



MINNESOTA STATE
Board of Trustees

AGENDA ITEM SUMMARY

NAME: Joint Meeting: Diversity, Equity, and Inclusion
and Finance and Facilities Committees

DATE: May 22, 2024

TITLE: Supplier Diversity Update

Action

Review and Discussion

This item is required by policy

PRESENTERS

Andriel Dees, Vice Chancellor for Diversity, Equity, and Inclusion

Bill Maki, Vice Chancellor for Finance and Facilities

Pos Vwj, Interim Associate Vice Chancellor for Diversity, Equity, and Inclusion

Tim Anderson, System Director for Procurement and Contract Management

Tim Downs, President, Minnesota State University Moorhead

Dan Heckaman, Associate Vice President for Finance and Administration and CIO, Minnesota State University Moorhead

Jered Pigeon, Campus Diversity Officer | Director of Diversity & Inclusion, Minnesota State University Moorhead

PURPOSE

The focus on supplier diversity aligns with Equity 2030 goals of addressing systemic inequities towards eliminating academic equity gaps by 2030. The Equity 2030 goals are measured and evaluated through the Equity Scorecard Key Performance Indicators. The use of a Supplier Diversity Key Performance Indicator ensures accountability and alignment of spending practices with the values of Minnesota State and its goal of Equity 2030, through a commitment of building and sustaining relationships with diverse businesses for current and future procurement opportunities.

BACKGROUND INFORMATION

The most recent update on supplier diversity was presented to the board on May 16, 2023. The following are the goals presented in this update along with the status of each from this past year.

1) Improving Processes

In previous endeavors to increase spending with diverse suppliers, Minnesota State integrated preference points to enhance contracting opportunities, as permitted by Minnesota Statutes

16C.16 Subd. 6.a, which allows up to a 12 percent preference for goods or services procured from small Targeted Group Businesses (TGBs).

Research conducted by Gartner has indicated that preference points are among the least effective methods for increasing spending with diverse suppliers. Gartner Consulting provides organizations with insights and actionable strategies based on in-depth research into IT and business trends. Their services are designed to help clients make informed decisions and optimize performance through expert guidance on technology investments and best practices.

Recognizing now that preference points may not yield the improvement that we need, we identified another opportunity to improve our processes to increase the use of e-sourcing to intentionally invite diverse suppliers to respond to our sourcing requests. The transition to online sourcing has occurred gradually over the last year, and it is now employed to some extent by all institutions. The adoption rate has grown exponentially, with 144 events completed at the time of this report. Initial results are promising; approximately 36% of the responding TGBs invited through this method have been awarded contracts.

Total sourcing events in FY24	148
Diverse suppliers responding	1,641
Diverse suppliers invited	247
TGB suppliers responding	25 (10% response rate)
TGB suppliers awarded contracts	9 (36% of those who responded)

A recent success with direct outreach, not yet reflected in our reporting, was a contract approved by the board in April 2024 for an equipment leasing agreement with a women-owned company. This 10-year agreement is valued at \$50M. Six (6) colleges and universities have utilized this contract since the start of FY24.

2) Expand Training for Suppliers and College and University Staff

The system office has implemented several support structures to assist colleges and universities in supporting the work. These include:

Training

- In collaboration between system office procurement and DEI units, we created a training plan around supplier diversity.

Open Office Hours and Webinars

- Bi-weekly procurement and contracting open hours.
- Topic-related webinars

Office of General Counsel (OGC)

- Office of General Counsel (OGC) partnership to help advance best practices throughout Minnesota State in advancing spend with diverse suppliers.

3) Identifying Technology to Support the Work

SupplierGateway

Last year we committed to identifying technology to support the work by identifying external solutions to better identify diverse spend. We have completed that commitment, and we are now moving to implement a solution. A contract was recently executed with SupplierGateway. The supplier diversity feature of SupplierGateway provides robust tools designed to manage and enhance our supplier diversity programs. This feature will facilitate our ability to track and report on Tier-1 and Tier-2 spend with diverse suppliers and evaluate the economic impact of these expenditures from external classification systems, improving our identification of TGBs within our procurement activities. We will prototype this solution for three years to determine the accuracy and impact on our abilities to more accurately report spend with diverse suppliers.

FY25 data will reflect the diverse spend that is derived from vendor classifications from the Department of Administration's (ADMIN) vendor system (SWIFT) and the vendor classifications obtained from SupplierGateway.

4) Assessing and Adjusting

Lastly, we committed to assessing and adjusting our processes accordingly. This resulted in assessing and addressing significant challenges in contracting and purchasing. One significant challenge faced at Minnesota State is the low awareness among potential diverse suppliers about available opportunities. This is compounded by the existing barriers that small businesses often encounter, which include complex certification processes and limited access to necessary resources. To address the barriers in contracting and procurement effectively, we will assess several strategies to make the process more inclusive, transparent, and accessible for all suppliers, particularly smaller businesses. While we have identified several barriers, the barriers that we have direct control of will be addressed in FY25 include:

1. **Solicitation response timelines are unrealistic:**
 - Review and potentially extend the response times for solicitations to allow adequate preparation by all suppliers, especially those with fewer resources.
2. **Insurance requirement:**
 - Review and adjust insurance requirements to ensure they are proportional to the risk and scope, reducing barriers for smaller suppliers.
3. **Bundling of multiple projects:**
 - Where feasible, break larger contracts into smaller, more manageable parts that can be handled by smaller suppliers. Encourage or mandate prime contractors to provide subcontracting opportunities to smaller businesses.

While each member of the system office procurement team carries some responsibility for supplier diversity support for our campuses, the system office had one position assigned to support supplier diversity since 2019. The previous incumbent left the position in January 2024 and this position is currently vacant. An active search for a replacement is underway with hopes to fill this position in summer of 2024.

CURRENT STATE OF SUPPLIER DIVERSITY

The start of the supplier diversity program was prompted by a disparity study conducted by Keen in fiscal year 2017 for the State of Minnesota. This study revealed that 7.4% of Minnesota State

were with Targeted Group Businesses (TGBs). According to Minnesota Section 16C.16 Subd. 5, a group is designated as a TGB if there is a statistical disparity between the percentage of state purchases from businesses owned by members of the group and the proportion of such businesses among all businesses within the state in the relevant purchasing category. The 2017 Disparity Study identified significant disparities in our purchasing from minority and women-owned businesses.

This baseline data has set the groundwork for supplier diversity efforts in subsequent years. As of Fiscal Year 2024, which covers data from July 2023 through February 2024, we observe the following financial distribution:

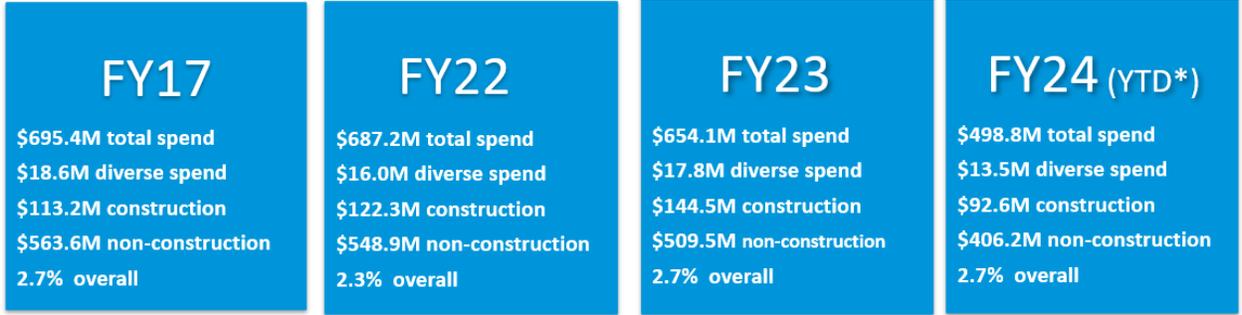


Figure 1: Spend with Diverse Suppliers - Total spend = non-compensation spend. * FY24 – represents only a partial year (July 2023 through February 2024);

Since FY22, diverse spend has been 2.7%. While there has been a gradual increase since FY22, more targeted efforts are necessary to accelerate this growth.

State Diversity Certification Process

Minnesota State engages in contracts or purchases with over 60,000 contractors, vendors, and suppliers at any given time. As of the latest update to the board in May 2023, there has been minimal increase in the registration of new businesses as diverse suppliers with the Department of Administration (ADMIN); currently, only 1,470 businesses are registered under this category. Despite efforts to encourage more diverse suppliers to register with ADMIN, the response has been limited. To address existing disparities, it is projected that approximately 19.8% of our total suppliers, or 11,880 businesses, should be registered as diverse suppliers.

Our experience listening at vendor fairs and attending public discussion forums for diverse businesses has found that many suppliers find the registration process cumbersome. We need to find ways to increase the number of businesses that are classified as diverse suppliers in the ADMIN database as this understates the system’s spending with diverse suppliers.

MINNESOTA STATE UNIVERSITY MOORHEAD (MSUM) SUPPLIER DIVERSITY PROGRAM

MSUM believes the outcomes of their initiatives (all of them) are significantly improved when diverse populations engage. The product is better, the outcome is better, the service is better. It is a topic that is so important to MSUM in their region because they believe their investments will yield generational changes in populations that are historically underserved, changing the trajectory of lives forever.

MSUM's work specifically and intentionally focuses on partnering with diverse suppliers for facility initiatives has been rewarding for all involved. They have experienced recent successes with local diverse suppliers within HEAPR and their Weld Hall Renovation Capital Project. In both examples, preference points tipped the scale for selecting suppliers who previously may have been overlooked.

This is important work, not for the measures and metrics of only trying to increase MSUM's spend with diverse suppliers, but more importantly for how those investments with those suppliers create better outcomes for Moorhead AND change the life path of those families who are the owner/operators and now a partner of MSUM.

Additionally, MSUM is committed to strengthening their communities through strategic partnerships and investments. As they think about their critical goals of enrollment and equity, it is imperative that they invest in communities that will be the base of future growth. This means they see the alignment of increasing their spending within these communities to serve as an enrollment strategy. The rationale for this is that MSUM's student population is increasingly diversifying with students from historically underserved communities. By investing in diverse businesses, they see the benefits of developing this partnership so that communities see Moorhead as a destination and a future place of education and opportunity.

SYSTEM OFFICE PROCUREMENT UNIT GOALS TO SUPPORT SUPPLIER DIVERSITY

The system procurement team, in collaboration with the procurement advisory group, created a supplier diversity workplan for FY25 to move this work forward. The goals within the workplan are ambitious, yet achievable. Included in this workplan:

1) Enhance and Expand Reporting

2025 New Disparity Study

- Minnesota State is participating in the current State of Minnesota disparity study. Like the previous disparity study, the goal is to assess procurement with an emphasis on disparity based on diverse classifications. This study is expected to be complete by early 2025.

Measuring, Identifying, and Addressing

- The reporting process intends to evaluate both strengths and areas for improvement in Minnesota State engagement with diverse suppliers. In addition to assessing the percentage of spend with diverse suppliers, these reports serve two critical purposes:
 - Identifying Systemic Issues: This includes understanding barriers that might prevent diverse suppliers from securing contracts.
 - Addressing Challenges: If issues are identified, take proactive steps to address them.

Improve processes for identifying spend with diverse businesses

- Continue to explore solutions to allow us to better capture and report spend with diverse suppliers and contractors (tier-1), including subcontractors (tier-2).
- Finding a solution that allows us to incorporate current unreported construction (e.g., Tier-2) spend will allow for more complete reporting.

2) Increase Campus Support

- Expand training systemwide during FY25 to promote best practices identifying, applying for, and executing contracts with Minnesota State. Training will focus on:
 - Doing Business with Minnesota State for TGBs
 - Types of opportunities for contracting with Minnesota State
 - How to get connected with Minnesota State

3) Supplier Outreach and Support

- In collaboration with system office IT and facilities staff, the supplier diversity manager will attend diverse vendor fairs and engage with the diverse supplier community. These in-person fairs are effective in communicating our commitment to supplier diversity and to share information about how to conduct business with Minnesota State.
- Ensure eligible businesses are referred, when appropriate, to Minnesota Procurement Technical Assistance Center (MN PTAC) to register and pursue TGB certification.

4) Procurement and Contract Advisory Group

- Continue to partner with the Minnesota State Procurement Advisory Group made up of college and university specialists and representatives to review and advise on opportunities and provide guidance on initiatives that affect our campuses.

Questions to Consider

To assist in advancing spend with diverse suppliers, we want to hear the perspective of the board on:

1. Is Supplier Diversity prioritized appropriately?
2. What are additional methods or resources available for advancing system, colleges, and universities spend with diverse suppliers.
3. What additional collaborative efforts are available to address the low volume of registered diverse suppliers?