

UM System Annual Report

Supplier Diversity Spend FY 2017



February 21, 2018



Health
University of Missouri

Executive Summary

This report covers Supplier Diversity¹ (SD) spending for Design & Construction (D&C-Campus and Health Care) and UM System Supply Chain (UMSSC). Our total spend for FY 2017 was \$68.9M representing over 10% of UM's total addressable spend. While D & C continues to produce extraordinary high levels of success through their very mature program, the Supply Chain continued to make significant programmatic improvements that are that are also contributing to the sustainment of our upward multiyear trend.

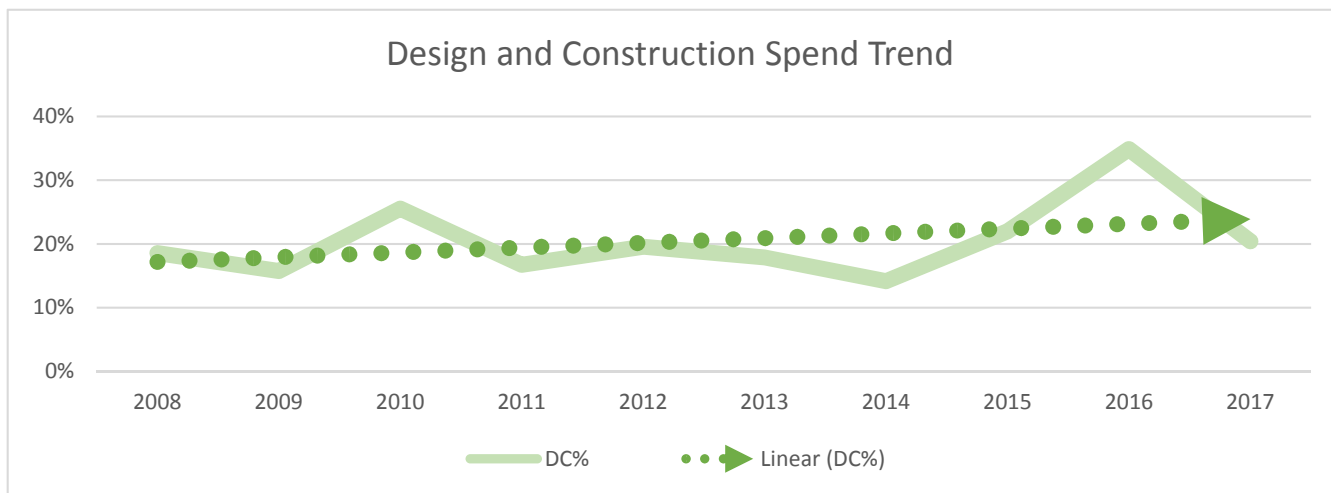
With the exception of D&C contracts, where the process for requiring and capturing spend is very mature and effective, the University struggles with the lack of local and regional Tier 1 suppliers. This forces our focus to growing Tier 2 spend. With the implementation of software designed to improve our data and assure the certification of our suppliers, we continue to work to improve the compliance of our suppliers for reporting. Continued sustained growth in our supply chain spend is still achievable.

Diversity Spend FY 2017			
Business Unit	Addressable Spend ²	Diversity Spend ³	Participation Levels
Campus (All)	\$262,319,552	\$22,394,964	8.5%
MU Health Care	\$252,503,382	\$12,352,991	4.9%
Design & Construction	\$167,664,869	\$34,214,507	20.4%
Total	\$682,487,803	\$68,962,462	

Design and Construction

Design & Construction spending for FY 2017 was \$34.2M or 20.4% of total spend. This is the third consecutive year that the SD Spend has exceeded 20%. Diverse participation at Missouri S&T and UMSL were both strong this year with over 30% of spending with diverse suppliers at both campuses. MU's diverse spend was at 17.6% and UMKC's diverse spend was 16.3% of total spend.

D&C spending will fluctuate based on many factors, including which campus locations have projects and the timing of those projects. Diverse suppliers are more readily available in St. Louis and Kansas City, and those projects typically have more diverse spend than projects at Rolla and Columbia. These factors can have an impact on the availability and utilization of diverse suppliers at any given time. Design & Construction has had a strong commitment to the University of Missouri's supplier diversity program for the past 30 years and will continue to build relationships with diverse firms and suppliers.



¹ **Businesses recognized as diverse suppliers come from Federal Public Law 95-507.** These firms have certification from a recognized certification agency. They are at least 51% owned, controlled and operated by a United States Citizen(s) who is: African-American, Asian-Indian, Asian-Pacific, Hispanic, Native-American, Service Disabled Veteran Enterprises (SDVE), Veteran-Owned and Women-Owned.

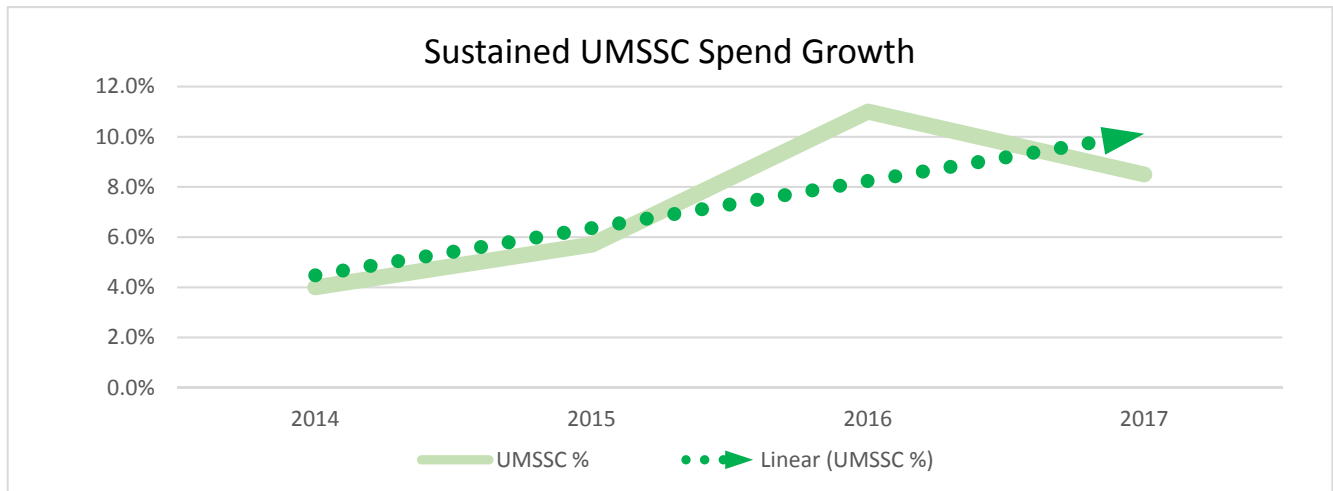
² **Addressable spend** – We review spend annually to assure that reasonably viable, qualified diverse suppliers exist by category. That total becomes the denominator in the annual calculation of SD spend percentages. This categorization is monitored to assure our reporting is comparable with how peer organizations track SD spend. D&C requires participation in all construction contracts.

³ **Diversity Spend** – The Supply Chain currently does not receive spend Tier 2 reports from all suppliers included in the denominator for supplies which understates our actual sales penetration. In FY 16 it was determined that most suppliers were generally incapable of reporting their Tier 2 sales therefore a software tool was implemented in FY 17 to improve this reporting moving forward.

UM System Supply Chain

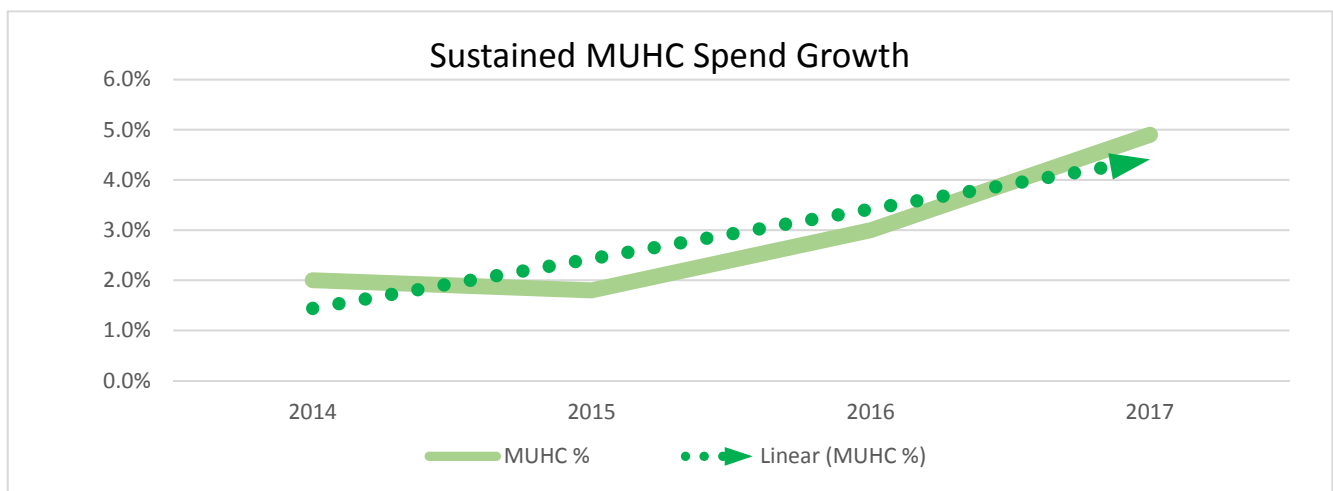
Campus spend (all campuses)

UMSSC Campus SD spend for FY 2017 was \$22.4M or 8.5% against a spending base of \$262.3M for the UM campuses. Much of the work this year continues to be on process improvement, data collection and the engagement of supply chain colleagues into the supplier diversity effort. Better processes for collecting and reporting Tier 2 diverse supplier data from the UMSSC supplier database continues. Continuous improvement to refine the process to make sure we sustain our growth in tracking and reporting accurately is part of our daily program management.



MU Health Care (MUHC)

SD spending with MU Health Care was \$12.4M, representing about 4.9% of total health care spending. MUHC spend is reported separately because the business models for procurement (and the SD opportunities) in these two business units are significantly different. While Campus spend is largely commodity and service based, Healthcare spend is driven in many cases by larger public manufacturers and suppliers that are considerably limited in diverse ownership/control. This requires most of our reportable spend for MU Health Care to be focused on Tier 2 sales tracings with our major suppliers/manufacturers.



Focusing on sustained growth and success

The groundwork has been laid for long-term success in D & C for which the Supply Chain must seek to improve processes to provide similar results. Supply Chain program growth will require us to refine our work processes and data collection as well as significantly improving our visibility to the communities and campus communities we serve. Our current Supply Chain successes and planned objectives for FY18 and 19 include but are not limited to the following:

Commitment to Inclusive Excellence Plan

Our programming for Supplier Diversity is directly tied to the Inclusive Excellence plan. Developing a partnership with campus Diversity leaders will grow visibility of our program and result in campus leadership and our customer's better understanding of how Supplier Diversity fits into our business plan.

Expand Networking Opportunities

- Expand networking with businesses and business affiliate organizations to provide feedback on UM policies and practices that affect small and diverse business utilization and participation in UM contracts and projects. The intent is to foster, promote, and increase spend between UM and small, diverse and disadvantaged businesses.
- Create opportunities to collaborate with and strengthen the economic development and viability of small, diverse and disadvantaged businesses in support of UM contracts and projects.

Grow the utilization of our Supplier Locator tool

- During FY2017, a supplier locator tool with both Missouri-based and national suppliers was made available for our team to utilize in seeking qualified bidders.
- This year we will seek funding for and expand the use of the tool to key decision makers at all campuses to assist in their search and utilization of diverse suppliers.

Maintain and improve RFP & Contract Language

- In all areas of the University, supplier diversity is an important part of both the bid process, as well as contract terms. Bidders and contractors are expected to comply with established terms.
- All UMSSC RFP's are tracked for inclusion and solicitation of diverse suppliers without exception. This information is reviewed monthly for compliance.

Conclusion

The D & C program has a long history of commitment and delivery, which will continue. As the Supply Chain enters their 4th year of focused commitment to building a best in class program, sustained growth will include working hand-in-hand with the Diversity and Inclusion officers on all campuses. Improving our partnerships with community and campus leadership (especially CDO's) will help grow our focus on outwardly communicating our objectives. This will assure that the program stays strategic through improved visibility, increased communication and strong vendor education.

Expanded our utilization of CVM Solutions

The objective is to improve the accuracy of data.

- Twice annually, CVM will complete a data enrichment of our supplier database to assign the appropriate classifications to all certified diverse suppliers.
- The introduction of our Tier 2 portal helps majority-owned suppliers report their diverse supplier spend data and reduces a portion of our manual operations.
- Requiring all suppliers to report Tier 2 data is a pivotal step in growing SD spend. The key will be to ensure they use the tool.

Campus Spend Reporting Improvements

Improve processes around capturing and reporting minority spend from all payment types. Utilize existing systems to identify decentralized purchasing activities and discretionary spending and use this information to expand opportunities for with minority and small businesses.

Schedule Supplier events

Seek funding to hold educational events to attract potential diverse suppliers, such as supplier fairs and forums. Work with local agencies in the Kansas City and St. Louis areas to participate in other organized events.

Emulate peer success through Networking

Budget restrictions reduce the exposure we can have to professional organizations, but peer communication improvements can be made to continue to understand where our peers are being successful (and thus for us to emulate).

Make the work Systemic

While our supply chain colleagues are trained and engaged, end-users still make significant decisions in areas of procurement. A broader group of key Executives must commit to this as well. Educating this base of employees to assure this objective becomes second nature will take time.