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Victories in Capitalism: THE POWER OF STRATEGIC ALLIANCES

Written by Judith L. Turnock

Some of the most inspiring new victories in capitalism over the last few decades have occurred in the burgeoning ranks of minority-owned business enterprises (MBEs). There are now 4 million such successful businesses, providing 4.7 million new jobs. Despite those impressive numbers, only a small percentage have grown beyond half a million dollars in annual revenue, and even fewer have reached the megacorporation status. MBEs approaching that level are becoming masters of the supply chain by building strategic alliances that showcase their innovation and competitiveness. Because of their boldness and winning results, more and more MBEs are stepping up to the greater challenges and reaching for richer rewards, and more and more major corporations are recognizing the bottom-line advantages of supporting their growth.

WHY STRATEGIC ALLIANCES?

The U.S. Department of Commerce's Minority Business Development Agency (MBDA) is an enthusiastic player in the MBE growth trajectory. National Director Ronald N. Langston defines the vision: "Once MBEs are comfortable with the basics of advanced education, financial literacy, access to capital and high-tech capacity, they are ready to take the leap — moving beyond their 5-, 10- and even 50-mile marketplaces." By facilitating strategic alliances among MBEs and with federal, state and private-sector entities,

MBDA can offer MBEs new opportunities within the U.S. and across international borders. More and more, Langston summarizes, "MBEs are going after the big contracts — and winning."

WHAT DO STRATEGIC ALLIANCES LOOK LIKE?

The alliances are as unique as each entrepreneur and each business development opportunity, and all result in two-way business advantages. In 2005, Catallia Mexican Foods LLC, a current Cargill customer, joined the big leagues. It entered a

joint venture with a wholly owned subsidiary of Cargill to increase its tortilla production and distribution capacity. Two years later, Catallia has more than tripled its revenue and grown from a three-person mom-and-pop company to an employer of 65. Catallia is a significant supplier of tortillas to McDonald's in the U.S. and is poised to take advantage of the growing market for authentic Hispanic foods.

Harris & Ford, a minority-owned distributor of chemicals founded by Tim Harris, formed a new subsidiary, Midwest Chlor-Alkali, LLC, headed by Harris, and



Tim Thomas
Director of Supplier Diversity
Cargill

Cargill's work around the world in food, nutrition, agriculture and supply chain management has taught it the value of diversity in its supply chain. Good ideas can come from anyone, anywhere.

One of the best ideas Cargill recently received came from supplier Ongweoweh Corporation, an American Indian-owned pallet procurement, management and recycling company. Its successful management of Cargill's pallet pool saved the company \$300,000 last year. According to Cargill Director of Supplier Diversity Tim Thomas, "We award contracts on competitiveness and competence," and Ongweoweh is one more example of the bottom-line value of supplier diversity. Ongweoweh Founder and Chief Executive Officer Frank Bonamie praised Cargill as a "true partner" from "the first day."

Ongweoweh continues as a valued Cargill supplier with a new \$25 million contract, increasing Ongweoweh revenues exponentially, and was named Cargill's 2007 Minority Supplier of the Year. Both partners look forward to further mutual growth and success.



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established a long-term supplier agreement with Cargill to move from chemical distribution to the production of sodium hydroxide and hydrochloric acid for Cargill's corn-milling plants. Midwest is now finalizing details for constructing its manufacturing plant adjacent to one of Cargill's corn-milling facilities.

Ronald Brown, founder, chairman and chief executive officer of Simba Textile Holdings, is a sourcing agent for U.S. companies seeking manufacturing opportunities in Africa. Like most successful entrepreneurs, Brown has leveraged every experience and observation into a business opportunity, and, thanks to MBDA, he is now poised to enter the big leagues. His ability to build strategic alliances has made his growing success inevitable.

The 2000 African Growth and Opportunity Act (AGOA) first brought reality to the business dream Brown had been nurturing since serving as an antiapartheid attorney in South Africa. With the advice of two industry giants who became his mentors — Jim Gutman, president of Pressman-Gutman, a 70-year-old garment industry leader, and Morty Saks of Morty Saks International, one of the leading fabric brokers in the U.S. — Brown executed his first sourcing contract in Madagascar and eventually expanded his business alliances to include factories in Botswana and Lesotho.

Recently, MBDA initiated efforts that led Brown to participate in an AGOA Conference in Ghana, where he met members of the Ghanaian government. As a result, Simba is pursuing sourcing arrangements in Ghana for a number of U.S.-based companies, including a minority-owned uniform company that MBDA introduced to Brown, a leading women's wear company in conjunction with Pressman-Gutman, and a large uniform company. Now, with Simba as the sourcing agent, garment-manufacturing companies backed by

the Ghanaian government are on line to complete those and other Simba orders.

Since its founding in 2000, Metasys Technologies, Inc. (MTI), has built a clientele among major corporations for its IT consulting and staffing services. Its ongoing work with The Home Depot alerted Chief Executive Officer Sandeep Gauba to a new opportunity: The Home Depot was looking for cost-saving solutions based on both the quality and the efficiency of its business process. Gauba got together with a longtime friend, a senior executive of Zenzar Technologies, Inc., based in India, and developed a winning proposal. The Home Depot estimates its savings at more than 40%. "This strategic alliance has helped us deliver better business and in better fashion than either of us could on our own," states Gauba. Michelle Johnson, director of supplier diversity at The Home Depot, calls MTI "a most valued strategic supplier."

WHAT CAN MBDA DO FOR YOU?

Since its establishment in 1969, MBDA has become an increasingly proactive and creative facilitator of partnerships among MBEs, government agencies, academia and major U.S. and global companies. This small agency, which has a big mandate and faces a growing demand for its services, is remaining focused on strategic growth firms. The Strategic



MBDA's Minority Enterprise Development (MED) Week



K. Michelle Sourie Johnson
Director of Supplier Diversity
The Home Depot

RENOVATING AMERICA'S SUPPLIER BASE

If you want a snapshot of America, walk into The Home Depot®. With more than 2,100 stores in the U.S., the Company's customers reflect the changing demographics of this country.

The Company has created a number of well-recognized programs to ensure its suppliers mirror the customers who shop in its stores. Its cutting-edge George A. Lottier Scholarship Fund subsidizes business development training for small, minority, and/or woman-owned current and prospective suppliers. One such program is FastTrac, a nine-week-long program sponsored in conjunction with the Kaufmann Foundation and Small Business Development Centers.

The Company also works with the National Minority Supplier Development Council, the Women's Business Enterprise National Council, and the Small Business Administration to build capacity in diverse businesses.

As The Home Depot continues to grow, it actively seeks additional opportunities to bring in suppliers that will better meet its customers' needs.



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Growth Initiative (SGI), for example, matches high growth and highly innovative MBEs with financing and contracting opportunities. In 2006 alone, SGI clients created over 4,200 new jobs. A partnership with the Amos Tuck School of Business at Dartmouth College has trained more than 400 minority entrepreneurs, business consultants and staff. The Business-to-Business (B2B) Linkage Forums, launched in 2006, have brought minority firms to the Gulf Coast, where they have partnered with and competed successfully for large procurement contracts in the devastated region. The B2B Forum is a flexible model that can easily be replicated in any area, and MBDA is planning a series of industry-focused B2Bs around the country for 2008.

"I'm optimistic about the future of MBEs," says Langston. "The business case has been made regarding their viability and contribution to the U.S. economy. As veterans of working in diverse cultural, ethnic and language environments, MBEs are uniquely prepared to reach across borders and take advantage of global free-trade opportunities, whether it's partnering with U.S. companies to deliver products and services abroad or partnering with small foreign companies to access the U.S. market. And because they have come of age in the American environment of respect for human rights and the rule of law, transparency and rigorous management as well as managerial courage, they are also ambassadors of good governance traits."

THE BILLION DOLLAR ROUNDTABLE

One organization trumpeting the growing success of diverse suppliers in the global supply

chain is the Billion Dollar Roundtable. The members of this elite think tank are 13 of the nation's largest global corporations: AT&T, Boeing, Chrysler, Ford, General Motors, IBM, Johnson Controls, Kroger, Lockheed Martin, P&G, Toyota, Verizon and Wal-Mart. Each of them records at least \$1 billion in annual tier-1 spends with MBEs and WBEs. With an average of 8.2% of their supplier spend on diverse suppliers, the collective spend in 2006 was more than \$29 billion, a 17% increase over 2005.

The Roundtable members share best practices — how they have opened up their selection processes and encouraged MBEs and WBEs to step in and compete successfully — at annual meetings and through research papers. "We're in a position to promote supplier diversity," reports Roundtable Chief Executive Officer Sharon Patterson. "We explore the business case — why it's important to the bottom line — and we know what makes access, acceptance and implementation happen within a company's operational structure." By their example, results and research, Billion Dollar Roundtable members encourage other companies to increase their own spending and commitment.

"Supplier diversity has already brought new success to financial, retail, consumer products and telecommunications firms," explains Patterson, "so this year the Roundtable will focus on the advantages of partnering with diverse suppliers to build brand loyalty, launch products and foster goodwill." Watch for the Billion Dollar Roundtable's white paper on mainstreaming diverse supplier marketing and advertising firms into global business, due out later this year. ■

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