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# **IMPLEMENTING SUPPLIER DIVERSITY IN THE UK: SDEM AS MINDFUL POLICY TRANSFER**

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**IMPLEMENTING SUPPLIER DIVERSITY IN THE UK:  
SDEM AS MINDFUL POLICY TRANSFER**

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## **ABSTRACT**

This paper draws on the policy transfer literature to examine a UK-based initiative to promote supplier diversity and provides insights to three areas neglected in current research. Namely: the dynamics of non-governmental policy transfer; the factors that mediate policy transfer in different jurisdictions; and the integration of research and practice in small business related policy transfer. To this end, an innovative action research approach is deployed with the dual purpose of effecting practical change and advancing knowledge. This comprises two phases: first, a realist analysis of the US National Minority Supplier Development Council (NMSDC), an exemplar intermediary, and second the implementation of a supplier diversity initiative modelled on NMSDC, referred to as 'Supplier Development East Midlands' (SDEM). The findings provide lessons for academics and practitioners.

**Key Words:** Policy transfer, supplier diversity, ethnic minority businesses

## INTRODUCTION

A lively and longstanding debate on the notion of ‘policy transfer’ is clearly apparent in the political science literature. The pioneering work of Dolowitz and Marsh (1996) has been extended (Dolowitz 2000; Radaelli 2000) and critiqued (James and Lodge 2003; Lodge 2003) in equal measure, generating a rich debate on the dynamics of policy-making in many UK policy arenas. Rarely have insights from such discussions been applied to the initiatives targeted at small and medium-sized enterprises (SMEs) in the UK. This is curious, not least because many UK policies and measures have their origins in other jurisdictions, particularly the US. The rush to emulate has not always been accompanied due reflection on appropriateness and efficacy; resulting, in the view of Gibb (2000) and Curran (2000), in shallowness, uninformed copying, and dismal failure. Through the medium of a US-inspired initiative established in the UK to assist ethnic minority businesses access supply chain opportunities in the corporate sector, this paper aims to add both theoretical reflection and empirical detail to the embryonic debate on policy transfer in an SME context.

For the purposes of this paper, supplier diversity is viewed as a process that aims to increase the number of ethnic minority-owned businesses that supply goods and services to the private sector either directly or part of a wider emphasis on small enterprises. The context for the initiative discussed here is the importance of business diversification for ethnic minority firms (or ‘break-out’, as the process has come to be known), which has been a recurring theme in the literature on EMBs (see Ram and Jones 1998 for review). This has been accompanied by growing policy interest in the role that procurement in the

public and private sector could play in the development of EMBs (see Ram and Smallbone 2002 for review of policy developments in respect of supplier diversity). Despite little UK (or European) research on engaging the corporate sector in supplier diversity initiatives, there has been much speculation about the value of emulating US practice in this sphere. Some (for example, Migration Policy Group 2002) see the role of a US-intermediary organization like the National Minority Supplier Diversity Council (NMSDC) as a useful model.

This paper deploys an action research approach with the explicit aim of fulfilling the dual purpose of effecting practical change and advancing knowledge of the dynamics of policy transfer. Consistent with this approach, the initiative reported on here is discussed in two phases. First, a ‘realist’ (cf Pawson and Tilley 1997) analysis of the exemplar organization, the US-based NMSDC, is presented. This assessment emphasizes the importance of relating initiatives to the particular context in which they operate; it views outcomes as the product of the interaction between their context and mechanism. This approach works with the grain of Gibb (2000) and Curran’s (2000) respective calls to accord due recognition to embeddedness considerations when examining the transfer of SME-related schemes.

The second phase involves in adaptation and implementation a similar programme, Supplier Development East Midlands (SDEM), in the UK. Of particular interest are the variations in context and subsequently in mechanism. These points are reflected upon in the conclusion. But the discussion begins with a brief assessment of the extant debates on policy transfer, and their relevance to this research.

## CONCEPTUALISING POLICY TRANSFER

In a much cited definition, Dolowitz and Marsh (1996, p. 344) suggest that policy transfer is a multidimensional concept involving ‘a process in which knowledge about policies, administrative arrangements, institutions, etc., in one time and/or place is used in the development of policies, administrative arrangements, and institutions in another time and/or place’. Within its ambit, it draws in cognate concepts such as ‘lesson drawing’ (Rose 1993), ‘policy learning’ (Haas 1992) ‘policy diffusion’ (Berry and Berry, 1999), ‘policy emulation’ (Bennett 1991) and ‘policy convergence’ (Coleman 1994). In Britain, the apparent influence of the US over domestic policies has formed much of the backdrop to the debate on policy transfer (Dolowitz and March 1996). Policies relating to climate control (Smith 2004), higher education (Smith *et al.* 2002), crime control (Jones and Newburn 2002), the labour market and social welfare reforms of the 1990s (Dolowitz 1998; Deacon 2000) resonate with their US counterparts. The propensity to ‘borrow from Uncle Sam’ is also discernible in UK SME policy pronouncements and initiatives. For example, the creation of the Small Business Service in 1999 was informed in part by the US Small Business Administration model. Likewise, Training and Enterprise Councils drew on the experiences of their counterparts in the US. Their demise perhaps indicates a lack of sufficient attention to the mediating influence of different contexts (Bennett 1997).

Dolowitz and Marsh (2000) maintain that relatively few studies tackle the transfer process directly, or with conceptual precision. The conceptual framework developed by Dolowitz and March (1996, 2000) is based on a number of key questions: ‘who transfers policy’, ‘why is policy transferred’, ‘what is transferred’, ‘from where are lessons drawn’

and ‘what factors constrain or facilitate change’. Their later formulation (Dolowitz and Marsh 2000) eschews a simplistic distinction between voluntary and coercive policy transfer, and conceptualizes such processes along a continuum, with lesson drawing operating in conditions of perfect information and rationality at one end (completely voluntary) and direct imposition on the other (completely coerced). Although their framework is useful as a heuristic device, and provides discipline and structure to a somewhat nebulous phenomenon, it has, nonetheless, been subject to considerable criticism (Evans and Davies 1999; Jones and Newburn 2002; James and Lodge 2003; Lodge 2003). The detail of these critiques need not be rehearsed here; but some key points are worth emphasizing, not least for their resonance with ‘policy transfer’ issues relating to SMEs. Evans and Davies (1999) suggest that the framework does not adequately address the interaction of structure and agency; whilst James and Lodge (2003, p. 179) suggest that the model is overly catholic in its attempt to ‘put a set of diverse and conflicting theories under a common framework, obscuring differences between them’. They argue that collapsing differing dimensions such as voluntarism and rationality on a single continuum obscures rather than elucidates different explanations of the policy transfer process. Associating ‘perfect rationality’ with ‘voluntary’ transfer is fallible, as the latter often involves ‘bounded rationality’.

Finally, a latent assumption of rationality seems to be present in much of the debate on policy transfer. Lodge (2003, p. 159) suggests that the literature ‘tends to be preoccupied with the degree to which policy-makers are aware of and are knowledgeable about potential policy lessons and the extent to which these experiences have been utilized in policy reforms’. The ‘logic of rationality’ implicit in this depiction stands in contrast to the ‘logic of appropriateness’ evident in more institutional approaches to policy-making

(Radaelli 2000; Jones and Newburn 2002; James and Lodge 2003; Lodge 2003). In the latter view, policy processes and outcomes are as much a product of chance action, unintended effects and unanticipated structural forces as they are a function of goal-directed, linear procedures (Jones and Newburn 2002). DiMaggio and Powell's (1991) concept of 'institutional isomorphism' carries much explanatory power in such accounts. Accordingly, organizations are engaged in a quest for political power and 'legitimacy' as much as resources and customers. Institutional mechanisms will play a key role in determining the appropriateness of an option and in facilitating adoption of particular policy processes or 'templates' (Lodge 2003, p. 162).

Curran (2000) and Gibb (2000) display an affinity with such arguments in their respective accounts of the poor record of SME policy initiatives that have been adopted in UK from other jurisdictions (particularly the US). They argue that policy makers and scholars neglect 'embeddedness' considerations relating to the transferred elements of programmes. Consequently, attempts to introduce programmes into environments where institutional arrangements are not favourable are unlikely to have the desired impact. Gibb (2000) identifies three major reasons contributing to a less than satisfactory transfer of institutions and programmes relating to SME policy. First, the programmes transferred may not themselves be particularly sustainable and/or may not be thought out in the originating country. Second, they may not fit the stage of development or 'need to know' of the importing country. Third, in today's Information Society, policy approaches of other countries are ever-visible. This may lead domestic policy makers to seek for guidance abroad and import 'legitimate templates' from countries they consider more advanced in a relevant arena, which are not readily transferable to their own context. In Gibb's view, 'the medium may more easily become the message!' (2000, p.201), without

much conceptual analysis and evaluation, in which case copying becomes a substitute for thinking. This leads to less than optimal results: as Dolowitz and Marsh (2000) assert, the outcome of policy transfer that is inappropriate, uninformed or incomplete is likely failure. In the same vein, Curran (2000, p. 213) is critical of 'the shallowness of small business research and policy thinking in relation to these phenomena'. Both Gibb and Curran bemoan the paucity of knowledge of small business researchers and policy makers in literatures on the cross-national transfer of a variety of concepts.

Related to this is the issue of non-governmental policy transfer, which is a relatively neglected dimension within extant debates (Stone 2000, p. 45). Focusing on the agents involved in the transfer process, Stone's study of the influence of independent policy institutes, or 'think tanks' is particularly instructive in this respect. Although think tanks cannot bring about direct policy transfer, their language and scholarly discourse can be deployed by others to promote preferred solutions. They can diffuse ideas in a number of ways, including: acting as a clearing-house for information; advocacy of ideas; involvement in domestic and transnational policy networks; providing expertise on specialized policy issues and acting as policy entrepreneurs (Stone 2000, p. 13). Despite limitations of the literature on policy networks (e.g. Thatcher 1998) the concept provides 'At a minimum...a useful descriptive device for mapping the key participants in the policy process and the relationships and interactions between them' (Jones and Newburn, 2002, p. 105). Smith *et al.* (2002) view social networks, often informal personal relationships and contacts, as instrumental in actor involvement and the dissemination of ideas. They argue that analysis of policy transfer and lesson drawing should consider the specific national political infrastructures, policy networks and ideologies that frame the actions of the policy actors. In this respect, it is not just the individual actors directly involved with

the diffusion of ideas that are important, but also institutions, political organizations and their interplay.

The overarching purpose of this paper is to enhance understanding of non-governmental programme transfer across jurisdictions by drawing on our action research on piloting SDEM in the UK. Identifying the role that key institutions, organizations and actors can play in this process and explicating the dominant logic underlying this enterprise will be explicated. In line with concerns on policy transfer expressed earlier, important aspects relating to ‘who transfers’, ‘what is transferred’, ‘why’, ‘from where are lessons drawn’ and ‘what factors constrain or facilitate change’ will be addressed. By doing so, we aim at bridging the gap between policy research and practice, particularly in the small business ambit where such knowledge is scant and practice appears deficient.

## **ACTION RESEARCH**

The initiative reported on here aims to tackle the problem of inadequate participation of EMBs in corporations supply chains by bringing about change, based on lessons drawn from the American NMSDC experience and to this effect we undertake action research. The latter is broadly considered as an interventionist approach to change and improvement that enables individuals, groups and organizations to use reflection on action on a problematic situation as a basis bringing about practical transformation and advancing knowledge (e.g. Reason and Bradbury 2001). Arguably, our endeavour resonates with the insider action research mode of enquiry (Coghlan 2001; Coghlan 2004; Coghlan and

Brannick 2005), where the researchers have a pre-understanding of the phenomena in question and are key actors in the processes under investigation.

Our action research programme is underpinned by a critical realist, theory-driven approach (Pawson and Tilley 1997; Pawson 2002 and Pawson 2003), encompassing two phases. The first relates to a realist analysis (Pawson 2003) of the context and mechanism of the NMSDC which, as mentioned earlier, is regarded as an exemplar intermediary, given its achievements in the last 30 years. After examining the key components of NMSDC's generative mechanism within the US context to determine 'what works, how and in what circumstances' we proceed to the second phase. This deals with the implementation of a demonstration supplier diversity programme, namely SDEM - drawing on the lessons learnt from scrutinizing NMSDC (ibid). We are in accord with Sanderson (2002, p. 14) who, commenting on the role of piloting of new programmes in contemporary complex policy systems, advocates a critical realist position in theory based evaluation of such programmes, and argues for an action research approach. The unit of analysis at both stages of our realist action research enterprise is the programme theory (Pawson 2003), i.e. how a given supplier diversity intermediary delivers certain outcomes, for whom, and in what context. In the second phase, there is a constant interplay between implementation and evaluation of SDEM.

### **Data collection and analysis**

The first phase of the research comprised a variety of activities. Initially, desk research on minority businesses in the US and the role that the NMSDC plays in facilitating their development was carried out. The researchers attended two NMSDC conferences (in 2002

and 2004) as part of study tours that involved interviews and discussions with policy advisers, civil servants, public officials, members of think tanks and academic experts with an interest in supplier diversity. Formal and Informal discussions with such actors proved useful in sensitizing us to key issues from multiple perspectives, corroborating information and enhancing our understanding of the model. These events helped us establish rapport with key NMSDC members, granting us access to a network of agents dealing with supplier diversity in the US. They included US government agencies dealing with business support, universities and multinationals, all concerned with supplier diversity from different standpoints.

Following a host of formal and informal interactions with NMSDC members, a focus group session with key informants was conducted. Specifically, the Director of International Programs, the Director of Development, the Membership Manager and the Certification Compliance Attorney of NMSDC were interviewed. The focus group provided the operation of the NMSDC, its strengths, and particular challenges. Personal interviews were then conducted with each NMSDC officer. This was augmented with personal interviews with five EMB owner-managers and with five supplier diversity specialists from three corporate members (all multinationals). From these encounters, the researchers secured a wide spectrum of views on issues relating to supplier diversity and the interaction between NMSDC, EMBs and corporations. Archival data from NMSDC relating to internal processes, as well documents produced by corporations on their supplier diversity programmes was also collected. In sum, the first phase gave rise to a conceptualization of what works, how and in what conditions (Pawson 2003), which guided data collection and analysis in the second phase.

In the second phase (which is ongoing), in implementing and concurrently evaluating SDEM, we keep a record of our correspondence, minutes of meetings and a diary of interactions with corporate and EMB participants. We monitor and record decisions taken by corporate members on future courses of action and examine documents submitted (which included, presentations material, reports on their progress, documents that refer to goals, and plans in respect of supplier diversity). We also use minutes, field notes and diaries to document significant aspects of our actions in our engagement with corporate and EMB participants. These are deemed as particularly valuable sources of data as they show how action is developed through reflection. We attempt to explicate how our perceptions change over time and show how meta-learning informs subsequent action (Coghlan and Brannick 2005). We also monitor and assess the interaction between corporate and EMB members during the course of the programme, by way of feedback questionnaires and face-to-face interviews, using a semi-structured guide, always tape recorded. Hence, beyond a mere narration of a series of events, in line with Coghlan (2004) our methods are designed to support 3 main activities:

- a) examining progress on SDEM as an interventionist, change project
- b) documenting cycles of action reflection
- c) focusing learning process on content, process and premise reflection

Central to both stages of our research is triangulation of sources, which is achieved by juxtaposing the accounts of various key informants. This is crucial to understand how supplier diversity initiatives work and uncover any negative information (Jones and Newburn 2002; Dolowitz 2003). Feedback from the original informants is assessed, and analysis and interpretation of data is carried out by four investigators in order to establish a chain of evidence and to cross-validate claims. This is conducive to a reflexive approach

which understanding of ‘how research outcomes can be justified as representative of the situation in which they were generated and have claims to generality’ (Huxham and Vangen 2003, p. 399). Every effort is made to provide an ‘audit trail’ and attend to the quality criteria suggested by Eden and Huxham (1996, 2002). The longitudinal dimension of the second phase provides an opportunity to build substantive theory of change. Specifically, the theory emerges by examining the role of context in shaping the mechanism of supplier diversity intermediaries required to produce desirable outcomes, as the implementation of SDEM unfolds.

### **First phase: A realist analysis of the NMSDC**

The NMSDC’s ‘outcomes’ in terms of the facilitation of supply chain opportunities for EMBs render it an ideal ‘exemplar’ case. It is the largest US business membership organization, chartered in 1972 to provide increased procurement and business opportunities for minority businesses. It has played a pivotal role in bringing together some of the largest private and public sector organizations and minority enterprises. At present, the NMSDC’s network of 39 affiliates matches more than 15,000 certified minority-owned businesses with 3,500 corporate members in various economic sectors. The amount of purchases by NMSDC corporate members from minority businesses has grown from an estimated \$86 million in 1972 to \$72 billion in 2003. Before examining the ‘mechanism’ of the NMSDC in further detail, it is necessary to consider the context within which it operates. Key to this context is the public policy tradition in the US and the pace of demographic change. The origins of many supplier diversity programmes within US companies can be attributed to US public procurement legislation, with the

government playing an active role in shaping opportunities for minority entrepreneurs (Boston 1999). Indeed, one of our own corporate respondents claimed that

if federal government didn't have the program most of minority businesses would have found it difficult to survive...and don't forget we all started doing this because of affirmative programs.

Government programmes targeting minority-owned businesses have been in operation for over four decades (Ram and Smallbone 2003). For some, the U.S federal government's efforts to increase minority business participation in public-sector procurement have reduced discriminatory barriers by expanding market access for historically excluded minority businesses (Bates 1997; Boston 1999). Despite a recent retreat from preferential policies by state and local governments (See Shah and Ram Forthcoming for review), it remains the case that 'Corporate procurement programs, the influence of the NMSDC, and government preferential procurement policies have contributed to the weakening of old-boy networks' (Bates 2001, p. 45). The enduring influence of procurement initiatives was remarked upon by another corporate respondent,

because we are a B2B company, there is a great amount of pressure from our customers who are mainly federal government agencies or banks etc., to meet the sub-contracting threshold, so it then becomes easy for us to convince top management that we need to have MBEs [In the US the term for EMB is Minority Business Enterprise (MBE)].

In addition to a supportive legislative framework, the US is undergoing a demographic transformation. Minorities, who now represent approximately 26 per cent of the US population, are expected to represent nearly 50 per cent by 2050 (MBDA 1999). This, along with increased purchasing power and a buoyant consumer trend render minority communities appealing markets for corporate America. The increasing significance of minority-owned business is also noteworthy. Rapid numerical expansion in the last decade (168 per cent) has occurred in tandem with an even higher increase in revenue (343 per cent after controlling for inflation) during this period (SBA 2000).

For many of our respondents, these demographic developments provided the basis of a 'business case' for supplier diversity. As the NMSDC Director of International Programs asserted,

...corporations are not coming in to reduce social and racial tension which was the earlier case but now it is purely a business proposition...it's all about demography...

Similar views were also expressed by the EMB owner-managers interviewed, as one commented,

...the driver behind SD is the changing demographics – customers have started asking question to these corporations as to what reflects their supplier base.

Turning now to the mechanism – the NMSDC itself – a key function, or in realist terms, ‘ingredient’, is the engagement of corporations as members. This is not a straightforward process, since steps have to be taken to ensure that potential candidates are genuinely committed to supplier diversity. As one of the NMSDC respondents explained,

Because the people who call for membership are not necessarily the ones you want, we do research on corporations who want to become member of NMSDC. They should have the top management’s commitment towards supplier ...I look at Companies that have a sales of more than a million, have good training and mentoring program and have good MBEs as their suppliers; then they can be considered for NMSDC membership

The NMSDC also handles and disseminates information about its corporate members. Information about the type of business, products etc., are gathered, and corporations are grouped according to industry or sector. Procurement executives of companies in the same industry sector meet to share information about their supplier diversity programme, their achievements and their key minority suppliers.

Importantly, the NMSDC’s role is to facilitate the process; it does not dictate the agenda or impose targets on participant corporations:

we don’t tell them what to do we just act as a mediator and moderator- when they sit across the table they share information about their top vendors - they talk and share information about how they select them, how they monitor them – it’s really

remarkable but when it comes to supplier diversity they seem to understand the business case; there seems to be one mind-set.

Formal and informal discussions with supplier diversity executives of large US corporations that we met corroborated this observation. They shared their experiences of NMSDC, highlighting the importance of membership, as well as their achievements in supplier diversity terms. It has to be noted that this is a salient feature of NMSDC's mechanism, as it animates supply diversity at a macro level, creating 'industry recipes' that foster supplier diversity.

The second key ingredient of the NMSDC mechanism is the process of 'certification'. By certifying EMBs, the NMSDC aims to identify '*quality*' businesses and avoid abuse of the organization by 'front' companies. Certification provides EMBs with '*credibility*' in establishing openings with large firms. However, it is important to understand that certification by NMSDC does not guarantee any business for an EMB. In fact, our respondent explained,

The certification doesn't guarantee business for MBEs, but it opens the door for MBEs to large corporations. But after that it's an open field; they have to be competitive and provide quality goods ... What we suggest to MBEs is that they have the certification and use it where they think its going to help you when they approach the large corporation.

The database of certified EMBs is key resource in tackling the perennial problem for corporations of finding minority businesses that are competitive and reliable suppliers

(Pearson *et al.* 1993). Only established businesses are eligible for inclusion. Moreover, 'MBEs active in the NMSDC disproportionately compose the emerging lines of minority firms operating in fields such as manufacturing, wholesaling, and business services' (Bates 2001, p. 44).

The final key ingredient of NMSDC's mechanism is the organizing of business opportunity fairs which allows minority entrepreneurs to present themselves to a large number of prospective buyers in a short time. NMSDC gives emphasis on these events, which are regarded as 'invaluable'. EMB participants express the same sentiment:

It's all about meeting people, getting the right contacts – the events don't guarantee contracts, but open you doors

I guess it's all down to opportunity – they are not going to give you a contract just because you're a minority, but you meet them face-to-face and they get to know about your products; then a bit of luck helps

The researchers witnessed the operation of this ingredient at first hand whilst attending the annual NMSDC conference and opportunity fairs in 2002 and 2004. In both occasions, more than 600 booths set up by an equal mix of large corporations and EMBs who had the opportunity to meet more than 5,000 walk through participants. It has to be noted that America's largest corporations spent more than \$60 billion in 2002 and more than \$80 billion in 2004 to buy goods and services from minority enterprises.

We have seen that within the American legal and demographic context, the NMSDC's three 'key ingredients' - corporate engagement, certifying established minority businesses, and organizing opportunity fairs - work in conjunction to produce favourable outcomes for EMB members. Supporting institutional factors stemming from this context, such as longstanding and comprehensive data collection on EMBs by the US, facilitate certification of minority businesses that look for opportunities to supply corporations via the NMSDC. Conversely, corporations, led by the imperative to respond to environmental forces turn to NMSDC for help with finding appropriate minority suppliers. Hence, the NMSDC in turn is in a position to choose committed corporate members, as they maintain a sought-after database of EMBs and possess good knowledge of their members' capabilities and needs. The increasing corporate spending on EMBs during the large 30 years is testimony to the real procurement and business opportunities provided by NMSDC's intermediation programme.

## **Second phase: Implementing SDEM**

### *Variations in context*

In order to transfer NMSDC's programme in the UK, differences in context between the originating and the importing country have to be acknowledged if pitfalls related to uninformed, incomplete or inappropriate transfer are to be avoided (Dolowitz and Marsh 2000). A key difference is the tradition of public policy, which in the US is rooted in affirmative action legislation. This contrasts sharply with the principle of 'equality of opportunity' enshrined in UK and European law. Our corporate sector respondents in the

US intimated that this context still had a bearing on their approach to supplier diversity, particularly when the government was a client. In the UK, notwithstanding the amended Race Relations Act 2000 which promotes equality of opportunity and good race relations in all aspects of public authorities' activities including procurement, there are major obstacles to the promotion of supplier diversity. These relate to competition rules that constrain the public sector's ability to positively discriminate in favour of specific groups of enterprises, based on characteristics such as location, firm size or the ethnicity of the business owner. In the current regime, any intervention needs to be justified in terms of market failure in the tendering process. Moreover, although the ethnic minority population in the UK is growing rapidly it is still under 10 per cent. Thus, the 'triggers' of demographic change and legislation are not as potent in the UK as they appear to be in the US.

This was confirmed by respondents representing multinational organizations in the US. As one of the participants in the present research put it:

Why should they do so? Only two things force companies to follow – either law or economics – either it's the market place or government regulation. To transform the UK market place, there has to be a two-pronged approach; both government push and private sector-led

Consideration of the institutional differences between the US and the UK context implied a different approach to setting up SDEM, and crucially amendments to the key elements imported from NMSDC, in order to attend to the embeddedness considerations emphasized by Curran (2000) and Gibb (2000).

### *Reshaping the Mechanism*

The contextual differences outlined above did not necessarily augur well for the establishment of an ‘NMSDC-like’ initiative. This was compounded by Ram and Smallbone’s (2003) review of existing UK schemes to promote diversity in supply chains, which indicates that ‘the number of EMBs that are participating appears very small and there is little hard evidence of significant, positive benefits for EMBs’. However, the presence of two key ‘legitimacy mechanisms’ was crucial to the subsequent development of SDEM.

First, the relationship with the NMSDC conferred the SDEM initiative with an important source of legitimacy in the sense of establishing our credentials with potential stakeholders (funders, corporations, EMBs and their intermediaries). The NMSDC provided a ‘template’ (Lodge 2003) that appeared more legitimate, appropriate and successful than existing approaches in the UK. The second, and complementary, legitimacy mechanism was our perceived status as an academic, non-profit organization, with research experience in the field of ethnic minority entrepreneurship. As a senior official of NMSDC remarked, ‘...the neutral – academic status in conjunction with the research profile in this area certainly helped [SDEM] being viewed under favourable light and played a key role in securing commitment.’ Our promotion of ideas based on research into supplier diversity, coupled with our involvement in domestic and transnational policy networks (Stone 2000) was important in involving all relevant stakeholders.

### *Corporate engagement*

The support of the NMSDC was important in mobilizing one of SDEM's key ingredients, corporate recruitment. In fact, six of the 12 participating corporations are multinationals, members of NMSDC in the US who approached us and joined SDEM after NMSDC's referral. This in turn arguably added credibility to our programme and helped us recruit more members. Earlier, it was noted that the NMSDC assessed corporate recruits for their commitment to supplier diversity before accepting them as members. The rarity of supplier diversity amongst UK-based corporations, the absence of appropriate 'triggers', and the novelty of the SDEM initiative militated against a similar approach.

Organizational and personal resources including expertise, skills, reputation and our legitimating affiliation with NMSDC were used to build an advocacy coalition. Our effort to set clear membership structures, roles and responsibilities helped securing commitment.

Promoting a common agenda and a set of goals is an integral part of SDEM's role as a facilitator. Our first steering group meeting dealt with reaching agreement on objectives and questions to be answered. Corporate representatives are expected to foster supplier diversity within their organization. There are differences in approaches to supplier diversity amongst corporate members. Some are more proactive and ambitious than others, offering for instance support, advice and assistance to minority suppliers via mentor programmes. Nevertheless, the need for developing measurement frameworks and feedback mechanisms was emphasized. Each corporate member agreed to undertake self-assessment on the inclusiveness of their supply base, devise action plans regarding their supplier diversity enterprise and deliver workshops for potential minority suppliers.

#### *Engagement of EMBs*

The nature of the interaction with EMBs was another source of variation between the two models. The certification process, which constitutes a fundamental function for NMSDC in populating their database of minority businesses, proves if anything inapplicable in the UK. After seeking legal advice we were informed that we could not certify businesses as ethnic minority-owned. In addition, the lack of a comprehensive database of EMBs in the UK posed an additional challenge to recruiting EMBs. In order to populate our database and run the workshops we resorted to a range of activities:

- creating a database of EMBs by compiling datasets that include an ethnicity variable, provided by local authorities;
- subsequently, emailing information on the event to businesses in sectors that match the corporate members' requirements;
- approaching a host of ethnic business support organizations based in different parts of the UK, including;
- informal networking/ word of mouth;
- organizing workshops that correspond to NMSDC's opportunity fairs.

#### *Workshops/meet-the-buyer events*

The final variation with regard to the NMSDC model concerns the concept of the opportunity fairs. Whilst the latter are events where a large number of minority suppliers meet very briefly a large number of buyers, SDEM's events involve between one and three corporate members delivering each workshop and a manageable number of EMBs, ranging from 30 to 40 participants. To date, SDEM has staged six workshops/meet-the-buyer events, involving corporate members and selected EMBs.

These events constitute the first step in the participant corporations' efforts to engage with minority suppliers in the UK. The format of the first part of these events consists of presentations by corporate members; this provides an overview of their total spend in some major commodity areas, illustrating opportunities for EMBs to engage both as a first and second tier supplier. During the second part, EMBs meet the buyers of each commodity area face-to-face and have the opportunity to discuss in more detail and learn about the buying process within each sector. From a critical realist perspective (Pawson and Tilley 1997) these workshops have causal power as they are potent vehicles for bringing together and generate interaction between buyers and suppliers that normally would not meet. Indeed, Pearson *et al*'s. (1993) research suggests that this sort of event is a significant factor for enhancing supplier diversity.

### **Preliminary outcomes**

In sharp contrast to technical rationality/positivistic approaches, that treat policy formation and implementation processes largely as a black box, an 'exploratory' and 'explanatory' action research programme such as SDEM not only has the potential to illuminate change, but also create change (Kaplan 1998). In the same line, we concur with Sanderson (2000, 2003, p. 340) who argues for considering evaluation as 'practice' rather than as 'technique' - stressing the importance of 'practical wisdom' and 'informal' tacit knowledge in examining intervention in complex policy systems. Such an approach allows for holistic picture of change. As Sanderson (2000) argues, little change may be evident in a system for a long period before a major change occurs, as synergy between a number of forces comes into effect. Clearly neither the change process is a linear one, nor

is the nature of the outcomes of such a process predetermined. ‘Our prior causal models may not cover all important effects so we need to search for unintended or unanticipated effects’ (Sanderson 2000, p. 445).

This appears to be the case for SDEM, where a multiplicity of outcomes is observed. Corporate participants, through their sustained engagement with SDEM had the opportunity to learn about supplier diversity, share with their peers critical factors and challenges related to how this concept can be put into practice in their organization, and ‘get to know potential suppliers that normally are out of reach’. Conversely, EMBs had the opportunity to meet the corporate buyers and learn about their procurement practices, exchange ideas and network with other businesses. We followed up what happened after these events by conducting face-to-face interviews in order to assess the efficacy of the programme.

A few contracts have been already allocated to participant EMBs but also, a substantial number of them show behavioural and/or cognitive changes of higher and lower order with regard to marketing, operations and/or people aspects of their organization. The following are indicative responses to questions over the usefulness of the event and further interface with corporations:

‘Well, it was thanks to the workshop that I got the contract. After the event we followed up...I did what they asked, they liked my work and then I ended up with a £95,000 contract’

‘I have put our Environmental policy on our website following the event. I also built in the lengthy buying cycles of corporates into my business planning’.

‘The event was a huge lesson for me...to deal with government you have to make sure your services are labelled in a box. I learned about their specifications and policy requirements’.

We also had cases where after the events, EMBs combined their efforts: ‘we figured out that we offer complementary services. By joining forces we provide a more attractive proposition’.

As SDEM unfolds through critical reflection and subsequent action, corporate participants learn how to go about supplier diversity in their organization, EMBs learn what it takes to supply large organizations and we, as implementers of a supplier diversity intermediary initiative learn how the two key components of the programme – steering group and workshops - work better and in what conditions. In so doing ‘We also need to ensure that [the SDEM] model incorporates the mediating institutional and organizational levels in explanations of how policy effects are brought about in practice’ (Sanderson 2000, p. 445).

## **CONCLUSION**

The proclivity to ‘borrow from elsewhere’ is discernible in a variety of UK policy arenas. Although an increasingly sophisticated academic debate has tracked the influence of other jurisdictions on a wide range of domestic policy initiatives, the reach of this literature has rarely extended to the field of SMEs (let alone EMBs). This paper has drawn on extant debates to examine a UK-based initiative to promote supplier diversity. The realist exposition of the exemplar case – the NMSDC – revealed that the desired outcome - enhanced supply chain opportunities for EMBs - was facilitated by key contextual features. This included a legacy of affirmative action legislation, which still appeared to influence corporate approaches to supplier diversity. A widely accepted ‘business case’, predicated on the numerical significance and growing purchasing power of minorities, was also salient. These ‘enabling’ factors assisted the NMSDC in its key tasks of recruiting corporations, locating and certifying EMBs, and facilitating interaction between corporations and EMBs. NMSDC records, testimony from corporate sector respondents and minority businesses, and independent research evidence (Bates 2001) point to the success of this enterprise.

In transferring the programme to the UK through the vehicle of SDEM, it was clear that the potency of triggers such as law and demography is attenuated. Different sources of ‘legitimacy’ had to be drawn upon, including the relationship with the NMSDC, SDEM’s ‘academic’ status, and growing awareness in policy and practitioner circles of the potential role of supplier diversity in promoting ethnic minority business development. A ‘reshaping’ of the SDEM mechanism was required, which duly influence the approach to corporate recruitment, EMB involvement, and opportunities for buyer-supplier interaction. Although SDEM has just completed its first year, the results are encouraging. SDEM’s role as an intermediary will develop as relationships with corporations and EMBs are

amplified. Most importantly, SDEM provides useful lessons for all involved: facilitators, LPOs and EMBs. Certainly, enhancing our understanding of what works, how, for whom and in what conditions in supplier-diversity programme terms would require further experimentation in different locales. Nonetheless, it would appear that SDEM as a piloting - action research programme has the potential to accomplish this by grounding theory in practice.

In addition to the central aim of analysing programme transfer in an SME context, a number of wider points can be made. First, the theoretical debate on policy transfer tends to be polarized between ‘rational’, goal-directed approaches (often associated with Dolowitz and Marsh, 2000) and more institutional accounts (Lodge 2003). A ‘logic of choice’ is often pitted against a ‘logic of appropriateness’. Our study points to a potentially fruitful synthesis of these perspectives, complementing calls by Jones and Newburn (2002) and Radaelli (2000) for policy transfer to be combined with the study of legitimacy mechanisms. In the present research, there was a clear intention to draw lessons from the exemplar case, and accordingly, undertake an informed policy transfer. However, luck and chance was also important inasmuch that the NMSDC were looking for a partner to assist in the development of their international operations. The political advantage that the relationship with the NMSDC conferred upon SDEM was a crucial resource in mobilizing support amongst key stakeholders – funders, corporations and EMBs.

A second implication can be drawn that relates to the nature of programmes and evaluation. Our realist assessment of the NMSDC and the ensuing implementation of SDEM mean that programme transfer cannot be reduced to a mechanical set of operations.

Rather, it requires an explication of conditions, complexities and character of the context into which programme transferred is attempted. Policy-makers need to be apprised of the nature of these conditions and how they interact to produce particular outcomes. Policy-making and evaluation thus become an expression of ‘practical reason’ (Sanderson 2002, p. 19) rather than technical exercise. This has the virtue of explaining what is distinctive about a particular programme, thereby strengthening evaluation as an explanatory enterprise (Sanderson 2002, p. 19)

Finally, this case also provides an insight into the challenges that academics face if they stray beyond their traditional role as detached researchers. The ‘engaged’ stance adopted during the project required an effective merger of the world of practice and research (Fox 2003). In essence, this entailed direct engagement with actors involved in the project and actively attempting to effect change by applying research finding in a particular context. This effectively means that the process of conducting research assumes as much if not more importance than the actual findings; or as Rappert (1999, p.708) puts it “[R]elevance” and “impact” require institutional and political sophistication as well as intellectual effort’. As noted above, there are encouraging indications that such efforts have borne fruit. Many of the actors remain enthusiastic; corporate members are actively making plans to take forward supplier diversity over the next three years. However, supply chain initiatives require active management and represent a constant process of developing trust between participants (Bessant *et al.*, 2003). Further, the enterprise support industry is notorious for its short-termism and instability (Gibb, 2000). These contextual features are likely to shape and influence the nature of the generative mechanism and will continue to be captured as part of the action research cycle.

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