

The X Factor

Women are increasingly becoming an integral part of the corporate supply chain.



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The statistics are hard to ignore: Month by month, women are becoming an ever greater force in America's economy.

According to research by the Gallup Organization as well as the U.S. Small Business Administration, women purchase or influence the purchase of a staggering 80% of all consumer goods, including big-ticket items such as cars, financial services, and computers. In fact, by 2010, women are expected to control or direct nearly \$1 trillion, or 60% of our country's wealth. Says Linda Drake, founder and chairwoman of TCIM Services, a 19-year-old call-center outsourcing company based in Wilmington, Del. that services FORTUNE 100 customers: "Women are the chief procurement officers of American households. Companies cannot afford to overlook that kind of buying power."

For the past two decades, women-owned firms have grown at twice the rate of all firms.

—Center for Women's Business Research

Smart corporations are also recognizing that if they want to reach those customers, women must be an integral part of the supply chain. "Having women suppliers gives us tremendous perspective into each of our businesses and brands," says Ann Mullen, director of supplier diversity at Johnson & Johnson, the \$53 billion health-care company. "Women use our products, they buy our products for their families—so it only makes sense that we should be turning to them as key suppliers across all our operating companies."

But it's not just the supplier-customer connection that is driving corporate America to integrate women into the supply chain. An increasingly global economy means companies compete on a world stage every day. To succeed, they need to do what they do better, faster, smarter, and be more consumer-focused. Turning to women-owned suppliers gives them that competitive edge and provides them with innovative products and solutions to maintain and grow market share, say the companies with whom we spoke. Adds Jean Baderschneider, vice president of global procurement for oil giant ExxonMobil: "We simply can't afford to ignore [women as] part of the supply chain."

GAINING MORE GROUND

When it comes to keeping and growing corporate contracts, women-owned businesses are more than holding their own. According to the Women's Business Enterprise National Council (WBENC), the country's leading advocate of women-owned businesses as suppliers to corporations and the government, 40% of its corporate members—companies such as Pfizer, ExxonMobil, UPS, and hundreds more—increased their spending by at least 10% since 2003 with women-owned firms. That compares with less than one-quarter of WBENC's corporate members who increased their spending with suppliers overall.

Further, women business owners are feeling less pain when companies cut budgets or shrink the supply chain. Again, WBENC finds that about 25% of corporations decreased their spending with suppliers over the last year, but only 14% cut contracts with women-owned suppliers. "Women entrepreneurs have always had to be more creative, adaptable, and focused

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A Pledge of Allegiance

ExxonMobil counts women business owners as a critical link in the company's global supply chain.

Jean Baderschneider, vice president of global procurement at ExxonMobil, the world's largest publicly traded oil company (as measured by its roughly \$377 billion market capitalization), doesn't believe in giving the company's 1,900 women-owned suppliers any special treatment. They don't need it. "Every woman who does business with us has earned that right," she says. Here, Baderschneider talks with FSB Custom Projects' Susan Caminiti about why supplier diversity is a best practice at ExxonMobil, and why women business owners bring so much value to the Irving, Texas-based company.

Q: Why is it so important for women-owned businesses to be part of the supply chain at ExxonMobil?

A: We are a large and complex company, operating in many different markets around the world. Our business is integrated across exploration, production, refining, marketing, and distribution. It costs a great deal to do what we do, which

means we need every advantage to succeed. One advantage is having access to the best suppliers, and that includes women-owned firms. We simply can't afford to ignore any part of the supply chain. Women bring innovation, creativity, cost savings, and new ideas. We thrive on that.

Q: What is the biggest challenge the company faces when dealing with women-owned suppliers?

A: A woman business owner has to recognize that she can compete innovatively on any field. The success of one of our suppliers, Pyramid Tubular, is a good example. The founder of the Houston-based company, Kathy Walton, started out as one of 67 other distributors selling Exxon downhole casing in the 1980s. Over the years she looked for new and innovative ways to work with us, asked lots of questions, and always gave us a competitive price. Today she sells 95% of the casing and tubing utilized in the U.S. and has an international contract with ExxonMobil in the



A champion for women-business suppliers: ExxonMobil's Jean Baderschneider.

U.K. and Norway. I don't think Kathy envisioned all of this when she began this relationship with us, but she was willing to expand, learn, and be creative. Subsequently her business has grown in partnership with ExxonMobil's supportive environment for companies that exhibit effective supply chain management.

Q: How has the company's overall business with women enterprises grown through the years?

A: We've been involved in supplier diversity for almost 35 years. Over the last three to four years we have looked to accelerate our commitment to women-owned suppliers. In 2003, we spent \$139 million with 1,900 women suppliers. This year that number will be over \$250 million with 1,900 women suppliers.

Q: What was the driving force behind the commitment to that kind of growth?

A: In an effort to gain competitive advantage, we have focused more on utilizing strategic sourcing and total system cost analysis. One result has been consolidation of suppliers. We were concerned that as we moved to consolidate our supply base, we might be squeezing out some of our WBEs.

Q: How did you keep that from happening?

A: We decided to do three things: We strengthened our supplier diversity function, providing our supplier diversity manager with five full-time advisors to keep our efforts on track; we required buyers to confirm that they have considered WBEs when establishing lists of potential suppliers; and, finally, we asked our sourcing managers to adopt a five-year diversity target. It's not a set-aside or a quota—it's a commitment to growth. And we want to see 15% to 25% growth year over year in the money we spend with WBEs. They give us innovation, good products, and great customer service. Our commitment is to keep giving them opportunities and to always make sure the playing field is level. ■

the power

of supplier
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Continued from page S2

on customer service,” says Linda Denny, interim president of WBENC. “Companies recognize this and we believe that’s why women suppliers are winning out.”

That women should be gaining greater representation as suppliers to corporate America is a direct result of the role they play in business today. Over the past two decades, the number of women-owned businesses has exploded, says Denny. The Center for Women’s Business Research in Washington, D.C. reports that there are now 7.7 million firms in the U.S. that are majority-owned (51% or more) by women, a 42% increase just over the past decade. These companies provide jobs to 7.1 million workers and generate sales of \$1.1 trillion annually. And over the past two decades, majority-owned firms have continued to grow at around twice the rate of all firms.

Women business owners are also better educated than at any other time in history. According to the U.S. Department of Education, women now earn nearly 60% of all bachelor’s degrees and 69% of all master’s degrees in this country. They’ve also spent considerable time in management positions at large companies, figuring out what works and—perhaps more importantly—what doesn’t. As a result, they’ve got the experience to strike out on their own, and they know the ins and outs of the big companies they’re going after as customers.

Find your niche, says Levi who sells promotional products to companies like Marriott.

Women-owned firms with \$1 million or more in revenues are more likely than their smaller counterparts (34% vs. 12%) to have large corporate clients.

—Center for Women’s Business Research

That was certainly the case for Linda Drake. In 1988, she started TCIM Services, her call-center outsourcing company, after years in corporate marketing and public relations positions. “It wasn’t that I had hit a glass ceiling where I was,” she recalls. “I just felt like I was stuck in a room where I couldn’t open my wings. I couldn’t do what I wanted to do.”

With some early borrowing from her children’s college funds, Drake started TCIM. The first few years were very tough, mentally and financially, she recalls. But as one customer led to another, she says she began to see that her decision to strike out on her own was the right one. “When corporations began to outsource their call-center functions, customer service began to slip,” Drake explains. “I’ve always run my business on the belief that we need to behave and perform like the actual company who has hired us. That means being knowledgeable, polite, and friendly. I do believe that’s what sets us apart and why our clients keep coming back.” Clearly, Drake’s approach has paid off: Her company has grown to 3,000 employees in the U.S. and the Philippines, and while she declines to cite revenue figures for her private firm, she confirms that nearly all her clients are FORTUNE 100 companies.

Julie Levi, founder of Progressive Promotions, a promotional gift and products company, took a different route to entrepreneurship. While attending Douglass College in New Brunswick, N.J. in the mid-1980s she began selling T-shirts and shorts on campus, because she didn’t like the ones sold in the campus bookstore. Upon graduation in 1986, instead of joining a company, such as Merrill Lynch, as did many of her friends, Levi began customizing her products to sell as promotional items to these companies.

Today, Levi counts Panasonic, Ogilvy, Marriott, and Avis Budget among her clients. Her company, based in Edgewater, N.J., is projecting \$20 million in annual revenues for 2007 and has 22 employees, including a group in charge of global sourcing. “The best advice I can give any woman starting out is do your homework,” Levi says. “Choose a handful of large companies you’d like to do business with and learn everything you can about those companies and the challenges they face. It’s not about convincing them what a

John Abbott

great product or service you have. It's about solving their problems—giving them solutions for how to make more money or save money, or reward employees.”

LEADERS OF THE PACK

While many firms include women-owned companies as part of their supply chain, WBENC set out to find the top corporations in America for doing business with women-owned firms. (For a complete list of the 2006 winners, see box right.) WBENC interim president Linda Denny explains that to be considered for the list, companies must provide information detailing the structure of their diversity programs for women suppliers and how large a staff is assigned to developing women suppliers; a policy statement signed by the CEO or other senior executive of the company; and an essay from the corporation that details why it considers itself a top company for women-owned suppliers. Submitted data from WBENC's signature *Balanced Score Card* provide the selection panel with additional insights into a corporation's

America's Top Corporations for Women's Business Enterprises

What are the best companies for women-owned suppliers? Last summer WBENC canvassed its 238 corporate members to find the companies that truly go above and beyond in integrating women into the supply chain. Nearly 30 companies responded to WBENC's challenge and 16 were selected as America's Top Corporations for Women's Business Enterprises. Among the best practices: a full-time staff dedicated to cultivating and working with women business owners; support from the CEO and other senior executives; a robust education and support program to help women suppliers grow; and a commitment to increase spending with women suppliers in the years ahead.

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|------------------------|------------------------------|----------------|
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Source: WBENC

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program. "This is not an exercise in raw numbers," says Denny. "Everything about a company and its commitment to women suppliers is considered."

The following pages highlight some of the companies WBENC named as the best for women's business enterprises (WBEs). These companies understand the strategic importance of women suppliers.

CONNECTING WITH CUSTOMERS

It's not hard for Pamela Eason to make the business case for working with women-owned suppliers. As a senior director of Pfizer's worldwide procurement organization, she understands the role that women play in the pharmaceutical giant's success. "Women make so many health-care decisions for their families, and we benefit from that," Eason says. "Working with women suppliers gets us even closer to our customers and gives us innovative ways of doing business all around the world."

Yet Eason is quick to point out that although Pfizer spends \$350 million with about 500 women-owned suppliers every year, each company has to earn that business. "If they don't give the best service, or have products that meet our needs, they don't get the business. This isn't charity. It's smart business."

For example, Eason points to Meadows Office Furniture, a 20-year-old New York-based company founded and run by Rosa-

Women majority-owned businesses generate over \$1 trillion in sales and total 7.7 million firms.

—Center for Women's Business Research

Women control the purse strings of the economy, says Drake, owner of a call center that services corporate Goliaths.

lie Edson. Over the past five years, Pfizer has been adjusting its office space in its headquarters city of New York: "In some buildings we're expanding office space and in others we're contracting," Eason explains. Rather than to simply supply, or cart away, office furnishings, Eason says that Edson has provided Pfizer with total solutions for its furniture needs. "Rosalie and her team really take the time to listen to what we need. When we have to dispose of furniture she'll find effective ways for us to get some sort of return on our investment."

This kind of solutions-oriented partnership is what Eason finds so valuable in Pfizer's women-owned suppliers. "We're always looking to lower our total costs, and sometimes businesses can't get their total package down to a competitive range," she says. Adjusting to this reality means Pfizer spends considerable time working with its women suppliers to help form strategic partnerships among them. "If two smaller companies can come together to provide us with a product, service, or both at the right value that neither one of them alone could do, that's good for both small businesses, and it's good for Pfizer," says Eason. "Everybody wins."

SHARING A COMMON GOAL

The companies that embrace women-owned suppliers as a smart business practice say the benefits flow in many different directions. Sure, corporate commitment to these women-owned companies is good for the smaller businesses. But it can also help these corporate giants win business with their biggest accounts.

Such is the case with TXU, a Dallas-based energy company that spent about \$100 million with its 250 women-owned businesses last year. Cheryl Stevens, vice president of workforce and supplier diversity for the company, says that "because many of our large corporate customers also share our commitment to diversity, including WBEs in our supply chain helps strengthen our competitive advantage." On occasion, Stevens says, TXU's long-standing commitment to women-owned suppliers is the factor that helps corporate clients decide to do business with TXU instead of one of its competitors. "When we stay strong and successful it puts us in a better position to offer new opportunities to WBEs and expand the contracts we

David W. Moser



have with existing suppliers," she says.

For instance, last year TXU announced a proposed \$10 billion construction program to build new power plants in Texas. Because of the size and scope of the project, Stevens said the company was aware that some of its women-owned suppliers would be concerned about how to and whom to approach about potential opportunities. To keep that from happening, TXU hosted a supplier forum in the fall and invited women business owners from across Texas to meet with TXU's Tier 1 contractors for the project. "For an undertaking of this size we need everything from environmental services to paper clips to port-o-potties," says Stevens. "We wanted to let these women know that just because they're not in the so-called power-plant business, that didn't mean there wouldn't be business for them." So far, she is happy to report, three contracts with WBEs have been signed.

Another way that TXU tries to even the playing field is by fostering a strong multi-tier supplier base by requiring many of its prime suppliers to include women-owned

Fifteen percent of women-owned businesses with \$1 million or more in revenue say their primary market is international.

—Center for Women's Business Research

businesses in all bids for TXU-related work. In this way, TXU's large prime suppliers take the overall contract for a service or commodity and then enable women-owned suppliers to bid on its components. "It is a way for the company to get the scale, volume, and prices we need to be successful and competitive, while also keeping our commitment to inclusion," Stevens says.

PROACTIVE APPROACH

One of the most attractive and valuable assets a woman-owned supplier can have, say many diversity executives, is to be certified by an organization such as WBENC. The certification is a guarantee to corporations that the business is indeed majority owned and run by women. Johnson & Johnson, based in New Brunswick, N.J.—the \$53 billion global purveyor of health-care products and a proven leader in offering opportunities to women business suppliers—urges these companies to go through the process to become WBENC certified. "There are millions of women-owned businesses out there," says Ann

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To learn more about TXU, our dedication to diversity and how we power the communities that power our business, please visit www.txucorp.com.

And to learn more about supplier opportunities at TXU for minorities and women, please call 214-812-MWBE.



Mullen, director of supplier diversity for Johnson & Johnson. "Being certified by WBENC tells us that not only is the business owned by a woman or women, but that it is run and controlled by a woman as well." Mullen says that Johnson & Johnson's top 50 women-owned suppliers are all certified by WBENC, and account for more than half of its spending with women-owned businesses.

With 30 major operating companies within the Johnson & Johnson family of companies, Mullen realized early on that maintaining a clear, consistent program to bring women-owned suppliers into the mix could be a challenge. So over the past eight years the company has created a cadre of 30 Johnson & Johnson supplier diversity team members—one at each of the operating companies—who are responsible for bringing women suppliers into their part of the business. Once the companies are in the supply chain, Johnson & Johnson supports selected women-owned companies with scholarships to attend the Tuck-WBENC Executive Program taught by Dartmouth College management professors, as well as by providing internal training and personal coaching.

One company that has benefited from Johnson & Johnson's commitment to women-owned businesses is Thomas Direct Sales, a promotional products company in Clifton, N.J. "We began selling promotional items to Johnson & Johnson in 1998, totaling about \$2 million worth of business that year," according to owner Nancy D'Andrea. "Since then, our business has grown tenfold, and we've expanded, supplying anatomical models and providing all kinds of marketing services." That's because D'Andrea benefited from a Johnson & Johnson-sponsored scholarship at the Tuck-WBENC Executive Program that helped her hone her management skills.

"To be successful, we have to have women integrated into our business and our brands," says Mullen. "They're the ones buying our products. How can we not have them as part of our supply chain?"

DRIVING THE BUSINESS

Avis Budget Group, the vehicle rental company headquartered in Parsippany, N.J., has a unique vantage point when it comes to the power of women business owners. At Avis and/or Budget car rental outlets,

located at all of the country's biggest airports, the company rents thousands of cars every day to women who are traveling on business. "When we bring women in as suppliers, we are not only helping to build up their businesses and strengthen the local economies where they operate, but we also get valuable information about our customers," says Lynn Boccio, vice president of strategic business and diversity relations for the company. "After all, we want women to keep renting our cars." For instance, through working with one of the

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The Women's Business Enterprise National Council (WBENC), founded in 1997, is the largest third-party certifier of women-owned and operated businesses in the U.S. Dedicated to enhancing opportunities for women's business enterprises, WBENC works in partnership with regional affiliates to provide a national certification for these businesses. Its database is a key resource for corporate diversity programs. *Visit us at www.WBENC.org.*

WIPP is a bipartisan public policy organization representing over half a million women business owners on the issues that impact their business growth. *Network, get involved, and grow your company. Visit us at www.WIPP.org.*

company's women-owned suppliers, Avis Budget learned how to adjust counter heights and automobile features for disabled customers. Over the past year, Boccio says the money it spends with women-owned suppliers has increased by 17%.

Like many of the companies we spoke with, Avis Budget has standard needs across the organization (office supplies, promotional materials) as well as regional needs at the airport locations in which it operates. "Airports are like little cities," says Boccio. Avis Budget's WBEs provide these locations with everything from car batteries and fuel to janitorial services and displays. Expansion to other airport outlets is always the goal. "If we have a woman supplier doing a good job with us in Orlando, we'll ask her to try Tampa, as well," explains Boccio. "We want these women-owned suppliers to succeed."

DRIVING THE ECONOMY

The economic clout that women have—and the depth of knowledge they bring to the companies with which they do business—is

Two-thirds of women business owners are willing to take substantial risks with business investments.

—Center for Women's Business Research

vital to the success of corporate America.

Yet with all the progress women suppliers have made over the past several decades, there are those who say it hasn't gone nearly far enough. "Momentum has carried us far, but not all major companies are addressing this issue as seriously as they should," says Linda Drake of TCIM. Despite the fact that 60% of FORTUNE 1000 companies spend more than \$1 billion each with outside suppliers each year, women-owned businesses accounted for only 4% of this market share in 2003 (the most recent figures available), according to the Center for Women's Business Research.

Still, the number of women-owned companies—and the influence they have in and on the world's biggest corporations—will only continue to grow, say the experts. And for good reason: The wealth of talent, creativity, and knowledge they bring are assets no company, big or small, can afford to be without.

—Susan Caminiti

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