

Supplier Diversity Best Practices at Colleges and Universities

By Richard J. Hernández, CPCM

September 2002

INTRODUCTION. The purpose of this tutorial is to discuss supplier diversity best practices at leading colleges and Universities. This article is a summary of a recent groundbreaking benchmarking report commissioned by Northwestern University in Chicago, IL. The report provides an assessment of best practices used to help develop a best-in-class supplier diversity program at Northwestern University. Based on the author's research, it is the only report of kind.

BACKGROUND. Supplier Diversity is a proactive business process that seeks to provide suppliers with equal access to purchasing opportunities. It promotes supplier participation reflective of the diverse business community and encourages economic development. Many corporations have established supplier diversity programs to increase their purchases from M/WBE suppliers in order to comply with the public law as well as to meet similar requirements of other corporations they sell to. Supplier diversity is now moving to the higher education (non-profit) sector.

BUSINESS CASE. The colleges and universities surveyed indicated they received the following benefits from having a supplier diversity program:

- **Cost Savings.** Opening up the purchasing process to diverse suppliers helped result in lower prices as a result of competition.
- **Innovation.** New vendors brought new technology and improved processes.
- **Appropriations and Grants.** Supporting diversity helped increase the receipts of appropriations (for government-funded universities) and also grants.
- **Alumni Support.** An effective diversity program helped encourage alumni to provide continued support to their colleges and universities.
- **Recruitment.** Having a strong diversity program at the university made it easier to recruit students and top-notch faculty.
- **Public Relations.** Having a diversity program helped with maintaining strong public support and created a positive image of the community.

Consequences of weak or no programs were more discrimination-related lawsuits, delayed funding, recruitment & retention problems, and the loss of community support.

Diversity is an especially important consideration for Northwestern University since 30% of the 7,700 undergraduate student population is minority (African-American, Hispanic, Asian-American, and Native American). Northwestern has 13 student groups focused on diversity and also has dedicated offices to service minorities such as African American Student Affairs, Hispanic / Latino Student Services, and Graduate School Minority Affairs.

PROCESS REVIEWED. Success in supplier diversity does not happen by accident. Having clearly defined goals and processes is the key to success. The key processes below were examined as part of the benchmarking process.

- Goals
- Sourcing Process
- Micro-Purchases
- Outreach
- Advisory Board
- Accountability
- Communications
- Training
- Internal Team

Data for this review was collected using face-to-face surveys, reviewing purchasing reports & policy directives and reviewing University Web sites.

UNIVERSITY BENCHMARKS. The supplier diversity programs at the following colleges and universities were reviewed:

- Dartmouth
- Harvard University
- Duke University
- Michigan State University
- Rensselaer Polytechnic Institute
- Rutgers University
- University of California (All Campuses)
- University of Michigan
- University of Missouri
- University of New Mexico
- Vanderbilt University
- Virginia Commonwealth University
- Washington University in St. Louis

TYPE PURCHASES. Most of the colleges and universities purchased the same types of products and services from their small, minority- and women-owned suppliers. None of the M/WBEs surveyed were identified to have any type of strategic supplier relationship.

Figure 1
**TYPES OF PURCHASES FROM DIVERSITY SUPPLIERS
AT OTHER COLLEGES AND UNIVERSITIES**

Products	Services
Office Furniture	Construction
Office Supplies	Janitorial
Computers	Printing
Audio-Visual Equipment	Marketing
Floor Coverings	Maintenance
Janitorial Supplies	Language Translation
Promotional Items	Safety Checks
Lab and Clinical Supplies	Catering
Remanufactured Toner Cartridges	Lawn Services
Electronic Supplies	Document Destruction
Automobiles	Architect-Engineer
Chemicals	Temporary Staffing
Draperies	Training
Plumbing	Web Design

The types of items excluded from the purchasing spend base were: taxes, interdepartmental transfers, and payroll.

The reviews were conducted using written surveys, telephone discussions, and Web site reviews. Based on the surveys, the following are a compilation of “best practices” from colleges and Universities:

Figure 2
**BEST PRACTICES OF SUPPLIER DIVERSITY PROGRAMS
 AT COLLEGES AND UNIVERSITIES**

<p>Quantifiable Dollar Spend Goals</p> <p>Strategic Plan</p> <p>Pre-qualified Suppliers</p> <p>Supplier Networking Forums</p> <p>Subcontracting Requirements</p> <p>Dedicated Web Site</p> <p>Pro-Active Community Outreach</p> <p>External Alliances</p> <p>Commodity-Specific Trade Fairs</p> <p>Education Programs (Internal & External)</p>	
---	--

UNIVERSITY BEST PRACTICES. The survey provided additional “best practices” information. This is provided below to provide a better overall picture.

- **Quantifiable Dollar Spend Goals.** Most Universities surveyed used M/WBE goals for their major construction projects, typically ranging from 10% to 25%. These goals were assigned on a project-specific basis depending on the potential for diversity suppliers to participate. However, many did not have overall organizational goals. Many also did not have M/WBE goals for purchasing products and services.
- **Pre-qualification Process.** To help ensure increased M/WBE participation in more areas, some Universities have a pre-qualification process. Some even have a “pre-qualification committee” to help the pre-source M/WBE suppliers.
- **Supplier Networking Forums.** Attending networking forums hosted by M/WBE advocacy organization such as the National Minority Supplier Development Council helped with introducing new suppliers. Also, University-specific trade shows helped further develop relationships.
- **Subcontracting Requirements.** Most universities had subcontracting requirements. However, they were primarily for construction projects. Subcontracting goals for construction programs tended to be higher than for commodities and services. Specific contract language (for direct and/or indirect spending) is used to enforce this. Prime contractors are expected to make “good faith” efforts to achieve their goals and must document their efforts.

- **Dedicated Web Site.** Web sites are used as a communications tool to promote the use of small, minority- and women-owned businesses for the University. Most of the Web sites included value-added information such as:
 - Mission of University Supplier Diversity Program.
 - Roles and Responsibilities of the M/WBE Program.
 - Organizational Policy.
 - Contact Information of Buyers and Commodity Teams.
 - Key Definitions.
 - Program Benefits.
 - Types of Opportunities Available.
 - List of Diversity Suppliers by Commodity Area.
 - Useful Web Links for Small Businesses.

One Web site provided information on “Historical Objections to Small Business Programs and Responses”. This was especially noteworthy since it addressed many of the common myths and stereotypes such as minority businesses cost more, require buyers to compromise quality, and are not available in their area(s).

- **Certification.** Most Universities required their M/WBE suppliers to be certified by an accredited third party such as the National Minority Supplier Development Council (NMSDC), Women’s Business Enterprise National Council (WBENC), and/or State & City certification. NMSDC and WBENC certification requirements were the most common.
- **Pro-Active Community Outreach.** Most Universities had active supplier diversity outreach programs. They used a variety of ways to locate new suppliers such as trade shows, Web sites, advertising, e-mail, workshops, one-on-one sessions, toll-free numbers, on-site visits, mini-trade fairs, and word-of-mouth referrals.
- **Education Programs (Internal & External).** Education programs were directed internally and externally. External programs typically involved periodic meetings with prospective M/WBE suppliers to explain how to sell to the University. Internal education programs typically involved seminars hosted by external consultants.

CHALLENGE AREAS. Below are the challenge areas identified by most University supplier diversity program managers surveyed:

- **Budgets.** Only about half the University M/WBE programs had dedicated budgets. Most of their budgets came from another department such as Purchasing.
- **Accountability.** Most Universities had a challenge with holding buyers and departments accountable for M/WBE goals. However, some did have input into the buyers’ performance evaluations. One suggested solution was to benchmark M/WBE goals in each commodity area and use them to assign buyer goals.
- **Staff.** Most programs only had one full-time employee. A few had administrative help, e.g., a secretary. Limited staff makes it difficult for them to effectively service all their internal clients, much less the many M/WBE suppliers who seek assistance.
- **Regular Access to Senior Management.** About half of the University supplier diversity program managers surveyed had regular access to senior management. This limits their effectiveness and makes it harder to get resources and support.

- **Limited Participation.** Most M/WBE opportunities focused in limited areas. These areas are primarily low-dollar, highly-competitive, and non-core. The best results with M/WBE participation occurred in the construction area.
- **Contract “Bundling” Consolidation.** Some Purchasing Departments at Universities were combining (bundling) their small contracts into larger ones to save time and money. Bundling is creating a formidable barrier for small businesses.
- **Advisory Group.** Only one University of those surveyed reported having a supplier diversity advisory group. Several were considering this since they believed it would help their programs.

SUMMARY. Most of the programs surveyed were voluntarily developed by the Universities themselves. Many had only limited resources but were making steady progress. Similar to corporations, most Universities had policies that did not allow them to pay a premium to use M/WBE suppliers. Rather, they focused on making their purchasing environment more inclusive by pro-actively seeking out diversity suppliers for current and upcoming contract opportunities. Their business case for having a supplier diversity program is similar to corporations.

Consequences not improving the program could be more discrimination-related lawsuits, delayed funding, recruitment & retention problems, and the loss of community support.

Northwestern University is a major force in the economic, social, and cultural life of the greater Chicago area. Supplier diversity is an important part of this success. Northwestern University, as well as its peers, can use the information to ensure this continues into the future.

FOR ADDITIONAL INFORMATION. Please contact the author at:

Richard J. Hernández, CPCM
E-MBE.net
P.O. Box 617995
Chicago, IL 60661
312-404-2224
rhernandez@e-mbe.net
www.e-mbe.net

Copyright 2002 Richard J. Hernández