Supplier Diversity Best Practices

Robert Harper, Supplier Diversity Manager

MINNESOTA STATE
Presentation Outline

Define the Topic
Supplier Diversity
Changing Business Demographics

MN Joint Disparity Study
Findings
Implications

Next Steps for Systems Change
Strategies for Improvement
Best Practices
What is Supplier Diversity?

• A proactive business process that seeks to provide historically under-utilized businesses with equal access to purchasing opportunities.

• Objective: to promote supplier participation that is reflective of the diverse student population and business community in which Minnesota State functions, and to encourage and maximize economic development.
Equity in Higher Education

- **Equity** is achieved when all stakeholders (students, staff, faculty, vendors, etc.) are provided the resources they need to achieve their goals/potential.

- Distinct from equality! Prioritizes leveling the playing field and ensures equity in practices.
Why Supplier Diversity?

• **Minnesota** has some of the worst racial disparities in the U.S. (unemployment, homeownership, education, gov’t contracting)
  – 2\textsuperscript{nd} worst in Inequality between Blacks & Whites (2017)

• Promotes innovative business strategies
• Increases healthy competition
• Drives cost-savings
• Opens new supply channels
W/MBE’s in Minnesota

• MBEs grew by 52% in MN between 2007 – 2012.

• W/MBE’s on the Rise:
  – 513,118 Small Businesses in Minnesota
  – 47,277 (9.2%) are MBEs
  – 157,821 (32%) are WBEs as of 2016
W/MBE National Trends

• WBE’s grew by 57% from 2007 – 2018
  – Firms owned by Black women grew 164%
  – Firms owned by Hispanic women grew 87.3%
  – Firms owned by Asian women grew 44.3%

• 12.3 Million WBEs in the U.S.
  – 4 out of every 10 businesses

• 11.1 Million MBEs in the U.S.
  – Revenue Gap Widening Between MBEs/Non-MBEs
What Groups Are Targeted?

51% owned and operated:
• Minority-Owned Business Enterprises (MBE)
• Women-Owned Business Enterprises (WBE)

Minnesota State also encourages the utilization of:
• Disabled-Owned Business Enterprises (DOBE)
• Veteran-Owned Business Enterprises (VBE)
• LGBT-owned Business Enterprises (LGBTBE)
• Economically Disadvantaged (ED)
MN Joint Disparities Study (2017)
MN Joint Disparities Study (2017)

• Designed to provide legal foundation for a public entity offering race and gender-based preferences.

• Examined whether there was “a level playing field for minority and women-owned firms in the Minnesota marketplace and in public entity procurement” (Keen Independent Research).
Study Scope

• Qualitative & Quantitative Methods tested:
  – W/MBE availability and utilization

• Minnesota State Procurements:
  – 10,126 procurements totaling $984 Million (2011-2016)
  – 5,064 businesses available for public sector work
  – Construction, Prof. Services, Goods, and Other Services
Quantitative Findings – Minnesota State

- **W/MBE Availability: 19.85%**
  - MBE: 6.77%
  - WBE: 13.08%
- **W/MBE Utilization: 7.46%**
  - MBE: 1.39%
  - WBE: 6.07%
- **Disparity Index: 38** *(substantial disparity)*
  - 100 = no disparity, 1 = largest disparity
### Minnesota State Purchasing (by race)

<table>
<thead>
<tr>
<th>MBE Category</th>
<th>Utilization</th>
<th>Availability</th>
<th>Disparity</th>
<th>Index (0-100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American-owned</td>
<td>0.50%</td>
<td>2.92%</td>
<td>-2.42%</td>
<td>2</td>
</tr>
<tr>
<td>Asian American-owned</td>
<td>1.11%</td>
<td>1.46%</td>
<td>-0.35%</td>
<td>76</td>
</tr>
<tr>
<td>Hispanic American-owned</td>
<td>0.11%</td>
<td>1.21%</td>
<td>-1.10%</td>
<td>9</td>
</tr>
<tr>
<td>Native American-owned</td>
<td>0.11%</td>
<td>1.19%</td>
<td>-1.08%</td>
<td>9</td>
</tr>
<tr>
<td>White Women-owned</td>
<td>6.07%</td>
<td>13.08%</td>
<td>-7.01%</td>
<td>46</td>
</tr>
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</table>

**Total TGB Spend**

<table>
<thead>
<tr>
<th></th>
<th>Utilization</th>
<th>Availability</th>
<th>Disparity</th>
<th>Index (0-100)</th>
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</thead>
<tbody>
<tr>
<td><strong>Total TGB Spend</strong></td>
<td>7.46%</td>
<td>19.85%</td>
<td>-12.39%</td>
<td>38</td>
</tr>
</tbody>
</table>
Supplier Diversity
Best Practices
RGMA’s Five Levels of Supplier Diversity Program Development

1. Beginning Program
2. Basic Program
3. Traditional Program
4. Advanced Process
5. World Class Process

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Best Practices

1. Establish Corporate Policy

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY
Page 1 of 2

TARGETED BUSINESS,
URBAN COMMUNITY ECONOMIC
DEVELOPMENT, AND SMALL
BUSINESS PROGRAMS

Adopted: November 8, 1996
Amended: February 12, 2010

SECTION I. PURPOSE.

Subd. 1. Targeted Businesses. The Board of Regents (Board) supports the use of the purchasing power of the University of Minnesota (University) to enhance equal employment and business opportunities for minorities, women, and disabled persons. Consistent with the Board’s long-standing policies and achievements in advancing diversity, equal employment opportunity, and affirmative action, the University is committed to promote actively the utilization of businesses owned and operated by minorities, women, and disabled persons (targeted businesses), and to prevent discriminatory practices against such businesses.
Best Practices

2. System-wide Commitment; Steering Committee
3. Comprehensive Internal/External Communications

New Supplier: Neta Scientific

It’s a new year and U Market has a new supplier! Neta Scientific is now available to help fulfill your lab supply needs.

Neta Scientific carries a wide variety of products, which includes everything from tubes and vials to solvents and reagents. They’re also a certified minority and woman-owned small business; so if your grant prefers that you purchase from a targeted supplier, consider ordering from Neta Scientific!
Best Practices

4. Identify Opportunities for Targeted Businesses

<table>
<thead>
<tr>
<th>Construction</th>
<th>Utilization</th>
<th>Availability</th>
<th>Disparity index</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American-owned</td>
<td>0.02%</td>
<td>2.50%</td>
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</tr>
<tr>
<td>Asian American-owned</td>
<td>2.52</td>
<td>1.18</td>
<td>214</td>
</tr>
<tr>
<td>Hispanic American-owned</td>
<td>0.10</td>
<td>1.35</td>
<td>7</td>
</tr>
<tr>
<td>Native American-owned</td>
<td>0.11</td>
<td>2.80</td>
<td>4</td>
</tr>
<tr>
<td>Unknown MBE</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total MBE</strong></td>
<td><strong>2.79%</strong></td>
<td><strong>7.83%</strong></td>
<td><strong>36</strong></td>
</tr>
<tr>
<td>WBE (white women-owned)</td>
<td>6.75</td>
<td>13.15</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total MBE/WBE</strong></td>
<td><strong>9.53%</strong></td>
<td><strong>20.98%</strong></td>
<td><strong>45</strong></td>
</tr>
</tbody>
</table>
Best Practices

5. Comprehensive Supplier Development Process

- Tradeshows
- Reward & Recognition
- Matchmakers
- Supplier Trainings
- Certifications
- Finance Trainings
Best Practices

6. Tracking, Reporting, Goal-Setting

2011 – 2016 Actuals:
• 7.46% of Total Expenditures paid to W/MBE’s.

FY20 Goal:
• 8.90% of Total Expenditures paid to W/MBE’s.
  (20% increase)
Certification is Important!

Certified: 7%
Non-Certified: 93%

Recognized Certification Agencies:
- State of Minnesota – Admin
- Saint Paul CERT
- Minnesota Unified Certification Program (MNUCP)
- National Minority Supplier Development Council (NMSDC)
- Women’s Business Enterprise National Council (WBENC)
Best Practices

7. Understand Public Sector Supplier Diversity

What are other State agencies/municipalities doing?

What Federal / State laws/statutes enforce your Supplier Diversity program?
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