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Occasional Paper 78

SDEM:

A SUPPLIER DIVERSITY INITIATIVE AS A

VEHICLE FOR SUPPLY-CHAIN LEARNING

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SDEM: A Supplier Diversity Initiative as a

Vehicle for Supply-Chain Learning

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ABSTRACT

This article has its origins in research indicating the promise supplier diversity programmes hold in empowering ethnic minority enterprises to achieve breakout to mainstream markets and business growth. From a realist evaluation perspective it reports on the first phase of SDEM (Supplier Development East Midlands), which is an initiative to this end. In so doing, both empirical and theoretical development of the SCL (Supply Chain Learning) thread is attempted. By adopting an inter-organisational action learning approach, we delineated some of the key attributes of the programme, focusing on the recurrent action-reflection cycle taking place in a learning group comprising SDEM, LPOs (Large Purchasing Organisations) and small EMSs (Ethnic Minority Suppliers).

Key Words: Supply Chain Learning, Supplier Diversity, Ethnic Minority Business
Development

INTRODUCTION

Whether under the banner of the 'business case' (IPPR, 2004), anti-discrimination (Migration Policy Group, 2002), or 'corporate social responsibility' (Ram and Smallbone, 2003), large organisations are being encouraged to engage ethnic minority owned businesses (EMBs) as suppliers. This has prompted a flurry of interest in the issue of 'suppler diversity', which, for the purposes of this paper, we examine in the context of a UK initiative that links together a number of leading corporations and ethnic minority businesses with the aim of exploring the potential for developing supply chain relationships. This initiative, entitled Supplier Development East Midlands (SDEM), has emerged from a number of complementary developments in the domains of policy and academe. EMBs in the UK have long been encouraged to diversify from inauspicious 'low value' niches (Ram and Jones, 1998). The prospect of contracts with the public and private sector could serve as a means of facilitating this process. The advent of the Race Relations Act provides a further stimulus for diversity in public sector procurement. Further encouragement has come from the longstanding experience of the US. A recent review (Ram, Smallbone and Linneker, 2002) of the potential implications of the US approach for the UK suggested that there was scope for the establishment of intermediary agencies that would link the corporate sector with EMBs. The NMSDC (National Minority Supplier Development Council) fulfils this role in the US; the establishment of a similar organisation in the UK has been mooted (Shah and Ram, 2006).

Despite the level of interest that supplier diversity is attracting there remains a number of gaps which this paper aims to address. First, there is a notable absence of an

appropriate theoretical perspective or framework within which to understand this activity. Whilst the factors that enable and constrain EMBs' market development have been set out (e.g. Ram et al., 2002), the dynamics involved in assessing and facilitating market opportunities with large organisations have rarely been examined. The field of 'supply chain management' does not appear to have addressed the question; and, in any case, is characterised by a 'confusing profusion of overlapping terminology and meanings' (Croom, Romano and Giannakis, p. 68). However, in the midst of the eclectic disciplines, perspectives and paradigms that populate the field (see Giannakis, Croom and Slack, 2004 for review), one approach – that of Supply Chain Learning (Bessant, 2004) – offers the potential for development of a systematic understanding of the phenomenon. However, the supply chain learning (SCL) model has rarely been applied to small firms, let alone ethnic minority businesses in the context of a supplier diversity initiative. We experiment by applying SCL to the SDEM (Supplier Development East Midlands) programme.

Second, there is very little detailed evidence on the content and actual operation of supplier diversity programmes in the UK. The review of such initiatives undertaken by Ram and Smallbone (2003) found that initiatives concerned with increasing access to public and private sector contracts are in 'a very early stage of development'. Further, despite its potential for inter-firm learning, the supply chain learning framework is very much an emergent one. As Bessant (2004, p. 169) notes, there is a 'need to understand further the dynamics and problems involved in making it happen'. This is a key task for the paper, particularly in relation to the set-up phase of SDEM.

The final task is to document the value of an 'action learning' approach to the implementation of SDEM. Bessant (2004) alludes to the affinity between SCL and action learning. This seems apposite, since the emergent, ambiguous and context-dependent nature of SCL renders it fertile territory for research approaches that develop knowledge through practice. This is a particular strength of action learning. Hence, this paper is also experimental in the sense of explicitly advancing an action learning approach to develop the SCL framework.

SDEM AS A SUPPLY CHAIN LEARNING INITIATIVE

There has been a long and increasingly sophisticated literature on organisations as learning systems (Crossan, Lane, White and Djurfeldt 1995; Dodgson, 1993; Edmondson and Moingeon, 1998; Huber, 1991). In recent years interest in the 'learning organisation' has gained momentum, particularly since Senge (1990) advanced claims on the benefits derived from organisational learning. The ensuing debate on the 'learning organisation', 'organisational learning' 'knowledge management', and 'innovation', has resulted in considerable diversity of opinion in relation to how such concepts are conceptualised, developed and utilised. However, there is consensus over the importance accorded to the management processes and practices related to these concepts, since these are deemed as central to generating sustainable competitive advantage.

Broadly, a learning organisation is one that is skilled at creating, acquiring, and transferring knowledge, and subsequently modifying its behaviour in light of new

knowledge and insights (Garvin, 1993, p. 80). Although the notion 'learning organisation' represents an ideal state, it certainly underscores the importance of 'organisational learning' as a concept (Easterby-Smith and Araujo, 1999), which refers to the processes by which organisations develop new knowledge and new competences in order to gain competitive advantage (Pemberton, Stonehouse and Yarrow, 2001). The literature on organisational learning features two substantially different types of learning. Argyris and Schön (1978) referred to them as 'single-loop' and 'double-loop' learning. While the former denotes learning which does not require a paradigm shift, the latter is associated with fundamental change in the way one makes sense of the world. Analogous conceptualisations characterise these distinct types of learning as 'lower' and 'higher' level (Fiol and Lyles, 1985) 'adaptive' and 'generative' learning (Senge, 1990), 'simple' and 'complex' learning (Stacey, 1996), 'incremental' and 'transformational' learning (Appelbaum and Goransson, 1997). In fact the literature on individual and organisational learning is fraught with such dualistic conceptualisations. In the final analysis, the former genre is concerned primarily with effectiveness and relates to changes within existing values, goals and norms, for instance a minor change in the workflow system, corresponding to a 'lower level' change, while the latter relates to discontinuous or transformational change, for instance a fundamental change in the way a market is served, which requires a frame-breaking, mental model transformation, concomitant with a 'higher level change' (Fiol and Lyles, 1985).

The fact that firms operate within supply chain/networks portends an approach to learning that takes place within and beyond organisational boundaries. In a buyer-supplier interface there is an exchange of resources, with information and knowledge

being among these. The buyer-supplier relationship would most certainly influence the quantity and quality of information provided by the buyer, which depending on the supplier's absorptive capacity would potentially feed into the development of pertinent capabilities that match the buyer's supply requirements and often give rise to innovatory products and/or processes. This brings to centre stage inter-organisational processes contributing to this end. Yet, understanding of such inter-firm learning and knowledge development processes through which supply capabilities are generated is an issue that remains fragmented and poorly developed within the supply chain literature. Inter-organisational learning, that is learning occurring beyond the boundaries of individual organisations, has certainly received attention (e.g. Batchelor 1998; Bessant et. al., 2003; Bessant, 2004; Croom and Batchelor, 1997; Croom, 2001; Dyer and Nobeoka, 2000; Lane, 2001; Larsson et al., 1998). Nonetheless, such research presents essential differences in focus. Inter-organisational learning can mean learning in groups or dyads (e.g. Batchelor 1998; Croom and Batchelor 1997; Croom, 2001; Larsson et al., 1998) or relate to collective learning of a group of organisations belonging to a network[1] (e.g. Dyer and Nobeoka, 2000; Knight, 2002; Lane, 2001), or even learning within a spectrum of groupings including gradations between dyad learning and network learning (Bessant et. al., 2003; Bessant, 2004), into levels of multi-firm arrangements.

SCL then refers to inter-organisational learning, taking place within and between supplying and purchasing organisations. That is, from the one end of the spectrum, where the term implies learning occurring within the context of a dyad through to the other end, where learning occurs across the whole group of entities constituting the network (network learning). The distinction between higher and lower-level learning

discussed earlier, within a supply chain context can be used to classify the inter-organisational learning context in its variant forms. When the learning outcome is straightforward, for example a relatively minor adjustment of the production system to improve efficiency resulting from application of best practice, compliance to new regulatory standards that require trivial changes in the production and/or administrative system, or simply corrective action, 'within a given organizational structure, a given set of rules (Fiol and Lyles, 1985, p.807) lower-level learning is taking place. Conversely, when the existing paradigm has to be replaced by a new one, resulting in fundamental changes in operations and/or management systems, products, processes or relationships, such that require 'adjusting overall rules and norms rather than specific activities or behaviors' (ibid, p. 808) then higher-level learning occurs[2]. The latter is more difficult to achieve and is associated with strategic learning (see for instance Chaston and Mangles, 2002). In a supply context, process-oriented supplier change, as opposed to results-oriented change, (Hartley and Jones, 1997) may require higher-level learning.

Bessant et al. (2003) and Bessant (2004) discuss their experience with six SCL cases, where they examined different groupings in various sectors. These were designed to leverage learning within a given supply chain configuration. They claim that a proper SCL scheme involves a central coordinating firm, such as a large purchasing organisation playing an active role in assisting processes of learning amongst particular suppliers in its value chain. In their typology of learning networks they include a 'supplier or value stream based' grouping, where the learning target relates to achieving standards of best practice in quality, delivery, cost reduction etc. A cohort of firms supplying to a major customer is an example of this type of SCL

grouping. Moreover, they identify three distinct phases in a SCL arrangement. First, a set-up phase which can emerge for a variety of reasons, including the identification of an opportunity. The role of active agents from outside the network with perceived neutral status in mobilising commitment in order to establish such groupings is highlighted. Second, an operating phase in which the learning framework is shaped and put in effect. Goodwill and momentum propel early operations at this stage and the challenge here is to reinforce impetus. Third, a sustaining phase ensues, where impetus has to be maintained. Good inter-organisational relations based on trust, shared ownership and a commitment to long-term sustainability and learning, are necessary to avoid failure.

Their empirical evidence suggests that SCL programmes potentially enable learning at both the operational and strategic level and underlines enabling and constraining factors. Indeed, their experience indicates that such programmes can yield gains at both the individual firm level and at the system level, as there were improvements both for the main customer and its suppliers. Cousins and Sperkman (2003, p. 25) report that across industry sectors the main reasons for entering into collaboration are cost reduction, deliver and quality improvements, followed by supply strategies. Yet, they affirm that the true gains emanate from the flow of expertise, technology and experience "…among the supply chain partners, so that knowledge is shared, even jointly developed, thereby giving the entire supply chain a competitive advantage. In these instances, there is a high likelihood that value is brought to the marketplace that is not easily copied and is sustainable".

Drawing on Bessant et al. (2003) and Bessant's (2004) conceptualisation of SCL to frame our discussion, we regard the SDEM (Supplier Development East Midlands) programme discussed in this paper as a SCL initiative. Their typology portrays the case where particular firms supply to a major customer; they do not refer – at least explicitly - to groupings where the suppliers are small businesses. Hence, although SDEM bears enough similarities to qualify as a SCL initiative, it also differs considerably on one key dimension, in that in our SCL schema we are dealing with peculiar groupings of firms. The SDEM programme team, an independent agent and facilitator, brings together 12 LPOs (Large Purchasing Organisations) - from the private and public sectors – with a number of small EMS (Ethnic Minority Suppliers). This creates 12 groupings, where each LPO is a coordinating entity for a number of EMSs. It has to be noted that some of the latter participate in more than one grouping. The perceived opportunity for participant LPOs and EMSs is supplier diversity, with economic benefits for both parts. LPOs play an active role in assisting learning processes amongst suppliers that bring in their value chain. Delivering workshops and providing mentoring to EMSs are examples of their involvement. The underpinning notion is 'minority businesses fit to supply' to LPOs and this entails SDEM, enabling an interface between corporate buyers and minority suppliers through which the latter can develop their supply capabilities. The SDEM programme team's role as active, 'neutral' agents is also significant in building trust between participant organisations (Bessant, 2004, p. 178).

As its key proponent, Bessant (2004), suggests, the SCL framework is clearly embryonic and one that needs to be built upon by experimentation and adaptation. For present purposes, the exploration of SDEM allows both theoretical and empirical

development. The former draws on situated learning theory (see Brown and Duguid, 1991; Brown and Duguid, 1998; Brown and Duguid, 2001; Brown, 2004; Lave and Wenger, 1991; Wenger, 1998, Wenger, 2000; Wenger and Snyder, 2000; Wenger, McDermott, and Snyder, 2002), which views organisations as embedded in a broad social learning system, where communities of practice are deemed as critical to the learning process and the development of individual and organisational cognitive structures. Members of such communities interact with each other, intra- and inter-organisationally, to create new understandings which generate new, or enhance existing capabilities. Effective interaction between members of different communities of practice, such as buyers and suppliers entails the crossing of boundaries demarcating such communities. In this respect, situated learning theory highlights the importance of cross-boundary interface between LPOs' and EMSs' communities of practice.

Although the term 'boundary' has often negative overtones, as it implies limitation and lack of access, shared practice defines communities of practice, which in turn entails the existence of boundaries. Different communities of practice exhibit different capabilities, histories, values, repertoires, ways of interacting, which produce different identities. Considering LPOs and EMSs as differing communities of practice brings under scrutiny interfaces on the boundaries of these communities, as it is these very interfaces that offer learning opportunities. At the boundaries, competence and experience tend to diverge, as a boundary interaction is an experience of being exposed to a foreign competence. In this sense, suppliers are exposed to ways by which they can make use or enhance their competences and supply to purchasers. Workshops, meetings as well as casual interaction between suppliers and

buyers, initiated and facilitated through the SDEM intervention, provide opportunities for effectual boundary crossing.

Wenger (2000, p. 233) argues that learning at boundaries is likely to be more effective when experience and competence are in close, generative tension. This requires first some intersection of interest; in this case both parties, LPOs and EMSs, wish to engage in buyer-supplier procurement activities, in anticipation of economic benefits, transactional and reputation-related. For LPOs such benefits include obtaining efficiency gains, fostering innovatory activities within their supply chain and enhancing their reputation as socially responsible entities both internally and externally (i.e. to employees, customers, customers, suppliers etc.); and by implication building rapport with and accessing increasingly important ethnic minority markets. For EMSs, participation provides the opportunity to access procurement systems of the former, which holds great potential for growth and break-out to mainstream markets. Second, generative tension calls for open engagement with real difficulties as well as common ground; the interface between LPOs and EMSs may not be an easy one, given their inherent differences, however there is common ground emanating from their interest in procurement/supply. Third, it necessitates commitment to suspend judgement in order to see the competence of a community in its terms; when buyers and suppliers meet it is essential that they come with an open mind, eschewing an 'us against them' mindset and familiarise themselves with which supply factors matter. Fourth, generative tension entails ways to translate between repertoires used by suppliers and buyers so that experience and competence interact. In this respect, the role of 'boundary spanners', those members of the purchasing and buying firms who interface (e.g. buyers and salespersons – often the owner-managers themselves),

'brokers' (e.g. LPOs' buyers who have insight into suppliers' practices and share this insight with colleagues) and 'boundary objects' (e.g. shared presentation material, blueprints, cost charts, production schedules, plans) is instrumental in facilitating the translation process.

In fleshing out the dynamics of the set-up phase, this article also aims at extending the SCL approach empirically, by drawing attention to the steering group and the first workshop, which are deemed as the 'active ingredients' of our approach (Bonner, 2003). Further, the research setting also facilitates the development of SCL in some key respects. Research examining the interaction between LPOs and small firms is scant. The knowledge base built in this realm is by and large the product of research in larger firms, rendering questionable its relevance and utility for small businesses (Pittaway and Morrissey, 2004; Ramsay, 1994). Moreover, supplier diversity constitutes an understudied, yet promising area (Ram *et al*., 2002). Current SCL programmes rarely involve small suppliers, let alone small minority concerns; this approach has not been tested for its capacity to absorb issues like diversity as part of its agenda. SDEM as noted focuses on ethnic minority owned small businesses and our research attempts to examine supplier diversity in a SCL context.

Finally, there is a close affinity between SCL and the inter-organisational action learning approach adopted here. In sharp focus is the effect of the SDEM initiative on interactions between participant LPOs and EMSs and the concomitant learning processes enabling the creation of supply capabilities. Of primary concern is LPOs' activities related to formulating the learning agenda, setting up support mechanisms and measurement frameworks and evaluating outcomes. These are all key dimensions

of this study, providing the opportunity to obtain not only a better understanding of the utility and potential of such supplier diversity initiatives, but also a more complete conceptualisation of entrepreneurial learning within a supply context. As Deakins and Freel (1998) point out, one of the neglected areas of entrepreneurial research is the interaction of the learning and entrepreneurship process. Along with Cope and Watts (2000) and Cope (2004), they highlight the non-linearity, discontinuity of entrepreneurship and growth and underscore the importance of critical learning events. For some of the participating EMSs, their interface with LPOs afforded by SDEM provides an opportunity for experiencing and critically reflecting on such learning events.

The ensuing sections provide a delineation of our action learning approach in facilitating SCL between LPOs and EMSs, followed by our experience with regard to key actions comprising the first phase of SDEM; forming a steering group of LPOs, calling a meeting, and conducting the first workshop between a LPO and EMSs, which concludes the set-up phase. We also report on some preliminary evidence of learning within EMSs as a corollary of this workshop.

AN ACTION LEARNING RESEARCH APPROACH

At the heart of all action inquiry research approaches is a recurring action - reflection cycle, predicated on the relationship of improved knowledge through action, and new or revised action based on critically reflective learning. Within the management realm, action learning is a broadly interventionist approach to change and

improvement that enables individuals, groups and organisations to use reflection on action in a problematic situation as a basis for the generation of knowledge and new actions. Put another way, action learning refers to intervention processes in organisations with the dual purpose of bringing about practical transformation and advancing knowledge (Gill and Brockbank, 2004; Pedler, 1996; Revans, 1998).

According to Marquardt (1999) action learning has six distinct interactive elements:

1. A problem – real complex organisational issues impacting on different parts of an organisation are singled out and worked upon

2. The group – participants meet on equal terms to report to one another and discuss related progress and challenges

3. The questioning and reflective process – the formula for learning in AL is $L = P + Q$ where L stands for learning, P for programmed learning (extant knowledge in use), Q for questioning (seeking insight).

4. The commitment to taking action – no learning takes place without taking action

5. The commitment to learning – action learning goes beyond solving immediate problems, emphasising the importance of learning how to learn.

6. The facilitator – works as a learning coach especially in the early stages of group formation, facilitating the learning process within an action learning group and playing a catalytic role by setting the climate, co-ordinating activities involved, observing outcomes and enabling communication.

In this case, the problem could be defined as 'the inadequate participation of EMSs in LPOs' procurement systems', which implies both missed opportunities for EMSs to achieve break-out into mainstream markets and grow, and suboptimal performance of LPOs' purchasing practices as they miss out on potentially higher value procurement. Moreover, LPOs may miss out on benefits associated with including EMBs in their supplier base, for instance better understanding of and access to ethnic markets. 'Inadequate participation of EMSs to LPOs' procurement systems' in turn has far reaching - and of increasing importance - implications at the meso and macro levels, for productivity, growth, innovation and competitiveness of the UK economy.

SDEM is an inter-organisational action learning programme where intervention and reflection-evaluation processes are interwoven (Coughlan and Coghlan, 2004). The SDEM team, LPOs and EMSs involved in the programme constitute the group of participants. As mentioned previously there are 12 LPOs, from the public and the private sector, participating in the programme, while the number of EMSs is increasing. The changes that need to be made are aimed at facilitating access of EMSs to LPOs' procurement systems. These changes relate to LPOs considering EMSs as potential suppliers genuinely, helping them enhance their supplying capabilities by engaging them in supplier development programmes, and EMSs improving such capabilities if needed.

We (the SDEM programme team) as researchers and facilitators of such change learn about how and under what conditions a supplier diversity initiative can be successfully implemented, as the programme unfolds, in order to be more informed in our actions. As we learn through evaluating the impact of our activities through

recurrent action-reflection, we help participating LPOs and EMSs to inquire into their procurement practices and learn as a basis for better informed actions all round. LPOs and EMSs learn what works and how to engage more effectively with EMSs, while the latter learn how to interface more effectively with the LPOs and develop their capabilities. Reflection requires a formative approach and is facilitated by the research activities carried out during the programme. At all stages, all the participants' (SDEM team, LPOs and EMS) learning could be low level and/or high level.

SDEM's Action Learning Components

Figure I below provides a schematic representation of the action learning process where action - intervention and reflection-evaluation occur in a recurrent fashion.

Insert Figure I about here

In order to assess SDEM in its totality we examine our engagement with key stakeholders, especially our interaction with participant LPOs and EMSs. The actions we take in engaging with the former and the impact of these actions vis-à-vis their procurement practices, their interface with EMSs, the learning impact on all participants as a consequence of these actions and the end result in performance is closely monitored and reflected upon. In line with the views of Coughlan *et al*. (2001) and Coughlan *et al.* (2002) on inter-organisational learning, we favour a structured approach in bringing change, where participant LPOs must undertake a

sequence of actions including self-assessment and feedback, action planning, action learning and reflection and finally distillation of learning. The 12 participating LPOs are members of the SDEM's steering group. 6 steering group meetings evenly spread during the two-year lifecycle of the programme provide a platform for such a systematic approach to action-reflection. Inquiry issues relating to LPOs' assessment frameworks, objectives, plans, support mechanisms and measures with regard to EMSs selection and improvement, as well as the characteristics of interaction such as communication features between the buying and supplying organisations, their impact on the quality of inter-organisational relationships, the role SDEM played in shaping them and ultimately their effect on learning manifested in capability development and enhanced competitiveness are all under scrutiny.

Moreover, 15 workshops, almost evenly spread throughout the duration of the programme afford opportunities for action-reflection. Workshops provide the initiation of a learning interaction between LPOs and EMSs. Their interface during and after the workshop within a SCL context is enacted and reflected upon. We refer here to steering group meetings and workshops as our key action-reflection focal points. However, this is not to imply that more casual encounters with LPOs, EMSs and other key stakeholders are to be neglected, as their significance for the programme may be substantial. When such interfaces occur they are taken into consideration.

Data Collection and Analysis

In respect of the three design choices highlighted by Huxham and Vangen (2003), namely overtness, visibility and riskiness, the research agenda of our intervention is raised overtly with the participants involved and data collection methods are visible. Making explicit the research element of SDEM helps us reducing the risk of compromising the success of our action intervention in pursuing our research aims. We heed the call made by Eden and Huxham (1996; 2002) for using specific methods for gathering, analysing and interpreting data when conducting action research, so that the canons of quality are met – a particularly challenging task. Data collection and analysis are guided by our conceptual framework, which is informed by SCL and supplier diversity bodies of knowledge, and this helps us be explicit about our assumptions and values. With regard to steering group meetings we examine documents submitted by the participants: presentational material, reports on their progress, documents that refer to goals, plans, measurement systems they use, procedures in place as to EMS development efforts etc. We also use minutes and field notes to document significant aspects of our actions. For instance, our requests for documents such as the above are registered. Diaries and logs are used to gather data and generate information on our engagement with LPOs. These are deemed as particularly valuable sources of data as they show how action is developed and they aid reflection. We attempt to explicate how our perceptions change over time and show how we use new learning to help make better sense of a situation and inform subsequent action.

Concerning the undertaking and evaluation of workshops with LPOs and EMSs, we use feedback questionnaires that contain both closed and open-ended questions, which the participant suppliers and buyers complete after the events to assess how useful

they find them and in what way. At a later stage, in order to evaluate the learning impact of the workshops, and assess possible developments ensuing from such events, we conduct face-to-face interviews using a semi-structured interview guide, always tape recorded. Subsequent interface between EMSs and LPOs and action taken by both parties in learning terms, for instance changes that have been initiated as a result of the workshops and further interaction between the two parties, are under scrutiny. The interviews provide us with the opportunity to obtain EMSs' and LPOs' views on progress made and also to get feedback on our interpretations. Periodically we undertake surveys by way of report cards that we send to participant suppliers via e-mail to monitor progress. Suppliers complete and return them to us, reporting changes in systems, processes, products, markets, sales (if any) as a consequence of their interaction with LPOs.

An additional feature of our research design is the use of focus groups involving specific suppliers, e.g. those relating to a particular LPO, a business sector, or those who are willing to voice concerns/satisfaction in order to discern more subtle features that escaped our attention and further reflexivity.

Triangulation of sources is achieved by taking into consideration the accounts of suppliers and buyers to provide context-rich and meaningful thick descriptions upon which our analysis and interpretation are based. Feedback from the original informants is sought and analysis and interpretation of data is carried out by four investigators in order to establish a chain of evidence and cross-validate claims, which contributes to a reflexive process. In this respect, a reflexive approach is taken to mean "…understanding 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). An attempt is made to take into account the role played by the research team, as well as the history, context and politics of the intervention when interpreting data. This has proved particularly useful when considering rival explanations. Every effort is made to provide an 'audit trail'. Fairly transparent data collection and analysis procedures and a database containing data available for re-analysis are designed to contribute to this end.

Theoretical Considerations

Given that politics and power are under-researched dimensions in this ambit (Berthoin Antal *et al.*, 2001), we espouse an explicit acknowledgement of the connection between politics and learning in inter-organisational contexts. As Vince (2001; 2004) argues, politics is a naturally recurring feature of organising and learning; and "power relations directly mediate interpretative processes within organizations" (2001, p. 1329). This highlights the significance of organising insight, which becomes possible only when there is a consideration of the politics that surround organising. With its recognition of critical processes such as 'acquiring resources', the identification of 'enabling and constraining' factors, and 'shared ownership', the SCL approach is clearly redolent of the idea of politics articulated by Vince. By considering issues related to politics and power we attempt to fortify situated learning theory which has been criticised for disregarding such issues (Contu and Willmott, 2000; Fox, 1999).

In theory building terms our approach is reminiscent of that taken by McEvoy and Richards (2003) and Boner (2003). By adopting a theory-driven evaluation (Pawson and Tilley, 1997) perspective, a theory of change is developed, focusing primarily on the context-mechanism-outcome configuration. The generative mechanism in

question explains how and why interventions – in this case supplier diversity interventions such as SDEM work, i.e. producing the desired effects, when triggered in specific contexts. Put another way, the scope and boundaries of the study are determined by the characteristics of the setting we examine. Our findings are expected to be relevant to a context exhibiting similar features in terms of the six elements of action learning mentioned earlier. Obviously, considerable variance from the prevailing conditions would have a limiting effect on transferability of findings, which should always be viewed as tendencies. The developing process theory is derived emergently from and relates closely to the practice of managing a supplier diversity initiative both as a facilitating entity such as SDEM, as well as a practicing organisation be it LPO or EMS, within and across SCL groupings. Hence, we view our findings potentially useful in providing lessons for others interested in couching such interventions but also for corporate executives charged with supplier diversity responsibilities in their organisation, as well as minority suppliers willing to supply to LPOs.

The following section reports on preliminary empirical evidence gleaned through action-reflection thus far and centres on our experience with two key 'active ingredients' in the first phase of the SDEM initiative, namely the formation and the first meeting of the steering group and the first subsequent workshop organised by SDEM. The steering group and the workshops delivered by LPOs are regarded as parts of the causal mechanism and as such they merit particular attention. Some encouraging outcomes insofar follow.

SETTING UP THE STEERING GROUP

Prior research conducted by members of our team in supplier diversity and minority entrepreneurship along with our perceived status as an academic, non-profit entity, helped us establish credibility and trust with major stakeholders such as EMDA (East Midlands Development Agency), which is the funding body, NMSDC, which has provided us with know-how gained from their experience in America since the inception of SDEM, participating LPOs and EMSs, as well as mainstream and minority business support organisations. Engaging relevant stakeholders, and especially forming the steering group has been a demanding task, as there is an inherent difficulty in forming collaborations. Collaborative structures are beset by ambiguity, complexity and dynamism that present practitioners convening them with enormous challenges (Huxham and Vangen, 2000). For instance, the creation of the steering group demonstrably presented considerable difficulties; working with LPOs, our American counterpart and other entities who use different professional languages and operate within different organisational structures and paradigms, as well as managing power relationships and accountabilities in securing commitment and agreeing goals is far from easy. "How to achieve the right mix of individuals and organisations; how to involve members in different practices or with different status without alienating them; how to ensure that the desired interests are represented; and how to maintain a stability of membership are among the many challenges…" (*ibid*, p. 796) we faced in setting up the steering group.

Failing to deal effectively with the above challenges can lead to inertia, which we strived to avoid, not least in our effort to disambiguate as much as possible participation by proposing a clear structure of membership. We approached NMSDC, a credible organisation with significant experience in supplier diversity in the US at a time its agenda included an international dimension. As a high official of NMSDC points out "…the neutral – academic status in conjunction with the research profile in this area certainly helped [SDEM] being viewed in a favourable light and played a key role in securing commitment". Its membership in an advisory capacity was viewed as in line with its values and goals.

Subsequently, NMSDC helped us considerably with the recruitment of corporate buyers. 6 of the 12 participating LPOs 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, both LPOs and EMSs. In our attempt to manage inter-organisational micro politics the individuals approached to represent the 12 LPOs in SDEM's steering group were of the same management level, predominantly purchasing managers so that members can identify with the group and its objectives. Selecting members of unequal hierarchical status could put off those of higher standing. Their personality traits, organisational positions and power bases, presumed motives and goals of their involvement constitute important factors in effecting desired change (Buchanan and Badham, 1999) and were taken into consideration in determining the steering group membership structure. In fact the name was altered from 'advisory group' to 'steering group', to convey a sense of power, which was welcomed by participants. Moreover, the appointment of a chair was eschewed to avoid harmful tension between LPO

representatives, leaving all LPO members of the steering group on a par. By being 'politically astute' (Coghlan, 2004) we attempt to heed Vince's (2004) call for paying due regard to action learning as an organising process.

Furthermore, as facilitators we pushed for a common agenda and a set of goals as soon as possible. Our first steering group meeting dealt with reaching agreement on objectives and questions to be answered. Determining the membership structure and the agenda of the steering group involved a delicate consultation process and was instrumental in securing commitment and creating promptly common 'boundary objects' for the representatives of different communities of practice. These were intended to enable participants to negotiate their relationships and connect their perspectives (Brown and Duguid, 2001; Wenger, 2000). Also, the fact that LPO representatives are of the same management level facilitates the creation of a common identity while interfacing with each other in the steering group meetings. These individuals are expected to act as 'brokers' within the LPOs they represent (*ibid*). The need for developing measurement frameworks and feedback mechanisms was underscored and each LPO concurred with undertaking self-assessment on the inclusiveness of its supply base and devising action plans regarding their supplier diversity efforts. LPOs also agreed to deliver at least one workshop to owner/managers of EMSs, so that the latter have the opportunity to familiarise themselves with procurement practices and meet the buyers of LPOs. The next section deals with the first workshop we organised, delivered by an LPO to a cohort of EMSs. We reflect separately on the workshop as it constitutes a major action event and the culmination of the set-up phase of the programme.

THE FIRST WORKSHOP AND SUBSEQUENT LEARNING

In November 2004 SDEM hosted the first in a series of workshops, scheduled to take place in order to bring together LPOs and EMSs. The half-day event took place at the Innovation Centre in Leicester, where EMSs had the opportunity to familiarise themselves with ABC's procurement process, meet 4 senior buyers of ABC, and explore supply opportunities in detail.

The EMSs that attended the workshop were initially approached by:

- Emailing information on the event to businesses on the SDEM database;

- Promoting the event on partner websites, including Business Champions, Business Link, East Midlands Incubation Network etc;

- Approaching a host of ethnic business support organisations based in different parts of the UK;

- Informal networking / word of mouth.

Then, the businesses that expressed interest were asked to complete ABC's Supplier Questionnaire, which required the provision of some basic information about their business activities and details on their product, services, capacity and business accounts. Twenty-five businesses returned the questionnaire fully completed and eighteen businesses were selected to attend the workshop. The EMSs that were not invited were either in business sectors that were not matching the buyer's commodity areas, or were not available on the day of the workshop. A total of 17 EMSs

representing different business sectors – 6 in marketing and communication, 7 in business services and 4 in IT services - participated.

With regard to supplier diversity, ABC is an IT multinational. Its delivery of this workshop is interpreted as a sign of commitment to a more inclusive supplier base, providing access to procurement opportunities to minority businesses that are willing and able – or have the potential - to supply. This event constitutes the first step in ABC's efforts to engage with ethnic minority suppliers in the UK. In the US ABC runs one of the most successful supplier diversity programmes. In 2004, it launched its supplier diversity programme in Europe, Middle-East and Africa and has set a spending target of $200m on MWBEs (Minority and Women Business Enterprises) for 2005. Its policy is to provide minority businesses with the opportunity to participate in areas of its marketing, procurement, and contracting activities. There were five participants from ABC: the supplier diversity manager, the north region sourcing manager, a business services buyer, a marketing and communications buyer and a technical services buyer. ABC's commitment to developing an effective supplier diversity programme is manifested in appointing a full-time supplier diversity manager. It is the first company in the UK that has created such a post, which involves:

- creating awareness and promoting ABC's supplier diversity programme to both internal clients and buying teams in Europe and external stakeholders through outreach organisations, sponsorship, events;
- identifying, setting up and maintaining a database of diverse suppliers for genuine business opportunities with ABC;

- offering support, advice and assistance to diversity suppliers via education workshops and mentor programmes.

- ensuring that minority suppliers are given the opportunity to participate in every competitive bid, and documenting all exceptions to this requirement

The primary motivation for EMSs to attend the workshop was their willingness to learn about how they can supply to ABC. In particular they were interested in finding out what commodities ABC buys, getting familiar with ABC's buying practices and not least, meeting the buyers face-to-face. Only a few EMSs were experienced in working with large organisations, yet most of the participant firms were growth-oriented businesses, and saw the workshop as an opportunity to further grow and expand their business in mainstream markets.

The first part of the workshop consisted of presentations by ABC participants, providing an overview of the organisation's total spend in some major commodity areas and illustrating opportunities for EMSs to supply to ABC, both at the first and second tier. They also provided information about different contract thresholds at ABC and concomitant entry requirements and explained the process of becoming a supplier to ABC, pointing out areas where small suppliers stand better chances and also providing leads on how to bid successfully. During the second part, buyers and suppliers of each commodity area attended a break-out session, where they had the opportunity to discuss in more detail the buying process within each sector, types of commodities in demand, ranges of contracts and how businesses can supply to ABC. These break-out sessions were interactive, giving EMSs the opportunity to ask what

matters most to them, obtain important tips and contacts, and also provide information about their business and clarify pertinent issues further.

Crossing Boundaries

Within SDEM this event is the first of its kind, an action learning encounter where as facilitators we pay due regard to the nature of the content of communication between ourselves, ABC buyers and small ethnic minority firms that participated in the workshop. In so doing, we consider this workshop as a boundary encounter; an opportunity for ABC and EMSs to cross the boundary that demarcates their communities of practice (Brown and Duguid, 2001; Wenger, 1998). In this respect, ethnic minority participants are exposed to ways in which they can enhance their competences and supply to ABC, while buyers have the opportunity to engage and learn more about potential suppliers.

Wenger (2000) argues that effective boundary processes, such that really connect different communities of practice can be assessed on three dimensions: *coordination, transparency* and *negotiability*. These could be useful for examining the nature of the engagement of ABC with the EMSs that attended this event. *Coordination* refers to the extent to which boundary processes and objects can be interpreted in different practices in a way that enables coordination. Unnecessary details that burden the other practice should be omitted and enough standardisation should be provided in order for people to know how to deal with them locally. During the workshop, a road map was given to ethnic minority attendees and the requirements to supply to ABC were explained without undue technicalities, showing them 'how to do it'.

Transparency, relates to the degree to which the rationale underlying the practices involved becomes evident. During the event, ABC's buyers discussed their integrated value chain philosophy, the key issues impacting on their supply chain and procurement activities and how suppliers fit within the extant regime, affording windows into the logic underpinning procurement processes. The third notion, *negotiability*, in the context of the event, merely reflects power and dependency asymmetries in the supply chain, which in principle have a profound impact on inter-firm relationships (Cox 2001; Dapiran and Hogarth-Schott, 2003; Lamming, *et. al.*, 1996). The buyer puts forward what is demanded from the supplier. In this respect this interface does not attempt to support negotiation; quite the contrary. Negotiation is pre-empted, as compliance and conformity is a requirement for potential suppliers. At a broad level, *negotiability* in a buyer – supplier interface could perhaps be mirrored in a *quid pro quo* procurement practice at best, where the large procurer dictates to a certain extent what is to be learned.

These three dimensions are influenced by the presence of specific factors that can inhibit or enhance communication between communities of practice. Situated learning theory underscores the significance of 'boundary spanners', 'brokering' and 'boundary objects' as elements of a social strategy for promoting effective interfaces occurring at the boundaries of different communities, such that promote learning between them. In light of the interface between ABC and EMSs that attended the workshop, the role of the buyers and owner-managers as boundary spanners, as well as ABC's presentation, which stands as a boundary object, should be considered. Especially "boundary objects not only help clarify the attitudes of other communities, they can also make a community's own presuppositions apparent to itself,

encouraging reflection and 'second-loop' learning" (Brown and Duguid, p.104). The content of ABC's presentation and communication exhibited a repertoire that was unambiguous, getting across clearly expenditure intentions, rationale, values, opportunities for EMSs, requisite procedures and processes to supply to ABC, contacts and leads, reinforcing *coordination* and *transparency*.

Our personal views on the above qualities of the workshop, formed initially by participant observation, were reinforced by the feedback for the event that we received from ABC's buyers and EMS participants verbally during the plenary session, but also in the feedback forms that they were asked to fill in. With regard to ABC's buyers, they commented on the opportunity they had to come out of their workplace and actually meet informally a number of potential suppliers and discuss business opportunities with them. Informality in this encounter plays a significant role, as people built relations tacitly, both at intra-and inter-organisational levels (Wenger, 1998). After the workshop, they were interviewed to assess the progress that has been made insofar. Their conviction was that they are in touch with the majority of the businesses that attended the workshop and that they see real potential in their interface with minority suppliers.

The attendant minority businesses expressed their satisfaction with the event, in terms of gaining an understanding about ABC's procurement system and available opportunities, and its willingness to engage further:

"There are opportunities available at ABC for being a potential supplier and it is quite possible for most of us today to provide to ABC as there is a variety of businesses here today with many skills".

"ABC have shown us an accurate picture today of how businesses are able to work for them as suppliers. They have been honest and have not given us any false expectations but have been very realistic".

"…they have been optimistic and given us something to work with being a supplier for ABC. They have suggested that the most appropriate door for many small businesses would be through the second tier supplier route or as a business partner which would put us in the driving seat".

"The event today has given us the opportunity to meet the buyers face to face…they have been very open and blunt with explaining the buyers' process. They have not portrayed something that may be impossible for our business but given us a way in that we can supply to ABC which may be through the second tier supplier route".

"The next step – supplying ABC in the future. They have given us guidance in what we should do to be a supplier to ABC. It is now up to the supplier to put forward a portfolio of their business stating what areas of the market they specialise in and from there ABC point you in the right direction either as a first tier or second tier supplier".

Two months after the event, we interviewed face to face all the participants in the workshop. Questions relating to the usefulness of the event, subsequent interface and

the changes effected as a result of the workshop and the further interface yielded encouraging responses. The majority of the owner-managers reported that as a result of the event they are in touch with ABC buyers and that they have already initiated changes in their systems and/or are considering such changes in due course. There is mixed evidence over the type of changes in question. Some of them might imply higher level learning (e.g. changes in the service package offered, bringing more people on board to enrich the skill-base within the business, or designing a more comprehensive marketing approach), underpinned by a change in worldviews, values and norms: "Talking to him [buyer of ABC] made me realise that joining forces with Lee [owner-manager of another EMB] can help us both. Like that we provide a comprehensive offer. Now we both know what counts for them [ABC], what they expect, what is required…I think I see what we should be doing under new light"

Others might refer to changes corresponding to lower level learning, for instance changes of an administrative nature and minor improvements to promotional material without much evidence of significant changes in mental models, structures, norms or values. In any case, almost all of the participants mentioned that they now feel more confident in dealing with large organisations such as ABC. Moreover, It is worth noting that the event provided EMS participants with an opportunity to exchange ideas, learn and in some cases procure services from each other or combine their efforts where they offer complementary services: "I met ALPHA who is dealing with voice recognition, a service which I don't offer, so now we can jointly provide something that is more comprehensive – more appealing if you like".

It has to be noted that the appointment of a supplier diversity manager in ABC can be seen as a particularly helpful development. Commitment of resources has been identified as a factor of paramount importance for the success of any supplier diversity programme (Pearson et al., 1993; Krause, 1999). By appointing a person to facilitate the engagement between ABC's procurement function and EMSs the interaction between ABC – minority supplier is elevated to a 'boundary practice' (Wenger, 2000), where its relationships and repertoire contribute to creating a bridge between ABC and EMSs, and the supplier diversity manager becomes a 'broker'. As one of ABC's buyers put it:

"…a firm willing to get into the supply chain of any large corporation needs a sponsor in that organisation and in the case of ABC the supplier diversity manager plays this role for EMSs".

Beyond contributing to cultural integration (Coughlan and Coghlan, 2004), there is another important dimension to appointing a supplier diversity manager, which relates to the politics of organising insight in action learning (Vince, 2001; 2004). The creation of such a post signals, both to insiders, such as buyers in ABC and to EMSs and other stakeholders at the periphery (Brown, 2004), the importance attached to engaging with minority suppliers. Moreover, it provides us as facilitators a single contact, which is a coordination node in supplier diversity terms that we can turn to, in order to obtain feedback on progress, and also to feed into ABC our reflection outcomes in order to improve ultimately the learning process of both parts – LPO and EMSs. We brought to the supplier diversity manager's attention communication problems when experienced and revealed by EMSs during our interview with them.

Feeding ABC our reflection output, both positive and negative is instrumental. Positive feedback helps to solidify good practice. Leaving communication problems to linger could lead to EMS participants losing trust, which can be deleterious for the programme. Thus far the concept of a dedicated person dealing with supplier diversity issues such as shaping the learning agenda and taking corrective action when needed has proved particularly helpful in our interaction not only with ABC, but with all LPOs that have been participating in the steering group.

In this respect, for the SDEM team, the workshop and subsequent interface between ABC and EMSs have highlighted issues to be considered in the steering group's agenda and in designing further workshops. While for ABC its participation in SDEM helps it to learn how to deal with EMSs and how to go about enhancing its supplier development programme, for EMBs their experience with SDEM helps them learn how to deal with LPOs and get access to corporate procurement systems.

CONCLUSION

This article has its origins in research indicating the promise supplier diversity programmes hold in empowering ethnic minority enterprises to achieve breakout to mainstream markets and business growth. It reports on the first phase of SDEM, which is an initiative to this end. In so doing, both empirical and theoretical development of the SCL thread is attempted. By adopting an inter-organisational action learning approach, we delineated some of the key attributes of the programme, focusing on the recurrent action-reflection cycle taking place in a learning group

comprising SDEM, LPOs and small EMSs. Focus on the latter widens extant empirical evidence on SCL, which in its current form has not paid much attention to configurations where the supplying organisations involved are small and/or owned by ethnic minorities. It is hoped that by illuminating the key dimensions of the first phase of SDEM, which deals with creating membership structures and securing commitment, enhanced understanding of SCL is proffered.

A theory of change grounded in practice emerges, focusing primarily on the context - generative mechanism - outcome configuration. Such process theory centres on how and why supply diversity interventions like SDEM achieve favourable effects, and in what context. In this respect, we presented the role an inter-organisational action learning approach can play in creating a fertile context where the mechanism can be triggered and produce the desired results. We concentrated on two essential parts of the generative mechanism, the steering group and the first workshop in the setup phase of this programme. In using situated learning theory to analytically describe the operation and contribution of these elements we explicitly acknowledge the role of power and politics. This has been a conscious effort to redress deficiencies stemming from a neglect of politics in this realm and cast light on interfaces between SDEM, LPOs and EMSs which effect inter-organisational learning.

Concerning the steering group and its function, issues relating to membership structure should be taken into account. Considering collaborative structures as inherently ambiguous, complex and dynamic brings into focus the necessity for clarifying membership structure, managing power relationships and accountabilities, and bridging different communities of practice. Organising insight dictates being

politically astute in determining a clear membership structure and agenda that provides effective 'boundary objects' contributing to collaborative advantage. With regards to the first workshop delivered by ABC, the role of coordination, transparency and negotiability in the boundary process experienced by EMSs was highlighted. 'Boundary spanners' who are open to new perspectives, such as the owner-managers and buyers attended, and 'boundary objects', such as ABC's presentation and communication content, that exhibit an unambiguous repertoire getting across clearly expenditure intentions, rationale, values, opportunities for suppliers, requisite procedures to supply, contacts and leads, enhance coordination and transparency. Such workshops can potentially initiate a learning event for an EMS.

Although it is still too early for triumphal statements, preliminary evidence warrants optimism, as the majority of the participating EMSs appear to be learning from their interaction with ABC, by implementing higher and lower level changes and in some cases securing contracts. There were instances were EMSs experienced problems in their interface with ABC after the workshop. A supplier diversity manager can play an important role in such cases, acting as a 'broker' in his/her organisation and dealing with such issues early enough.

The challenge for the future is to maintain momentum with all participants in SDEM. We are looking forward to the impact of future steering group meetings, workshops and subsequent interfaces at the next phases. As the programme unfolds, increasing understanding obtained from a recurrent circle of action–reflection-further action within and across SCL groupings should see a successful delivery of the workshops scheduled, the design and development of effectual supplier development frameworks

by LPOs, and most importantly an improvement on the bottom line of participant EMSs and LPOs, fuelled by inter-organisational learning. Ultimately, these developments will hopefully increase our knowledge on designing and delivering initiatives like SDEM from multiple perspectives. This would contribute to a change theory potentially useful to those interested in getting involved in supplier diversity initiatives in any capacity.

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FIGURE I

SDEM as an Action Learning Programme
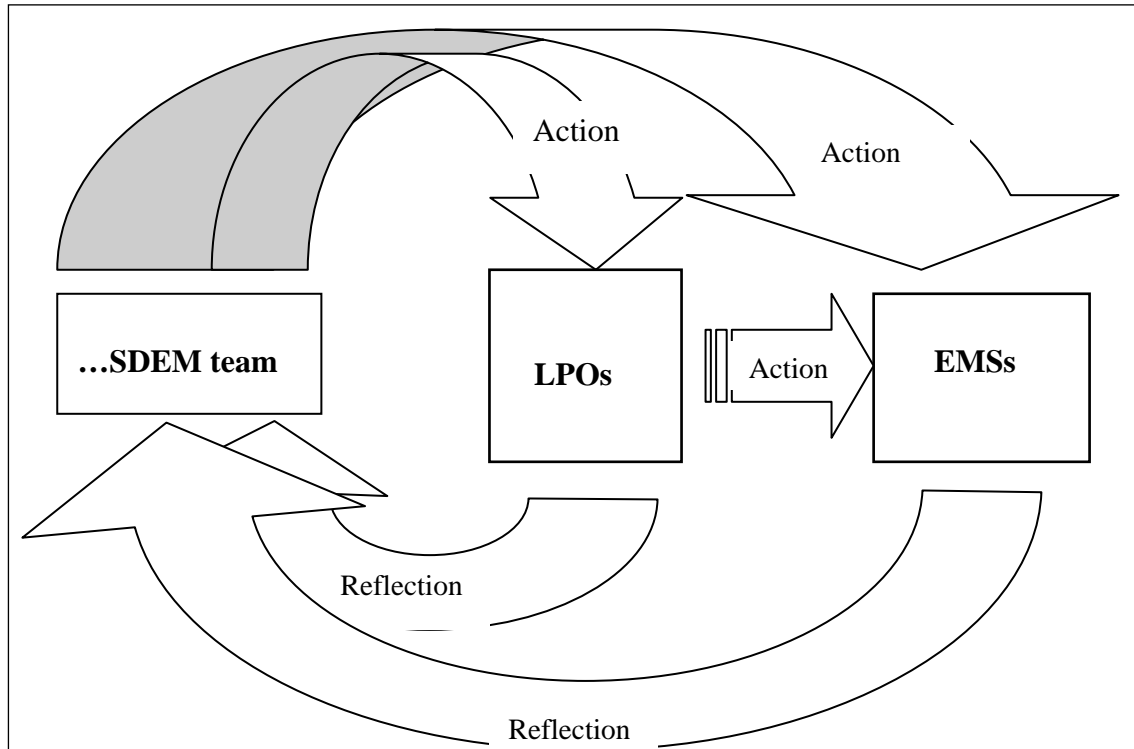
ENDNOTES

[1] Knight (2002) purports that a distinction between network learning and learning network, analogous to organisational learning and learning organisation drawn by Easterby-Smith and Araujo (1999), is necessary for the conceptual development of network learning.

[2] The dichotomy between higher and lower-level learning is arguably a crude device, as it is not always clear what qualifies for higher-level and depends *inter alia* on the perspective one adopts, in terms of level and timescale of analysis and the point in time the analysis takes place (see for example Cope, 2003; Knight, 2002; Knight and Pye, 2003; Sadler Smith et al., 1999).