

# Catalyzing Supplier Diversity Through Innovative Initiatives

JPMorgan Chase's supplier diversity commitment extends to growing and developing diverse businesses — and the communities they serve — by working across the organization and with key partners.

By Sue Doerfler





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**JPMorgan Chase's mission is to facilitate the growth and development of diverse businesses to become critical parts of its supply chain as well as promote equity and inclusion among other business partners, says Ted Archer, head of business partner diversity at the company.**

**D**iverse suppliers often lack the capital to expand or scale production capabilities to compete at minimum bid requirements. Smaller, Black and Latino firms are generally underrepresented among those that receive external financing.

JPMorgan Chase (JPMC) set out to change that while expanding its own supplier diversity program, developing innovative solutions and initiatives, and working with key partners and the financial services industry to expand their supplier diversity commitments.

"Our vision includes advancing beyond traditional supplier diversity efforts and mobilizing the entire JPMC supply chain network to promote new practices and approaches that develop diverse and non-diverse supplier capabilities that lead to greater impact," said Ted Archer, head of business partner diversity at JPMorgan Chase in New York.

### Driving More Economic Growth

Supplier diversity has long been a JPMorgan Chase imperative. Since it began in 1994, the program has grown steadily, and the financial services firm now spends about US\$2 billion annually with 1,300 diverse firms. In 2019, the company was inducted into the Billion Dollar Roundtable, which recognizes corporations that spend at least \$1 billion annually with diverse suppliers.

While the supplier diversity function is housed in procurement, the firm has undertaken an intentional expanded approach to supplier diversity across the entire organization, Archer says. "It's a great opportunity to take supply diversity to that next level," he says.

JPMorgan Chase's mission is to facilitate the growth and development of diverse businesses to become critical parts of its supply chain, he says, "but it's also to promote equity and inclusion across a broader set of business partners that we have. So, it's not just the focus on the diverse suppliers themselves; it's also a focus on our entire supply chain and how we can apply a more inclusive lens to move the needle."

The company is seeking a supply chain that mirrors its customer demographics, Archer says: "The ultimate goal is to drive more economic growth in communities where we do business — day in and day out."

### Refining the Focus

In October 2020, JPMorgan Chase heightened its focus on using Black and Latino suppliers by committing an additional \$750 million to the program over five years, starting in 2021.

"Our work there is a part of our mission to promote inclusive economic growth as well as racial equity and is U.S.-focused at this point," he says. In 2021, the company spent



Photos courtesy of JPMorgan Chase

more than \$100 million with Black and Latino suppliers.

Following industry standards, JPMC defines diverse as 51-percent owned and operated by member or members of historically underrepresented groups: Black, Latino, Asian, Native American, women, military veterans, people with disabilities, and members of the LGBT+ community. “Our approach is to identify places where we know we are uniquely positioned to have the deepest amount of impact,” he says, “so our focus on Black and Latino suppliers is because we see disparity there — as well as significant opportunities.”

Having a local lens by promoting growth of diverse businesses in places where JPMC has a large footprint is critical, he noted. So, the company chose five cities — New York, Los

in places where we spend. We also know that there are certain things that can be locally sourced with companies in those places.”

Those include, he says, areas of opportunity in (1) how JPMorgan Chase builds corporate centers or retail branches and (2) how it works with food service providers, using suppliers in the process.

### Partnerships Make a Difference

The localized focus has helped JPMC — and its diverse suppliers — in a variety of ways. For example, the company has found that local contractors are not only capable of building, renovating and completing projects, but also that their “regional perspective and experience means that things operate on time,” Archer says.

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Angeles, Chicago, Houston and Dallas — where it felt the program could make the most impact. “Those are places where JPMorgan Chase has a large company footprint and employee base, diverse businesses are growing in numbers, and we have experience with how those ecosystems operate and how we navigate with them,” Archer says.

Location as a driver is a new concept for procurement and the supply chain space, he says. “Typically, when you think of a well-oiled, functioning procurement organization and a supply chain that’s really effective, you don’t layer on place into that — it’s price, efficiency, quality and speed,” he says.

“But business is local. Business is found and done locally — and we knew that we had to apply an additional lens of how to drive impact

Having local partners, he adds, also has impacted the company’s ability to bring on talent, particularly at a time when the battle for talent is fierce.

Among the other benefits diverse suppliers bring to the financial services firm are more unique and innovative perspectives and solutions, Archer says: “Our supply chain is more dynamic, more robust.”

The company has developed strong relationships with some diverse partners that have grown over time and benefited both parties. “We’ve found that in some instances, we’ve identified new capabilities with partners we’ve worked with for a number of years because we’ve had a heightened focus on growth, not just on spend,” Archer says. With supply chain constraints and issues dominating the supply

management space over the past few years, he says, “we’ve really felt the impact of intentionally deepening relationships and building capabilities with suppliers that have now been able to grow in scale with us.”

### Innovative Solutions

Most diverse businesses face similar challenges: lack of capital to scale operations and the know-how to navigate the business ecosystem. Data from global think tank JPMorgan Chase Institute, Archer says, shows that smaller, Black and Latino businesses in particular are underrepresented among firms that receive external financing. “That kind of disparity is exacerbated,” he says, “when a diverse company has access to an opportunity but needs to scale to meet that opportunity head on.”

Another challenge for many diverse suppliers: meeting business requirements. “For example, to do business with JPMorgan Chase — and this is true across the financial services industry — there are significant requirements that you need at a minimum,” he says.

A lot of those requirements pertain to cybersecurity. “You need to have in place a set of controls and processes so that you can mitigate risk,” he says, “and so you can handle sensitive data.”

Data security and cybersecurity can be greater risks for smaller companies because of the mitigation expense, Archer says. “It can take a supplier between \$100,000 to \$500,000 to mitigate and to have in place the right environment just to meet minimum standards,” he says. “That’s an enormous barrier to entry for any company. But the smaller you are in terms of scale and exposure and experience working at the enterprise level, the less likely you are to do something about it.”

JPMorgan Chase decided to act: With four other financial institutions, it created a cyber-readiness program that enables suppliers to determine where they have gaps or need to adjust to meet the minimum standards.

Through the program, Archer says, diverse suppliers work with some of the company’s partners, which provide consulting about putting plans in place that can serve as a mitigation step.

However, it takes capital to implement such plans, and another initiative was necessary. “We thought we should address what is an industry challenge with an industry solution,” Archer says. An internal discussion generated two potential responses: (1) internally raise the capital necessary

to pilot a funding initiative and (2) ask industry partners to make a similar monetary commitment. Both were implemented: “We raised \$5 million internally from JPMC for our Diverse Supplier Grant Initiative,” he says, “and have garnered another \$1.4 million in commitments from partners.”

JPMorgan Chase teamed up with one of its partners, New York-based 501(c)(3) nonprofit Local Initiatives Support Corporation (LISC), to administer a grant fund that allows diverse suppliers working with the partnership to access funds to mitigate such issues as cybersecurity, bonding, insurance and disaster recovery. The program was launched in the spring. LISC administers other JPMorgan Chase programs like the Entrepreneurs of Color Fund and solutions designed to get capital to the hands of housing developers, businesses and organizations that need them, Archer says.

Diverse suppliers that apply are generally expected to have annual revenue of between \$5 million and \$10 million. “That’s where we see the most need,” Archer says. Applicants must undergo a screening process, with approved suppliers able to access up to \$250,000 in funding.

“It’s a recoverable grant — funding that is designed to be paid forward,” he says. So, if a grant recipient experiences an upside, that supplier will be asked to pay it forward — to pay back the grant for another to use. However, “if you get access to the funding and are unsuccessful and don’t experience an upside, then you’ll be eligible for forgiveness,” he says. “It addresses the need without putting too much undue burden on the supplier. Additionally, corporations that invest in the initiative can refer potential diverse business applicants for capital, which in turn helps them expand and diversify their supply chains.”

The goal, Archer says, is to grow the funding pool and invite more corporations — including Institute for Supply Management® (ISM®) member companies with a similar DE&I philosophy — to participate. This program is not exclusive to the financial services vertical; major corporations have an opportunity to participate and join JPMorgan Chase in growing the qualified supply base of diverse owned businesses, he says.

### Supplier Participation and Collaboration

In addition to increasing spend with diverse suppliers and their access to capital, JPMorgan Chase’s supply diversity initiative also focuses on catalyzing involvement from the companies it works with.

The company surveyed its more than 100 strategic, critical suppliers, which it calls “gold” suppliers, and asked them to commit to expanding their own supplier diversity work “in a way that mirrors what we’ve committed to,” Archer says.

Response was positive, and based on survey answers, the group was divided into three categories: (1) emerging companies without a formal supplier diversity program, (2) established firms that have introduced a number of initiatives, and (3) mature companies like JPMorgan Chase that can serve as mentors to other companies.

“The goal is to have as many of those organizations as possible — all of them — establish supplier diversity programs on their own or mature their programs at the point where they’re making lasting impact,” Archer says.

As part of the program, the gold suppliers have committed to \$6.2 billion of new spend with diverse suppliers over a three-year period; the program is in its second year.

“We see so much synergy in what we’re trying to accomplish and what the suppliers themselves have committed to doing,” he says. The purchasing power from the supply chain opportunities that exist with the group gold suppliers has helped enable diverse suppliers build scale and capability while increasing wealth and economic growth in communities where there are disparities.”

### ‘Just the Beginning’

At JPMorgan Chase, supplier diversity has become a discipline that is embedded — and has support — throughout the organization.

“We have dedicated sourcing directors and managers who spend their time working with diverse companies and creating opportunities within our supply chain,” Archer says. “In addition, we have leaders willing to take on the responsibility of going deeper in key categories.” That kind of continual support and involvement has made an impact, and has led to early indications that the firm’s strategy is working — and that the goal of committing an additional \$750 million with Black and Latino suppliers over five years is “not only attainable, but we hope to build on that and exceed what we set out to do,” he says.

For JPMorgan Chase, being a financial services firm has advantages, including the ability to bring in other financial services to help participants, Archer says. “The cyber-readiness program is just that: using our position to have greater impact,” he says.



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— TED ARCHER  
JPMorgan Chase



“We’re uniquely positioned as a financial services firm to meet the needs and demands of diverse suppliers around education, services, capital and business opportunities,” Archer says. “We see this as a starting point for building more companies that are sustainable and resilient.

“We can’t let up; this is just the beginning for us. (We) think we can play a role and solve for the challenge of growing diverse firms and economic opportunity.” **ISM**

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