mentoring, workshops to explain tendering pre-requisites and processes, good practice, contact points.
- Creating opportunities to get to know EMBs better, for example through contractor breakfast meetings.
- Supplier diversity is formally recognised and addressed in several of its global markets, for example the USA, Australia, China, UK/Europe. This helps it to be more easily accepted and embedded as part of business as usual than if it were unique to one region.

Learning across markets, for example :

- Supplier diversity personnel in the USA and Europe are in regular contact to share knowledge and experience. Critically, this dialogue should be used to help understand how approaches in different regions may need to differ in some respects, to reflect the differences in infrastructure, culture and local operating requirements mentioned above.
- UK/EMEA personnel attend annual supplier diversity summits in Houston, Texas. This also suggests significant management commitment given increasing pressure on internal budgets in these harsh economic times.
- The US Supplier Diversity manager visits the UK regularly.
- Setting targets but not quotas. Globally, ExxonMobil's target spend with diverse suppliers for 2010 is \$1bn, however there are no numerical targets for the UK. The success measure used by the UK is to gauge progress versus the action plan agreed with MSDUK.
- Maintaining contact with specific EMBs who are capable of providing goods and services for which there is not an immediate need. As Azra Brackowicz pointed out, sometimes the opportunity for a contract lags the identification of the ideal supplier. The organisation works hard to ensure that contact is maintained with promising suppliers pending opportunities to tender.
- Recognising the challenges of aligning global strategies with Supplier Diversity. For example, consolidation of contracts can preclude use of EMBs because of size or lack of demonstrable competency. In these scenarios alternative approaches may be more appropriate, such as promoting supplier diversity in Tier 2 and beyond via Tier 1 suppliers.

WHAT MADE THEIR EMB SUPPLIERS SUCCESSFUL

Having a systematic research process for targeting suitable prospects. For example at one of ExxonMobil's EMB suppliers Lynx DPM, their marketers actively seek out prospective client organisations that have diversity or supplier diversity policies in place. These are passed to their in-house telemarketing team for inclusion in their prospecting calls.

Staying close to MSDUK for example by consistently participating in Meet the Buyer and Meet the Supplier Events, sending in supplier profiles to post on their website.

Developing good working relationships. As Dee Patel, director at Lynx DPM puts it, "getting as much face time with buyers as possible, to grow trust and understanding of capabilities". From my own experience in procurement, the balance to be struck with this is to be proactive but not overbearing.

A prior track record with large organisations and high value contracts. Recognise that this increases the confidence of other large prospective clients like ExxonMobil regarding supplier capacity and competency. Put another way, the first win is usually the most difficult.

Listening and being flexible in their approach; not assuming what the client wants.

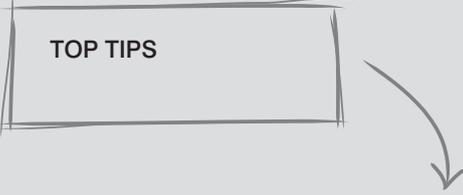
BENEFITS FOR EXXONMOBIL

- Cost savings through access to a *more diverse range* of suppliers.
- More commitment than some bigger or more established suppliers.
- More accommodating suppliers. For example faster delivery times.
- Less resistance to standard terms and conditions.

BENEFITS FOR THE SUPPLIERS

- Access to high value and prestigious contracts.
- Established a credential in a particular industry, to then market to others in the same industry.
- Opportunity to develop service offering to other high revenue potential or reputation enhancing clients.
- Access to genuinely interested organisations through MSDUK Meet the Buyer events, seemingly more so than with other MTB events.

TOP TIPS



For Buying Organisations:

- Avoid *one-size-fits-all* solutions. Recognise the importance of both global and local needs, and work out the correct balance between the two.
- Meaningful targets for achieving progress can be set without setting quotas.
- MSDUK offers a proven approach to successfully attracting good EMB suppliers, but do not overlook access to other opportunities through your other external and internal network contacts.
- Develop trust with suppliers. Suppliers to very large organisations can be fearful of revealing details of all spot contracts from different parts of the organisation because consolidation may lead to loss of business for them.

For EMB suppliers:

- Be honest and realistic about your capabilities.
- Recognise that existing contractual commitments may mean that opportunities are not immediate.
- Do not expect large value contracts overnight, be prepared to invest in your relationships with prospective clients and demonstrate your worth in order to gain significant sales.
- Remember that requests for information are just that, they do not guarantee invitations to tender later.
- Work on your relationships with prospective clients, and do not become a *high maintenance* supplier.
- If there is no current requirement or match for your offering, this does not necessarily mean there will be no future opportunities. It often pays to persevere - but don't be pushy!

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