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 Vice President for Finance and Chief Financial Officer

UM Supplier Diversity Report FY 2016

This provides the University of Missouri System’s (UM) Supplier Diversity Report for FY 2016. UM Supplier Diversity (SD) spending for FY 2016 was \$91 million dollars, representing 14% of UM’s total business spending (\$643 million) and an increase of about 57% versus year ago spending of \$58 million dollars. This represents a record-level of SD spending for the institution. This report covers spending for Design & Construction (D&C-Campus and Health Care), and UM Supply Chain (UMSSC). Campus and Health Care spending are reported separately for supply chain.

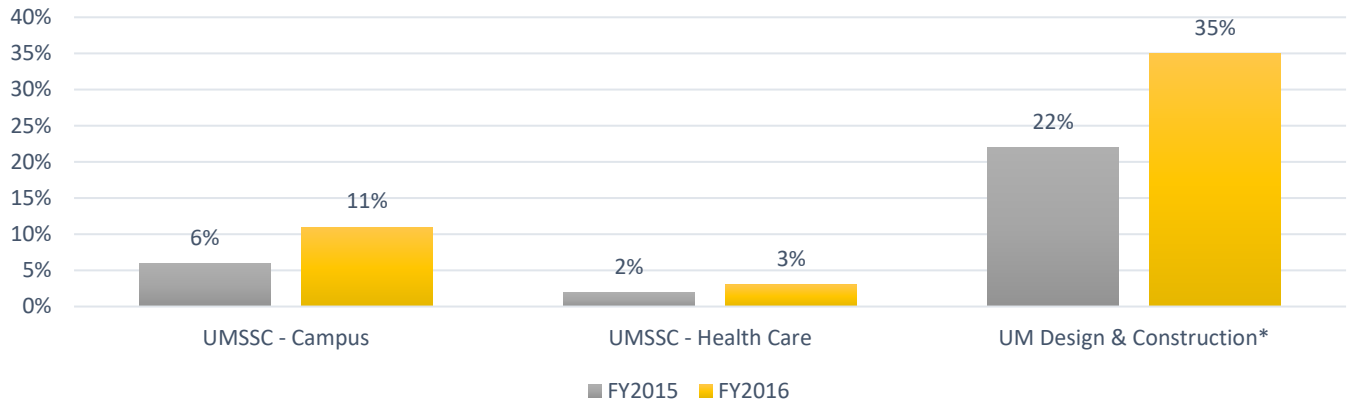
Business Unit Overview

The chart below provides total SD spending highlights for FY 2016 versus FY 2015.

University of Missouri System FY 2016 vs. FY 2015 Supplier Diversity Participation (\$ shown in millions)					
UM Business Unit	Total Spending by Business Unit	Total FY 2016 SD Spending by Business Unit	SD % of Total Spending by Business Unit	Total FY 2015 SD Spending by Business Unit	% Index 2016 vs 2015 SD Spending by Business Unit
UMSSC – Campus	\$256.9	\$28.0	11%	\$17.1	164
UMSSC – Health Care	\$223.1	\$6.1	3%	\$5.0	122
UM Design & Construction	\$162.6	\$56.7	35%	\$36.0	158
Total	\$642.6	\$90.8	14.1%	\$58.1	156

UM’s overall spending increase was achieved by very strong results in D&C. SD was 35% of UM’s total D&C budget. Additionally, very strong results were delivered in FY 2016 by UMSSC. SD spending increased this year by 54% versus a year ago, reflecting the increased emphasis and focus on SD in this area. Supplier diversity was 7% of UMSSC total business spending, versus 4% a year ago. Total SD (D&C and UMSSC) percent of spending for both FY 2016 and FY 2015, by business unit, is listed on the chart on the next page.

Total SD Spending % of Total UM Business Spending (By Business Unit)



*Includes Campus and Health Care.

Total UM SD%: 8.1% (FY 2015) / 14.1% (FY 2016)

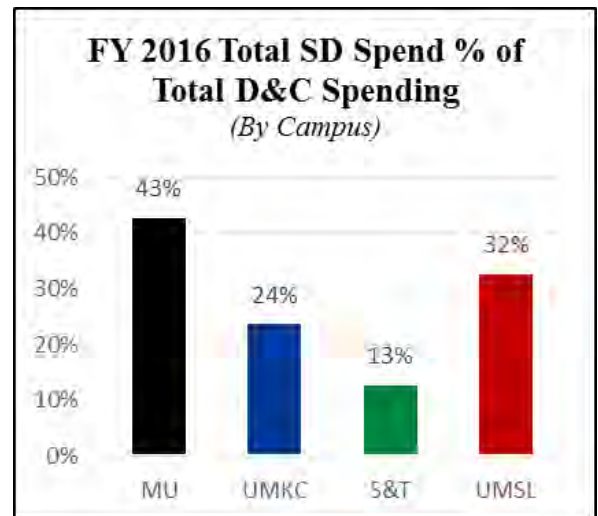
Design and Construction

Design & Construction spending for FY 2016 was \$57 million, representing a 58 % increase versus spending a year ago. Spending at MU drove D&C results. About \$45 million dollars was spent with diverse suppliers, reflecting 43% of total D&C spending at MU. Spending with Tarlton, a woman-owned business, on the Lafferre Hall project was \$32 million during FY 2016. This was the key reason for the D&C strength of spend as well as overall SD spend for the enterprise. Spending at S&T reflected some nice growth, with 13% of spending with diverse suppliers, about 8% higher than FY 2015.

UMSL SD spending for FY 2016 was strong with 32% of spending with diverse suppliers. UMKC also reflected a strong year with 24% of their spending with diverse suppliers. While total SD spend for both campuses was slightly behind a year ago, the delivered results were still very solid. For perspective, D&C spending will fluctuate based on many factors, including which campus locations have projects and the timing of those projects. When there are more construction opportunities available in St Louis and Kansas City, diverse suppliers are more readily available than at Rolla and Columbia. These factors can have an impact on the availability and utilization of diverse suppliers at any given time.

UM FY 2016 D&C Supplier Diversity Participation (\$ shown in millions)				
Campus	Total UM D&C Spending	UM SD D&C Spending	SD % of Total D&C FY 2016 Spending	SD % of Total D&C FY 2015 Spending
MU*	\$103.3	\$44.7	43%	19%
UMKC	\$10.6	\$2.6	24%	40%
S&T	\$33.2	\$4.4	13%	12%
UMSL	\$15.4	\$5.0	32%	37%
Total	\$162.5	\$56.7	35%	22%

* Includes Health Care.



* Includes Health Care.

UM System Supply Chain-Campus

UMSSC Campus reflected a strong SD spending increase versus FY 2015. Spending for FY 2016 was \$28 million dollars, a roughly 62% increase versus year ago campus spending. As a percentage of total business spending, SD spend was 11% against a spending base of \$257 million dollars for the UM campuses.

Much of the work this year has been on process improvement, data collection and the enrollment of supply chain colleagues into the supplier diversity effort. This increased focus led to an identified increase of \$4 million dollars of new direct spending with diverse suppliers. From a process standpoint, a collaborative effort with supply chain, accounting and supplier diversity has led to a better process for collecting and reporting diverse supplier data from the UMSSC supplier database. Additionally, we developed a more reflective spending denominator for supply chain to ensure proper reporting. We reported in last year's report that these were key issues we would work on during the year. Continuous improvement to refine the process to make sure we track and report diverse suppliers and spending accurately will be part of daily management going forward.

Even with all of the improvements in UMSSC's database for vendor management, the capture of diverse supplier spending remains a largely manual process. To assure accuracy, for the FY 2016 report we are reporting spending by business unit – total campus and health care. Reporting results by campus is challenging until the tools further evolve. We will review the process, feasibility and the benefit regarding reporting spending by individual campus for UMSSC during FY 2017.

We've increased the number of UM's major suppliers we've asked for 2nd tier SD spending data. This is when UM's major suppliers utilize diverse suppliers on behalf of UM as part of contract fulfillment. This has involved many discussions by our UMSSC colleagues and their suppliers. In some cases, some education and training has been needed with some of our suppliers. By simply asking more suppliers for this information, UM's 2nd tier SD spending (campus and health care) increased to almost \$4 million dollars in FY 2016. For perspective, this spending was \$1.2 million dollars in FY 2015. We can grow this area going forward.

UM System Supply Chain-Health Care

SD spending with UMSSC (Health Care) was \$6.1 million dollars, representing about 3% of total health care spending, and a 22% increase versus a year ago. We are breaking out health care supply chain spending from campus supply chain spending with the FY 2016 report. The business models for procurement in these two business units are significantly different. Campus spend is largely commodity and services-based. Healthcare spend is driven in many cases by larger areas of spending (e.g., pharmacy, equipment) that are supplied by limited supply partners.

A majority of UM's largest and strategic suppliers are health care related. Our work in asking all suppliers to report this data is the first step related to enrolling these suppliers as partners to grow SD spending. We believe on a longer-term basis, this will be a key way to grow SD in health care. In all areas of supply chain, supplier diversity will become a more important part of both the bid process as well as contractual terms, again part of process implementation. While there's lots of work to be done, the groundwork is now being laid for long-term success.

The work within supply chain has been strong, related to getting on a glide path to ongoing success. Besides the data clean-up work, a diverse supplier locator with Missouri-based suppliers and national suppliers, will be available for UMSSC employees to utilize. We will also introduce a 2nd Tier portal to help our majority-owned suppliers report their diverse supplier spending data in an easier and more efficient fashion.

UM FY 2016 UMSSC Supplier Diversity Participation (\$ shown in millions)				
Business Unit	Total UMSSC Spending	UMSSC SD Spending	SD % of Total UMSSC FY 2016 Spending	SD % of Total UMSSC FY 2015 Spending
UMSSC – Campus	\$256.9	\$28.0	11%	5%
UMSSC – Health Care	\$223.1	\$ 6.1	3%	2%
Total	\$480.0	\$34.1	7%	4%

The Way Forward

There is reason to celebrate the record level of spending for UM System’s SD efforts during FY 2016. There has been outstanding success related to diverse supplier spending increasing. Results will continue to improve as we do further work on process.

As the institution moves forward with this work, there are some key areas that will continue to need focus:

- There will need to be further marketing and influencing of employees related to supplier diversity across the enterprise to make this work systemic. This will not happen in a year...but over time. While our supply chain colleagues are trained and engaged, end-users still make significant decisions in areas of procurement. Many do not understand that the enterprise has goals in this area. Some of our colleagues may even question why UM is doing this work. We’ll continue to work with our partners in University Relations on marketing opportunities that highlight SD. We’ll also issue an SD spend report quarterly in FY 2017 highlighting results. And, we’ll work with Diversity, Equity and Inclusion related to synergies where we can highlight supplier diversity.
- Developing and growing diverse supplier capacity in mid-Missouri should remain an important goal for the institution. We spoke about the City of Columbia’s newly developed effort to improve and grow diverse supplier spending in the region. As a part of that work, we held a supplier diversity symposium in Columbia, led by nationally recognized Diversity Information Resources. Besides UM employees, about 20 seats were available for procurement leaders from the City of Columbia, Boone County, Isle of Capri and other institutions. Additionally, Daryl Hodnett has been participating on the City’s advisory group on supplier diversity. And, Jim Niemann, who leads MU’s Entrepreneurship Legal Clinic, has been working in this area, providing law students to help diverse suppliers in the region with legal needs. We will continue to put some focus in this area, bringing other resources in if asked and/or needed.
- To build a world-class supplier diversity effort takes time, commitment and leadership. There are still areas of low-hanging fruit (e.g., office supply consolidation, computer hardware consolidation) that are potential opportunities for SD spending. We talked earlier about the engagement of UM’s majority-owned suppliers as a part of this effort that can lead to SD growth, particularly in health care. We will be intentional with our work across the enterprise. We may ask for additional help as we come up with plans and areas of opportunities. Again, none of these items we have spoken about will be a one-year “fix”.

UM has had a strong year related to supplier diversity. Besides the record level of spending and the work to ramp-up supply chain purchases, UM has been involved in a number of external activities that help with its national profile. UM took a leadership position in making the National Association of Educational Procurement Supplier Diversity Institute (https://www.umsystem.edu/stories/um_system_leadership_delivers_keynote_address_at_national_supplier_diversit) successful. *University Business* (<https://www.universitybusiness.com/article/higher-ed-drives-economic-diversity>) did an article on economic diversity in their August issue where UM was featured. And, Tony Hall (UMSSC CPO) led a panel discussion on supplier diversity in September at the Healthcare Supplier Diversity Association national meeting in Richmond, Virginia.

FY 2017 promises to be challenging. As noted before, with the completion of Lafferre Hall, D&C will lose \$32 million dollars in spending with Tarlton. So, while it is too early do projections, we suspect FY 2017 spending will not be at the current level. The institution should remain encouraged by the work that's been done and the future of success in this area.

Daryl Hodnett

C: Mr. E.J. Knollmeyer, Mr. T.A. Hall, Ms. B.A. Asbury
Attachment

Exhibit I

University of Missouri System Supplier Diversity - Five Year Snapshot*										
(\$ shown in millions)										
Total UMSSC Campus and Health Care Spending	2012	2013		2014		2015		2016***		
Total Dollar Amount of All UM UMSSC Contracts	\$508,037,610	\$523,553,309		\$530,271,525		\$551,778,180		\$479,922,338#		
Total MBE Spending (Percent)*	\$18.5 M (3.6%)	\$15.7 M (3.0%)	\$13.0 M (2.5%)	\$13.0 M (2.4%)	\$23.8 M (5.0%)					
Total WBE Spending (Percent)**	\$8.0 M (1.6%)	\$8.9 M (1.7%)	\$11.0 M (2.1%)	\$9.3 M (1.6%)	\$10.3 M (2.1%)					
	Total 5-Yr UMSSC Spend		Total 5-Yr SD Spend		% of Total 5-Yr SD Avg.					
	\$2.6 B		\$131.5 M		5.0%					
Total Design & Construction Spending	2012	2013		2014		2015		2016		
Total dollar amount of all UM Construction Contracts	\$134,835,831	\$225,651,586		\$214,604,173		\$164,095,001		\$162,618,790		
Total MBE Spending (Percent)	\$11.0 M (8.0%)	\$18.0 M (8.3%)	\$18.0 M (7.9%)	\$15.8 M (9.6%)	\$12.6 M (7.7%)					
Total WBE Spending (Percent)**	\$13.3 M (10.0%)	\$23.0 M (9.9%)	\$13.0 M (6.5%)	\$20.2 M (12.3%)	\$44.1 M (27.1%)					
	Total 5-Yr D&C Spend		Total 5-Yr SD Spend		% of Total 5-Yr SD Avg.					
	\$902 M		\$189.0 M		21.0%					

* 5-year Total Business Spending for UM: \$3.502 BN / 5-year Total SD Spending: \$320.5 Million = 9.0%.

** Minimal veteran/DBE spending for FY 2016. This is included in WBE spend column. We will breakout a line item for FY 2017.

*** 2nd Tier and P-Card spending allocated to MBE/WBE based on percentage of direct spending by UMSSC in these categories.

Total Spend normalized to include only spend with Supplier Diversity potential.