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UM Supplier Diversity FY 2014 Summary Report

This provides the University of Missouri System’s (UM) Supplier Diversity (SD) Summary Report. We provide an overview here of FY 2014 spending and highlights. Overall SD spending for FY 2014 was \$55 million, representing 7.4% of a total business spend base of \$745 million. This covers spending in Design and Construction (D&C) and Procurement (campuses and Health System). Complete spending detail are in the attached exhibits for review.

Background

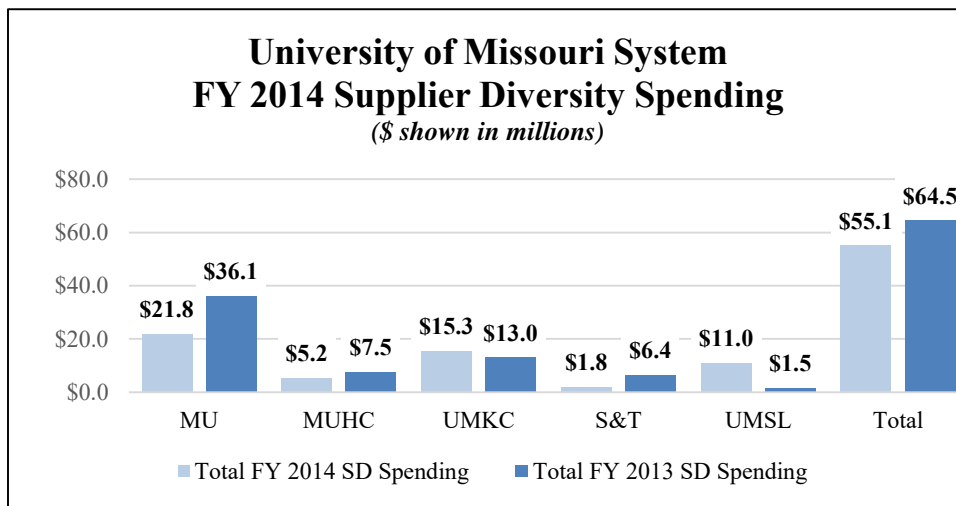
UM has had a program in place to specifically increase minority and women-owned business (M/WBE) participation in the purchase of goods and services for over 20 years. To be in alignment with current practice in the state of Missouri, UM has been targeting 10% of its spending with minority-owned businesses (MBE) and 5% with women-owned businesses (WBE), specifically in the D&C area.

Over the past 16 months, UM has broadened the effort to a supplier diversity program. This more closely aligns with the private business sector and many other colleges and universities around the country. Supplier diversity provides a way for greater economic inclusion for smaller firms. The recognized categories (listed below) are all part of both State and Federal Government “protected classes” related to the procurement of goods and services, and in limited cases, federal grant requirements.

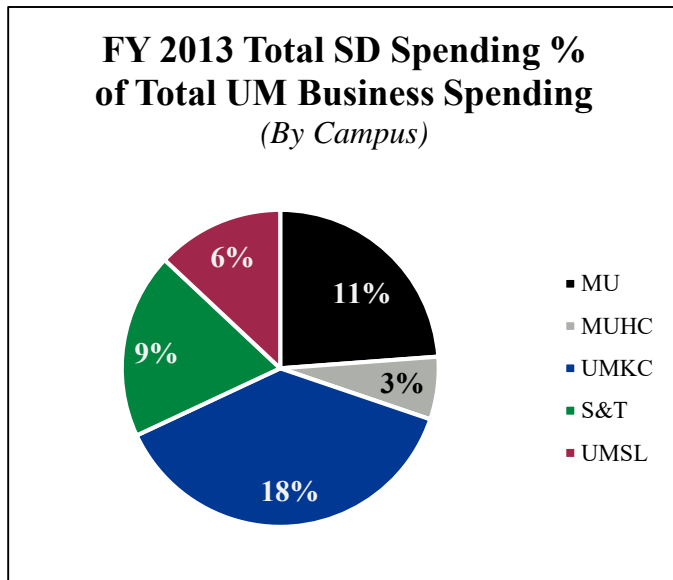
1. Ethnic minorities – African-American, Hispanic, Asian (Indian and Pacific) and Native American
2. Women-owned businesses
3. Veteran-owned businesses (includes service-disabled veterans)
4. Disadvantaged Business Enterprises (DBE, SDB, 8A)

Business Overview

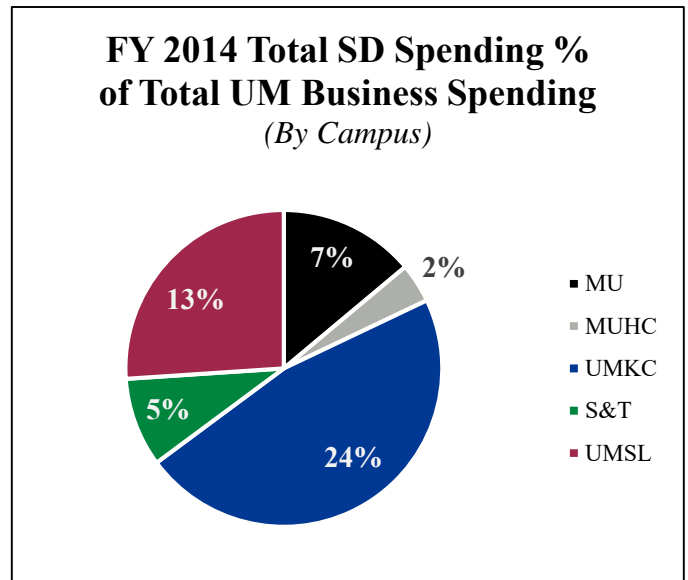
The chart below provides highlights, by campus, of SD spending for FY 2014 versus FY 2013.



SD spending overall is 15% lower than a year ago. Procurement SD spending as an overall percentage of total business spending, was flat versus a year ago at 5%. D&C SD percentage of total business spending finished at 14%, representing a 4% reduction versus FY 2013. Total SD (Procurement and D&C) percent of spending for both FY 2013 and 2014, by campus, is highlighted below.



**Includes Procurement and Design & Construction.
Total UM SD%: 8.6%*



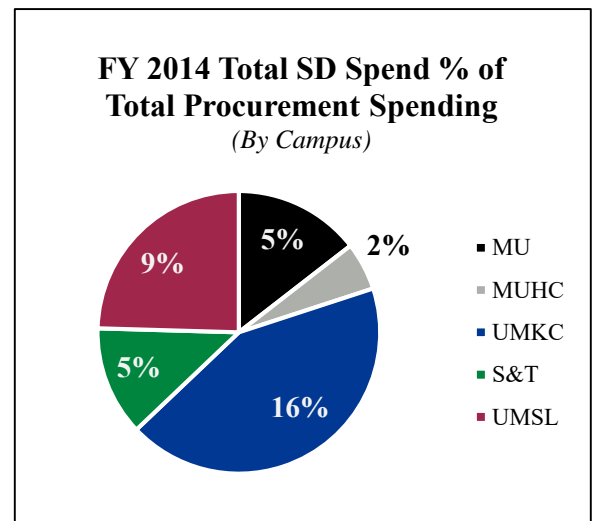
**Includes Procurement and Design & Construction.
Total UM SD%: 7.4%*

Procurement-University and Health System

During FY 2014, diverse supplier spending for Procurement was \$24 million, about 5% of total business spending and flat versus FY 2013. We’re working to improve and update reporting systems, to insure UM can capture and report diverse supplier spending for the new spending categories (veterans and DBE) we have added. We will also work with accounting to help insure our systems will be able to capture and code all new supplier records with diverse supplier classifications as correctly as possible.

There are plans to roll out a focused 2nd Tier spending program for UM’s major suppliers related to SD utilization. We will also have a more focused effort within UM Supply Chain related to diverse supplier spending. A manager has been assigned a significant part of time devoted to improving results in this business unit. Additionally, we will define a FY 2016 objective. To be clear...we have significant challenges ahead to improve our spending in this area. For all of this to work, leadership engagement and involvement, beyond Procurement, will be important to improve SD spending results above the 5% level.

UM FY 2014 Procurement Supplier Diversity Participation (\$ shown in millions)			
Campus	Total UM Procurement Spending	UM SD Procurement Spending	SD % of Total Procurement Spending
MU	\$202.8	\$11.0	5%
MUHC	\$253.6	\$5.2	2%
UMKC	\$33.0	\$5.3	16%
S&T	\$21.3	\$1.0	5%
UMSL	\$19.6	\$1.8	9%
Total	\$530.3	\$24.3	5%



Design and Construction

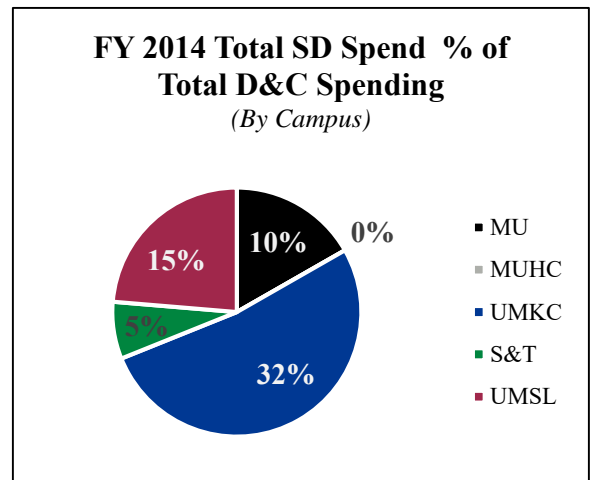
SD spending in Design and Construction for FY 2014 was about \$31 million, about 14% of the total D&C spend of \$214 million. Overall D&C spending was about \$10 million less than a year ago, the same shortfall for SD spending overall at UM. In a review of individual spending by campus, results are mixed.

With a number of active projects (e.g., Wellness Center, Benton-Stadler Science, etc.) at UMSL, FY 2014 SD spending was \$9 million, representing 15% of UMSL overall D&C spending. On a percentage basis, this was about a 9% drop versus a year ago, albeit FY 2013 was calculated on a lower base of total business spending. The St. Louis region has a greater capacity to deliver higher levels of SD spending on capital projects than anywhere in Missouri, based on a larger and more sophisticated pool of diverse suppliers in the region.

UMKC continues to be a leader with 32% of their D&C spending (\$10 million) with diverse suppliers. This represents about 6% higher spending than a year ago and places them on a percentage basis in a leadership position within UM. Similar to St. Louis, the Kansas City area has a larger concentration of diverse suppliers in the region than the rest of the state.

The bulk of spending for D&C is at MU and will remain that way for the foreseeable future. SD percent of spending for D&C at MU was 10%, reflecting about an 8% drop versus a year ago. MU will continue to have ongoing challenges related to diverse suppliers being available for projects in Columbia. The same applies for projects that we have at Missouri S&T, because of its location in Rolla. However, we remain encouraged, based on the work that’s been done in these locations previously, that we will see some increases in spending longer-term in the region.

UM FY 2014 Design & Construction Supplier Diversity Participation			
Campus	Total UM D&C Spending	UM SD D&C Spending	SD % of Total D&C Spending
MU	\$104.7	\$10.8	10%
MUHC ³	n/a	n/a	n/a
UMKC	\$31.1	\$10.0	32%
S&T	\$17.5	\$0.8	5%
UMSL	\$61.0	\$9.2	15%
Total	\$214.3	\$30.8	14%



The inclusion of veteran-owned businesses and Disadvantaged Business Enterprises (DBE) as part of UM’s diverse supplier efforts should reflect some increased SD spending as suppliers hear of our new inclusion categories and as we start collecting and reporting that data. However, the diverse supplier base in mid-Missouri is still relatively small. More favorable pricing by long-term, established suppliers in the Columbia market, will continue to make it challenging for diverse suppliers from external markets to come to Columbia to work on MU construction projects.

We will continue to work on outreach efforts across the state. Additionally, we will seek opportunities with other large local stakeholders in mid-Missouri to increase/develop diverse supplier capacity in the region. That will involve other non-state related building projects in the region developing their own supplier diversity plans and strategies. This is long-term, supplier development work that UM has not previously attempted.

Objectives, Goals, Strategies, Measures (OGSM) Business Plan

We developed a 5-year SD business plan in FY 2014. While the OGSM has tentative goals, tactics and timetables, the key items developed are the four target areas UM should focus its work on to achieve SD success. The SD Director leads the strategic development and implementation of the tactics, with leadership support and guidance from the Assistant VP-Management Services, Assistant VP/Chief Procurement Officer and Director, FPD. The four key areas of “where we’ll play”, and “how we’ll win” are:

- Strategic development and utilization to drive spending up within commodity/spend pool categories.
- Improve and expand the University’s external SD education program.
- Leverage SD to improve image and reputation related to diversity and inclusion at UM and its campuses.
- Be a thought leader for SD in Missouri and nationally.

Missouri Disparity Study Completion

Missouri commissioned a Disparity Study of its purchasing practices. This study reviews state purchasing over a 5-year period to determine if any discriminatory practices have happened with M/WBE suppliers. The study was completed in late 2014. Governor Nixon created a Commission in October 2014 to make recommendations based on the consultant’s findings. There are a list of recommendations that the Governor is reviewing and at some point we believe he will craft an Executive Order on this subject.

The Commission has recommended a number of ideas. One recommendation is that the state target for MBE’s would remain 10%. The Commission has also recommended WBE spend targets should increase to 10% as well (from 5%). The findings from the study indicated the state needs to focus on improving its spending with WBE firms.

Supplier Diversity Highlights

On August 1, 2014, UM held a Supplier Diversity Symposium in Columbia as part of the UM Advocacy Mentoring Program. More than 60 people were in attendance for a day-long learning activity, for both UM employees as well as the mentees in our program. The mentees within the program were part of a panel discussion related to what they have been learning in the program from their mentors and the university managers assigned to them.

Besides creating a supplier diversity roadmap (OGSM) for the university to follow, we also revamped the SD website, created a LinkedIn Group dedicated to supplier diversity and created an SD marketing brochure (paper and online versions). As we move forward and continue to grow SD efforts at UM, we’ll work with University Relations (John Fougere) on finding external outlets to do strategic, positive messaging as appropriate.

As part of the OGSM plan, we are completing a benchmarking study, reviewing the supplier diversity efforts at 30 public and private universities. Our goal is to share some level of data on what peer institutions are doing in the area of supplier diversity. There has been no benchmarking work we’ve been able to find about universities related to SD comparisons. The study will be available in July 2015.

The Way Forward

During FY 2014, there were some real highlights in the area of SD. The strong level of spending with diverse suppliers at UMKC, the work in the UM Advocacy Mentoring Program that several university managers participate in, and the strategy development we’ve done related to improving upon UM’s SD efforts are some of the highlights.

UM should continue to increase its focus on this work for several key reasons. Our goal is that UM is viewed as a good corporate citizen related to economic inclusion and development. It is critical that all large purchasers (public and private sector) have efforts to develop diverse suppliers in Missouri and nationally. All of the business disparity studies nationally and here in Missouri suggests the broad business community must continue and grow supplier diversity strategies and programs. Our efforts to date have helped to improve access, business and educational opportunities for some diverse suppliers in Missouri.

While increased spending by UM with diverse suppliers is important, we believe that UM can be more impactful by assisting and training diverse suppliers in Missouri to be better prepared to meet the challenges of a global marketplace. We will start to craft a revised supplier education program for diverse suppliers. The current Advocacy Mentoring class will expire at the close of FY 2015. No specific timetable is set for the next class as we will make changes to the format. We have engaged the MU Extension/SBTDC group and hope to work with them and other external and internal stakeholders long-term to bring our vision and plans to reality.

To be a global institution and a destination point for students, prospective staff and faculty, diversity in all areas of our business is critical for UM's future growth in a global community, as well as here in the U.S. Supplier diversity simply put is important for UM, its campuses and for Missouri's overall economic development.

D.M. (Daryl) Hodnett
Director-Supplier Diversity and Small Business Development
The Office of Finance--Management Services
University of Missouri System

Attachments

Exhibit I

University of Missouri System FY 2014 Supplier Diversity Participation' (\$ shown in millions)									
	Procurement ²			Design & Construction ²			Total UM Business		
Campus	Total UM Procurement Spending	UM SD Procurement Spending	SD % of Total Procurement Spending	Total UM D&C Spending	UM SD D&C Spending	SD % of Total D&C Spending	Total UM Business Spending	Total SD Business Spending	SD % of Total Business Spending
MU	\$202.8	\$11.0	5%	\$104.7	\$10.8	10%	\$307.5	\$21.8	7%
MUHC ³	\$253.6	\$5.2	2%	n/a	n/a	n/a	\$253.6	\$5.2	2%
UMKC	\$33.0	\$5.3	16%	\$31.1	\$10.0	32%	\$64.0	\$15.3	24%
S&T	\$21.3	\$1.0	5%	\$17.5	\$0.8	5%	\$38.8	\$1.8	5%
UMSL	\$19.6	\$1.8	9%	\$61.0	\$9.2	15%	\$80.6	\$11.0	14%
Total	\$530.3	\$24.3	5%	\$214.3	\$30.8	14%	\$744.5	\$55.1	7%

Footnotes:

1. Combined MBE and WBE. Veterans and DBE business data will be reported beginning in FY 2015.
2. All Procurement and D&C spending data submitted by each organization.
3. D&C for MUHC managed and overseen by MU Facilities. Spending is included and reported in MU Report.

Exhibit II

University of Missouri System FY 2014 vs. FY 2013 Supplier Diversity Participation (\$ shown in millions)					
Campus	Total Business Spending by Campus	Total FY 2014 SD Spending by Campus	SD % of Total Business Spending by Campus	Total FY 2013 SD Spending by Campus	% Index 2014 vs 2013 SD Spending by Campus
MU	\$307.5	\$21.8	7%	\$36.1	60
MUHC	\$253.6	\$5.2	2%	\$7.5	69
UMKC	\$64.0	\$15.3	24%	\$13.0	118
S&T	\$38.8	\$1.8	5%	\$6.4	28
UMSL	\$80.6	\$11.0	14%	\$1.5	713
Total	\$744.5	\$55.1	7%	\$64.5	85

Exhibit III

University of Missouri System Supplier Diversity - Five Year Snapshot*											
(\$ shown in millions)											
Total Procurement Spending	2010		2011		2012		2013		2014		
Total Dollar Amount of All UM Procurement Contracts	\$344,887,944		\$479,714,599		\$508,037,610		\$523,553,309		\$530,271,525		
Total MBE Spending (Percent)	\$2.5 M	(0.7%)	\$7.0 M	(1.5%)	\$18.5 M	(3.6%)	\$15.7 M	(3.0%)	\$13.0 M	(2.5%)	
Total WBE Spending (Percent)	\$9.0 M	(2.7%)	\$13.0 M	(2.7%)	\$8.0 M	(1.6%)	\$8.9 M	(1.7%)	\$11.0 M	(2.1%)	
	Total 5-Yr Procurement Spend				Total 5-Yr SD Spend			% of Total 5-Yr SD Avg.			
	\$2.4 B				\$106.6 M			4.4%			
Total Design & Construction Spending	2010		2011		2012		2013		2014		
Total dollar amount of all UM Construction Contracts	\$120,941,357		\$165,111,829		\$134,835,831		\$225,651,586		\$214,604,173		
Total MBE Spending (Percent)	\$11.0 M	(8.9%)	\$13.0 M	(7.8%)	\$11.0 M	(8.0%)	\$18.0 M	(8.3%)	\$18.0 M	(7.9%)	
Total WBE Spending (Percent)	\$21.0 M	(16.9%)	\$15.0 M	(9.1%)	\$13.3 M	(10.0%)	\$23.0 M	(9.9%)	\$13.0 M	(6.5%)	
	Total 5-Yr D&C Spend				Total 5-Yr SD Spend			% of Total 5-Yr SD Avg.			
	\$861 M				\$156.3 M			18.1%			

*5-year Total Business Spending for UM: \$3.247BN/ 5-year Total SD Spending: \$262.9 Million = 8%