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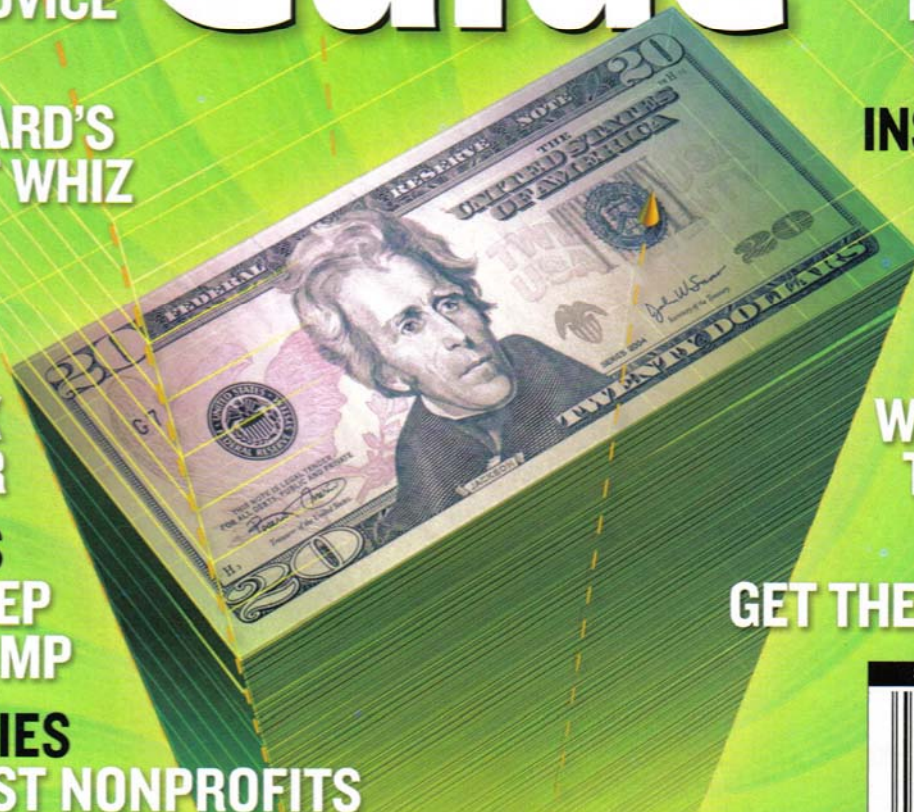
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# SUPPLIER DIVERSITY



The  
TOP

50

CORPORATIONS FOR  
MULTICULTURAL  
BUSINESS OPPORTUNITIES

## WHICH COMPANIES OFFER THE BEST OPPORTUNITIES FOR DIVERSITY-OWNED BUSINESSES?

Each year, DiversityBusiness.com, a leading multicultural business resource portal that links large organizational buyers and multicultural business owners, offers minority- and women-owned businesses and small-business owners the chance to vote for the companies they believe provide the best support to the diversity business community. The winning companies make the Div50, a listing of the top 50 corporate and organizational buyers of products and services from businesses owned by women, African-Americans, Hispanics, Asians, Native Americans and other minority groups.

"The Div50 award is the most prestigious honor a corporation can achieve," says Kenton Clarke, founder and chief executive officer of Computer Consulting Associates International Inc. (CCAii.com) of Southport, Conn., one of the country's most successful African-American-owned computer consulting and diversity specialist firms, which produces DiversityBusiness.com. "Nearly all other awards are produced by organizations where the winners are typically members or are major contributors. The Div50 list is totally independent."

Although effective supplier diversity programs vary from organization to organization, Clarke says that there are some best practices that Div50 companies typically follow that distinguish them from less-successful programs. Among these are:

- A written supplier diversity policy that commits the organization to multicultural procurement practices and establishes a system of accountability
- A supplier diversity policy that is visibly supported at the CEO level with clear senior management buy-in
- Clearly established supplier diversity goals at every level of the organization



# The Div50

## America's Top Organizations for Multicultural Business Opportunities

- |                                  |                                  |
|----------------------------------|----------------------------------|
| 1 Wal-Mart Stores                | 27 General Dynamics              |
| 2 Lockheed Martin                | 28 Procter & Gamble              |
| 3 United Parcel Service          | 29 Anheuser-Busch Companies      |
| 4 Dell Inc.                      | 30 Time Warner Inc.              |
| 5 IBM                            | 31 AT&T                          |
| 6 General Motors Corporation     | 32 Avon Products, Inc.           |
| 7 The Boeing Company             | 33 Delta Air Lines               |
| 8 Bank of America                | 34 DaimlerChrysler               |
| 9 Boise Cascade Office Products  | 35 Fannie Mae                    |
| 10 BellSouth                     | 36 Sprint                        |
| 11 American Express              | 37 Wells Fargo                   |
| 12 Northrop Grumman Corporation  | 38 Unisys                        |
| 13 Harley-Davidson               | 39 Ace Hardware                  |
| 14 SBC Communications            | 40 Pfizer Inc                    |
| 15 Ford Motor Company            | 41 Abbott Laboratories           |
| 16 Microsoft Corporation         | 42 McDonald's Corporation        |
| 17 Office Depot                  | 43 Cisco Systems                 |
| 18 Verizon                       | 43 Computer Sciences Corporation |
| 19 The Coca-Cola Company         | 44 The Walt Disney Company       |
| 19 PepsiCo                       | 45 Intel Corporation             |
| 20 Toyota Motor Corporation, USA | 45 Raytheon Company              |
| 21 Altria Group                  | 46 Bristol-Myers Squibb Company  |
| 22 General Electric              | 47 Cardinal Health               |
| 23 Johnson & Johnson             | 48 Major League Baseball         |
| 24 Hewlett-Packard               | 49 Pitney Bowes                  |
| 25 ExxonMobil                    | 49 Wachovia Corporation          |
| 26 Xerox Corporation             | 50 Sears, Roebuck and Co.        |

Source: DiversityBusiness.com

- Written procedures that specify actions all employees must take to ensure inclusion of diverse suppliers
- Company-wide responsibility for the program, which is not limited to the purchasing staff
- A genuine belief that supplier diversity is not a good deed, but good business.

"Diversity-owned businesses contribute over \$1.4 trillion in sales to the economy," Clarke says. "It is no longer just 'the right thing' to do business with diversity suppliers. Because of recent economic and demographic trends and changes, major corporations are realizing that having a diverse supplier list positively impacts their business."

### PROGRESS ENERGY A GROWING COMMITMENT TO SUPPLIER DIVERSITY

Progress Energy is a company with a well-deserved reputation for providing opportunities to minority-owned, women-owned and small businesses. Ask Tim Catlett, founder of Progressive Business Solutions, a Raleigh, N.C.-based company, which got its first order from Progress Energy in 1990. Although that order totaled just \$300, Catlett says his company is now doing "close to \$1 million in business" annually with Progress Energy, providing bill forms and document storage.

"A lot of people mistakenly think that minority- and women-owned suppliers cost us money," says Thomas Stith, Progress Energy's manager of supplier diversity and business development. "But minority firms often compete at a higher level than their counterparts." By bringing potential new suppliers to the table, he says, Progress Energy has actually increased competition, lowered costs, produced better service and boosted the local economy.

It is this relentless pursuit of excellence that has earned Progress Energy "Corporation of the Year" Awards from both the Florida Minority Supplier Development Council and its sister organization in the Carolinas. Progress Energy was created in December 2000 following the completion of Carolina Power and Light Company's (CP&L) acquisition of Florida Progress. Based in Raleigh, N.C., Progress Energy is a Fortune 250 diversified energy com-



pany with more than 24,000 megawatts of generation capacity, \$9 billion in annual revenues and approximately 2.9 million customers in North Carolina, South Carolina and Florida.

Progress Energy launched its supplier diversity program eight years ago and expanded the program in 2003 to reach into all corners of the company, including nontraditional areas. These efforts helped the company increase its diversity spending by 23%, exceeding its 2003 goal. So far this year, 9.6% of all purchases other than fuel have been from minority- and women-owned firms, putting Progress Energy well ahead of its stated annual goal.

Progress Energy's Supplier Diversity & Business Development program advances and increases the utilization of certified minority- and women-owned businesses through the purchase of products and services during the procurement process. The company's process for enhancing the program includes identifying, evaluating and encouraging participation by certified minority- and women-owned businesses in the bidding process, and supporting diversity efforts through outreach activities.

Progress Energy's supplier diversity team was involved in the selection of several diversity contractors to participate in the development of Two Progress Plaza, the company's mixed-use building project in downtown Raleigh. Many MWBE contractor services have been rendered, including hauling materials, grading the site, creating engineering designs and installing the structure's concrete framework. One of the contractors on the project was Barbara H. Mulkey Engineering, a civil engineering consulting firm with offices in Raleigh, Charlotte and Cary, N.C., and Columbia, S.C., and a Certified Women's Business Enterprise with the Women's Business Enterprise National Council. The company provided schematic site design, land surveying, construction drawings, utility coordination and construction administration.

"Embracing diversity in the communities we serve is a part of the Progress Energy culture and is vital to our continued business success," says Peter Scott, president and chief executive officer of Progress Energy Service Company. "We're proud of the achievements accomplished by our Supplier Diversity & Business Development program and all of our business units. And we'll continue to strengthen our supplier diversity efforts — it's just good business."

## BELLSOUTH BUILDS THE BUSINESS CASE FOR DIVERSITY

One of the true tests of a committed supplier diversity program is how well it performs in lean economic times, not just periods of growth. By that measure, BellSouth emerged from the 2000-2003 telecommunications downturn — the most severe and protracted the industry had ever experienced — as a true champion. Although shrinking revenues and cost reduction drove the company's overall procurement spending down by nearly half, the amount it spent with MWDVBs (Minority-, Woman- and Disabled Veteran-owned Business Enterprises) actually increased. Between 2000 and 2003, BellSouth spent over \$2 billion with MWDVBE suppliers, who saw their "market share" of the company's procurement budget increase by 82%, a compound annual growth rate of 22%.

BellSouth's commitment to supplier diversity is driven from the top by its Chairman and CEO, Duane Ackerman. Ackerman appointed a team of business unit executives to BellSouth's Supplier Diversity Advisory Council and charged them to raise awareness of supplier diversity across the company and promote new business opportunities for diversity suppliers.

"Prosperous communities help fuel the growth of the nation and the growth of our business," says Ackerman. "Entrepreneurship is one key avenue to greater prosperity, as it enriches local communities through job creation, training and investment. When we expand our business with minority- and woman-owned firms, we benefit not just them

and their communities, but ourselves as well. This is a long-term partnership that we believe in and will continue to build upon."

"BellSouth's success depends on fully engaging the diverse talents and perspectives of all who impact our business — employees, customers, the communities we serve and, not the least, suppliers," says Valencia Adams, BellSouth's chief diversity officer. "At BellSouth, supplier diversity is an integral part of our strategic approach to inclusion, and we have processes in place to ensure that we have the right policy framework to allow it to flourish."

"Diversity suppliers bring value to BellSouth in nearly every category of purchasing," says Tim Houghton, BellSouth vice president and chief procurement executive. "In 2003 alone,

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economy.**



our business with MWDVBs rose to \$541 million, a gain of 26% over 2002. MWDVBs' market share climbed even faster — up 39%. BellSouth also surpassed a five-year milestone goal from the 1999 SUPERCOMM Challenge to place 10% of our total procurement spending with diversity suppliers. Our progress underscores both the genuine value that our MWDVBE suppliers continue to deliver and the strength of BellSouth's commitment to sustaining and growing these important relationships."

BellSouth is also strongly committed to supplier development. According to Chris Tsai, executive director, Supply Chain Policy & Planning, "BellSouth supports MWDVBs through mentoring, executive education grants and workshops in relevant business topics."

BellSouth's record in supplier diversity is widely recognized and respected throughout its operating region, as evidenced by numerous 2004 honors from affiliate councils of the National Minority Supplier Development Council (NMSDC): Corporation of the Year in Florida, Alabama and Mississippi; Executive of the Year in Georgia, Alabama and Mississippi; and the prestigious Crystal Award in Georgia.

Deberah Stone, corporate supplier diversity manager, was recently honored by the NMSDC as its national MBE Coordinator of the Year. She praises BellSouth's company-wide support of supplier diversity, noting, "The combination of strong corporate leadership and integration with key business objectives is the foundation for sustainable progress."

For BellSouth, it's all a matter of good, smart business.

## BUILDING DIVERSITY INTO THE SUPPLY CHAIN AT THE HOME DEPOT

In recent years, executives at The Home Depot took a hard look at their customer base and emerging demographic trends and decided the world's largest home improvement specialty retailer and the second-largest retailer in the U.S. needed a more diverse base of suppliers that better reflected the emerging marketplace. The result is a bold, new supplier diversity program that aims to bring more qualified minority-owned, women-owned and small businesses into the fold.

"Our customer base is becoming more diverse all the time, and that presents many great opportunities," says K. Michelle Sourie Johnson, The Home Depot's director of supplier diversity. "For example, if you look at the power of women in buying decisions, particularly as they relate to the home, you'll find that women have influence over 70% of purchases. Or, if you look at the buying patterns and customer loyalty factors within minority groups, you'll discover that home improvement offers some amazing opportunities to create customers who will be with us for years to come."

The Home Depot formalized its supplier diversity program about 18 months ago and launched several new initiatives to embed diversity into the purchasing process.

"We have more than 300 individuals who procure an array of products and services, both for resale and non-resale," says Johnson, "so we are working with each of them, not only to promote the value of diverse suppliers, but also to understand their needs so we can match them with the right suppliers. And it's not just in traditional areas. When our treasurer, for example, needed new investment firms, she came to us and we helped her secure qualified diverse firms."

One of the largest investments Home Depot has made in its supplier diversity program, Johnson notes, is a state-of-the-art information system that allows qualified prospective suppliers to apply for contracts directly at the company's Web site ([www.homedepot.com/supplierdiversity](http://www.homedepot.com/supplierdiversity)) and to know that within 72 hours, information will be forwarded to the appropriate buyer for review. Buyers have 60 days to respond to all applications from prospective diverse suppliers or a report goes to their area vice president.

"In talking to suppliers, we discovered that their biggest challenge was knowing who to contact within a corporation in order to receive a timely response," Johnson says. "By building in a system of accountability, we have jumped ahead of many other diversity programs."

The Home Depot also has an extensive outreach program that goes well beyond simply attending trade shows and minority fairs. For example, the





company is involved in an advanced executive training program run by the Tuck School of Business at Dartmouth College and the Women's Business Enterprise National Council. The Home Depot is not only a cosponsor of the event but pays the tuition for several of its own suppliers. The company has a similar arrangement for minorities with the Kellogg School of Management at Northwestern University and the National Minority Supplier Development Council.

"We have made tremendous strides in a relatively short period of time," Johnson says. "Companies with much older programs are now benchmarking us. I think that's because we, as a company, at the highest levels, committed the resources we needed to make diversity a part of every buyer's job, and then built a responsive information system and accountability into the program."

### USPS PLANS FOR WORLD-CLASS SUPPLIER DIVERSITY PROGRAM

The U.S. Postal Service (USPS) is a government agency, but it is also an independent establishment of the executive branch of the U.S. government, mandated by law to provide universal service and operate like a business. While it is exempt from many of the laws that normally apply to government contracting, supplier diversity is a fundamental element of the USPS corporate strategy to remain competitive and profitable in the marketplace.

"We rely heavily on our small, minority-owned and woman-owned suppliers," says John E. Potter, chief executive officer and postmaster general. "These companies are agile, responsive and effective and make up the majority of firms in the U.S. Collectively, they drive growth in the American economy, and many use the Postal Service as their carrier of choice."

Over the past five years, contract commitments to minority-owned businesses averaged 4% of total purchases, or \$1.6 billion, while 6%, or \$2.5 billion, went to women-owned businesses and 42.9%, or \$17.8 billion, went to small businesses. Purchases are grouped into three major commodity areas: facilities; supplies, services and mail equipment; and transportation.

Modeled after private-sector programs, the USPS Supplier Diversity Corporate Plan aims to strengthen the organization's supplier base by identifying strong suppliers, helping them develop and providing them the opportunity to compete for USPS contracts.

"Under our new supply chain management philosophy, we are focusing more on contract administration, particularly in the area of

subcontracting, because we believe that there are significant savings to be had in that area," says Janice Williams-Hopkins, supplier diversity program manager. "We are also doing more supplier development, which we believe will allow more of our second-tier small, minority-owned and women-owned suppliers to grow into first-tier suppliers."

One success story in that area is M&A Technology, a minority-owned small business located in Carrollton, Tex., that sells computer systems and a wide range of networking products and services to education, government and corporate clients. For several years, the company was a second-tier supplier of computer hardware to the USPS through a mutual business partner, Siemens Dematic. In 2002, the USPS awarded M&A a competitive contract for a much larger contract, which moved it into the first-tier of suppliers. The company

came through, and this March, following a detailed collaborative proposal and requirements analysis by the USPS and M&A teams, it landed its second first-tier contract valued at \$25.8 million.

Williams-Hopkins points to other key elements of the plan that have energized the process. Training and development is especially important because USPS has roughly 1,000 contracting professionals and approximately 40,000 credit card buyers purchasing everything the organization needs for its daily operations. Just as important is a built-in system of accountability; all employees who generate a requirement, approve a purchase, commit postal funds, identify or select suppliers, or manage a supplier relationship must meet the supplier diversity objectives for all contracts and purchases as outlined in the plan.

"Our goal is to make the Postal Service a world-class leader in supplier diversity," says Keith Strange, USPS vice president of supply management. "Our corporate plan provides a clear path for reaching that goal."

### TOP MANAGEMENT DRIVES RAYTHEON'S SUPPLIER DIVERSITY PROGRAM

For diversity programs to work, experts agree that they must have the enthusiastic support of senior management. Few have been more supportive than Raytheon Company's Chairman and CEO, William H. Swanson, who in October received a Diversity Best Practices CEO Leadership Award at the Diversity and Women Leadership Summit & Gala in Washington, D.C. Louise

**Major corporations realize that having a diverse supplier list positively impacts their business.**



Fransesconi, president of Raytheon Missile Systems, also received an award at the summit for her achievements as a diversity leader.

"We look for strategic relationships in which our supplier partners will have the opportunity to grow with us," says Swanson, Raytheon's first executive diversity champion, who has led the \$18.1 billion company's diversity efforts. "We become a better and more competitive company by being inclusive and leveraging the diversity of our supplier base."

Raytheon's supplier diversity program is part of the company's strategic plan, with emphasis on training buyers to integrate diversity suppliers into their programs and preparing diversity suppliers to meet the company's needs and requirements. To build this network, Raytheon participates in mentor-protégé programs and other sourcing projects where the right suppliers can be identified and trained.

"For our supplier diversity program to work, we need a ready

population of suppliers that understand our needs and are prepared to meet our requirements," says Benita Fortner, director of Raytheon's Supplier Diversity Program. "There are no quick fixes. This is a long-term process, which is why Raytheon is working to fully integrate supplier diversity into all aspects of its operations."

One important key to success, Fortner says, is accountability. Buyers are assigned goals and are afforded incentives. Each Raytheon business has supplier diversity procurement goals. With a procurement budget of more than \$5 billion, the company expects to spend close to \$2 billion with small businesses. And within that, the minority supplier target is close to \$300 million.

## A DIVERSITY OF GREAT TECHNOLOGY AND SOLUTIONS STARTS WITH A DIVERSITY OF GREAT PEOPLE.



At Raytheon, an inclusive culture is one of the things we believe gives us a competitive advantage. By recognizing the uniqueness of individuals, empowering employees, and truly valuing their input, our company consistently performs beyond all expectations. It's a philosophy we'll always embrace. It's right for people, and it's right for business. To learn more about opportunities with Raytheon, visit [www.rayjobs.com](http://www.rayjobs.com)

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