

Supplier Diversity fully inclusive



Faiza Rasheed, Head of TfL's Group Procurement, explains how her vision of an all inclusive Diverse Supplier definition reaches far beyond the traditional groups.

The Mayor of London, Ken Livingstone has the aspiration of creating London as an exemplar world city. TfL is committed to bring this vision to life through its innovative Supplier Diversity programme, launched in June 2005.

TfL is responsible for operating the capital's transport network, which includes the Underground, taxis, buses and roads within Greater London. With a spend of £5 billion per annum on this, TfL has a tremendous opportunity to use procurement as a vehicle for change to deliver positive socio-economic outcomes. Rasheed says "Diverse suppliers stimulate innovation and are able to provide more cost-effective solutions. This in turn drives social and economic growth".

The first step in the development of TfL's Supplier Diversity programme was to create the definitions of Diverse Suppliers.

"To start with we wanted absolute clarity on what is meant by 'Diverse Suppliers'" says Rasheed. "So we created our own definition. This includes SMEs, BAMEs, women-owned and disabled-owned businesses amongst others".

The definitions were used as the foundation of the programme and also to measure performance. Having these definitions, enabled a consistent approach to supplier diversity within TfL and also helped the large contractors to understand what TfL means by diverse suppliers.

The definitions

Based on the research conducted and Rasheed's vision for an all inclusive definition, a diverse supplier definition consisting of four sub-groups was developed.

These are as follows:

- a) Small and Medium Enterprises (SMEs)
- b) Black, Asian and Minority Ethnic (BAME) businesses
- c) Suppliers from other under-represented or protected groups
- d) Suppliers demonstrating a diverse workforce composition

Challenges

TfL faced the challenge of producing a set of definitions which didn't exclude anyone. Traditionally, each of the sub-groups (a to d above) is considered separately in business. "This creates some challenges. There is clearly overlap between the sub-groups a, b & c. For example, a BAME business has a high probability of being a small business too. We recognised this and want to capture the sub-group separately. Also, by only considering each

sub-group individually, you automatically exclude another sub-group. This is a contradiction as our aim was to be all inclusive so I termed them 'diverse suppliers'", says Rasheed.

This approach to developing the definitions is unprecedented nationally and internationally. Rasheed pioneered the approach by consulting best practice from around the globe.

In the United Kingdom (UK), Rasheed's team cast the net wide to search various government organisations and found that the definitions were limited to size of the supplier in terms of annual turnover and/ or number of employees.

The European Union was the most advanced with its definition, however it has not widely used Black, Asian and Minority Ethnic businesses as a sub-group.

The United States (US) has a comprehensive definition of Disadvantaged Business Enterprises (DBEs), though its sub-groups are aligned with the ethnic make-up (e.g. Hispanics and Native Americans), of the country and its history (e.g. Veteran-Owned, Small Business). A similar approach applies in South Africa.

Each of the sub-groups (a to d) which makes up the diverse supplier definitions at TfL is discussed in more detail opposite.

SMEs

SMEs have been considered as they frequently face barriers of entry when trying to win business with large organisations. TfL has defined Small and Medium Enterprise as follows:

A Small Enterprise is a business which has both the following:

- i) 0-49 Full Time Equivalent employees¹; **AND**
- EITHER one of the following:**
- ii) Turnover² per annum of up to £6.9 million (up to €10 million³); in the last financial year; **OR**
- iii) Balance sheet total⁴ of up to £6.9 million (up to €10 million³).

A Medium Enterprise is a business which has both the following:

- i) 50-249 Full Time Equivalent employees¹; **AND**
- EITHER one of the following:**
- ii) Turnover² per annum of up to and including £34.3 million (up to €50 million³) in the last financial year; **OR**
- iii) Balance sheet total⁴ of up to and including £29.4 million (up to €43 million³).

A Large Enterprise is a business which has both the following:

- i) Over 250 Full Time Equivalent employees¹; **AND**
- EITHER one of the following:**
- ii) Turnover² per annum over £34.3 million (over €50 million³) in the last financial year; **OR**
- iii) Balance sheet total⁴ of over £29.4 million (over €43 million³).

The development of TfL's SME definition was derived from the Companies Act of 1985⁵, the European Union (EU)⁶ updated definition and the Department of Trade and Industry's (DTI)⁵ definition for SMEs based on adaptation of the EU definition. Whilst the EU definitions are non-binding on Member States, it is intended good practice to adopt them.

¹ Full Time equivalent employees are expressed in hours per week. TfL refer to standard UK hours of work as full time workers - i.e. those who work 35 hours a week and 52 weeks a year (including annual leave)

² Turnover is in line with that defined in the Companies Act 1985. The amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of:
i) trade discounts
ii) value added

³ Based on the exchange rate £1 = €1.46

⁴ Balance Sheet Total is refer to the value of the company's main assets.

⁵ www.sbs.gov.uk

⁶ http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm



Are you a diverse supplier?



TfL buys a wide range of goods, works and services including construction, agency labour, marketing, training, recruitment and IT amongst others.

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www.tfl.gov.uk/sellingtotfl



BAMEs

A BAME business is one that is owned, by 51% or more, by one or more Black, Asian or Minority ethnic groups. Minority ethnic groups are people who come from ethnic groups other than 'White British'.

These groups include the following:

- **White ethnic** groups include: Irish and any other white background origins.
- **Mixed ethnic** groups include: White & Black Caribbean, White & Black African, White & Asian and any other mixed background
- **Asian or Asian British** groups include: Indian, Pakistani, Bangladeshi and any other Asian background
- **Black or Black British** groups include: Caribbean, African and any other Black background
- **Chinese or other Ethnic** Group include: Chinese and any other Ethnic Group

Under-represented groups

Under-represented groups are part of TfL's definition, and include suppliers from protected groups for which either protection is provided by anti-discriminatory legislation [such as Disability Discrimination Act (DDA 1995) and Sex Discrimination Act (SDA 1975 & 1996)] and/or any diverse groups are not already covered by the other sub-groups.

These groups include:

- **Women**
- **Disabled people**
- **Lesbians, Gay men, Bisexual and Transgender** (LGBT) people and;
- **Older people** (aged 60 or over), **young people** (aged 24 or under)

Supplier with a diverse workforce composition

TfL has existing contractual relationships with many large suppliers. As most of these contracts are long-term in nature, TfL's needs to include these suppliers in the supplier diversity programme. Therefore, TfL has included the fourth sub-group in the definition of diverse suppliers, being diverse workforce composition.

A diverse workforce composition comprises of full time equivalent employees who may be from one or more BAME, an under-represented group or a protected group as previously mentioned.

TfL is committed to promoting a diverse workforce composition and as part of its duty to comply with Race Relations Amendment Act (RRA Amendment 2000) it as such monitors the number of employees from diverse groups.

How the definitions are being used

TfL's diverse supplier definitions are available on TfL's website. They are also being sent out with tender documents where diversity is a relevant requirement.

Most recent examples are the ca. £1 billion East London Line contract and the ca. £1.4 billion Street Management and Maintenance contract.

The definitions are also being used throughout TfL's business operations to ensure consistency in terminology when referring to a diverse supplier. The definitions form the basis for alignment in the measurement of diverse suppliers and TfL monitors the number of diverse suppliers being incorporated into its supply chain.

TfL has shared its definitions with government bodies such as the London Development Agency, Greater London Authority, Metropolitan Police Authority the London Fire and Emergency Planning Authority (LFEPA) and Job Centre Plus (JCP). JCP has also incorporated TfL's 'diverse supplier' definitions for into their own procurement process.

Companies in the private sector including financial & professional services, and oil & gas have also benefited from TfL's approach, to defining diverse suppliers

The broad and inclusive Diverse Supplier definition, is setting a new standard and is extending beyond the traditional boundaries.

"My vision is to change the vocabulary within the UK" says Rasheed. "So remember it's diverse suppliers from now...".



