How Supplier Diversity Fuels Economic Inclusion in America

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Director-Supplier Diversity
University of Missouri System
April 24, 2014-Springfield, MO.
Who is Daryl Hodnett?

- 30 years as an Executive at The Procter & Gamble Company
  - 10 Years as a Marketing Manager
  - 15 years building P&G’s Supplier Diversity Program

- 7 years as Managing Partner of Damiho, LLC
  - Supplier Diversity Consulting and Marketing
  - Lead Trainer for Diversity Information Resources

- Current: Director, Supplier Diversity and Small Business Dev - University of Missouri System
  - Lead the process for four campuses
  - Enrollment-75,572
  - Total 2013 revenue: $2.8BN
  - Market Value: $1BN
  - 38,123 employees and retirees in Missouri
  - Incorporated in 1839-175 years!
What is Supplier Diversity?

- The utilization of businesses in the following groups
  - Minorities (Black, Hispanic, Asian Indian/Pacific, Native American)
  - Women (Common definition white women)
  - Veterans
  - Has come to include GLBT and DBE (based on net worth-any race/gender)

- Public Law 95-507 in 1978
  - Amended Small Business Act of 1958
  - Included “small, disadvantaged business” as part of protected class
  - Goals and timetables for Government direct and indirect contractors

- Public Law 103-355 in 1994
  - Covers WBE’s under Law
  - 5% Federal Government requirement

  - Covers and establishes goals for Veteran and Service-Disabled Veteran Businesses
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Figure 1.1
The Changing Face of America, 1960–2060
% of the total population

Actual

85 83 80 76 69 64

Projected

2020 2030 2040 2050 2060
60 55 51 47 43

- All other
- Asian
- Hispanic
- Black
- White

Note: Data labels not showing if less than 5%. White, black, Asian and “all other” include only non-Hispanics who identify as a single race. Hispanics are of any race. Asians include Native Hawaiians and Pacific Islanders. All other includes American Indians/Alaska Natives in all years and those who reported two or more races beginning in 2000.

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Share of Total Annual Income by Income Bracket Groups

Includes capital gains

- **22.5%**
  Top 1%
  Families with incomes above $394,000 in 2012

- **16.1%**
  Next 4%
  $161,000 - $394,000

- **11.9%**
  Next 5%
  $114,000 - $161,000

- **49.6%**
  Bottom 90%
  Below $114,000


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**Median Adjusted Household Income by Race/Ethnicity of Householder, 1967-2011**

- **White**: $67,175 in 2012 dollars
- **Asian**: $68,521 in 2012 dollars
- **Hispanic**: $40,007 in 2012 dollars
- **Black**: $39,760 in 2012 dollars

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Median Net Worth of Households, 2005 and 2009
in 2009 dollars

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th></th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whites</td>
<td>$113,149</td>
<td></td>
<td>$134,992</td>
</tr>
<tr>
<td>Hispanics</td>
<td>$6,325</td>
<td></td>
<td>$18,359</td>
</tr>
<tr>
<td>Blacks</td>
<td>$5,677</td>
<td></td>
<td>$12,124</td>
</tr>
</tbody>
</table>

Source: Pew Research Center tabulations of Survey of Income and Program Participation data
PEW RESEARCH CENTER
Percentage Change in Median Net Worth of Households, 2005 to 2009

-66% Hispanics
-53% Blacks
-16% Whites

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Median Wealth Ratios, 1984 to 2009

**White-to-black**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>12</td>
</tr>
<tr>
<td>1988</td>
<td>10</td>
</tr>
<tr>
<td>1991</td>
<td>10</td>
</tr>
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<td>1993</td>
<td>10</td>
</tr>
<tr>
<td>1995</td>
<td>7</td>
</tr>
<tr>
<td>2004</td>
<td>11</td>
</tr>
<tr>
<td>2009</td>
<td>19</td>
</tr>
</tbody>
</table>

**White-to-Hispanic**

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>8</td>
</tr>
<tr>
<td>1988</td>
<td>8</td>
</tr>
<tr>
<td>1991</td>
<td>8</td>
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<td>1993</td>
<td>10</td>
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<td>1995</td>
<td>7</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
</tr>
<tr>
<td>2009</td>
<td>15</td>
</tr>
</tbody>
</table>

Notes: Blacks and whites include Hispanics. The Survey of Income and Program Participation was redesigned for the 1996 panel. The redesign may have affected the comparability of the data from 1998 and later years with the data from earlier panels.

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Average U.S. Household Assets, 2010

In 2011 dollars

<table>
<thead>
<tr>
<th></th>
<th>Whites</th>
<th>Blacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other nonfinancial assets</td>
<td>$61,957</td>
<td></td>
</tr>
<tr>
<td>Other financial assets</td>
<td>$191,121</td>
<td>$17,028</td>
</tr>
<tr>
<td>Other residential property</td>
<td>$54,037</td>
<td>$20,188</td>
</tr>
<tr>
<td>Retirement accounts</td>
<td>$115,991</td>
<td>$18,842</td>
</tr>
<tr>
<td>Business equity</td>
<td>$142,969</td>
<td>$17,620</td>
</tr>
<tr>
<td>Primary residence</td>
<td>$217,150</td>
<td>$5,568</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$783,224</strong></td>
<td><strong>$154,285</strong></td>
</tr>
</tbody>
</table>

Source: Pew Research Center analysis of Federal Reserve's "Survey of Consumer Finances" data

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Figure 1
Comparing the Official and Supplemental Poverty Measures, 2010
% of population in poverty

- Official Poverty Measure
- Supplemental Poverty Measure

<table>
<thead>
<tr>
<th>Category</th>
<th>Official</th>
<th>Supplemental</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>15.2</td>
<td>16.0</td>
</tr>
<tr>
<td>Hispanic</td>
<td></td>
<td>26.7</td>
</tr>
<tr>
<td>White</td>
<td>10.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Black</td>
<td></td>
<td>27.5</td>
</tr>
<tr>
<td>Asian</td>
<td>12.1</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Notes: Whites include only non-Hispanic whites. Blacks and Asians include both Hispanic and non-Hispanic components of those populations.


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Unemployment rates by race and ethnicity
Persons ages 16 and older; seasonally adjusted

Source: Bureau of Labor Statistics
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Figure 2
High School Dropout Rates Among 18- to 24-Year-Olds, by Race and Ethnicity

Notes: The high school dropout rate is the share of 18- to 24-year-olds who had not completed high school and were not enrolled in school. “White” includes only non-Hispanic whites. Starting in 2003, respondents could identify more than one race. The figures for 2003 onward refer to the white-, black- and Asian-alone populations. The data shown prior to 2003 consists of those identifying themselves as “Asian or Pacific Islanders.”

Source: Pew Research Center analysis of the CPS Historical School Enrollment Time Series Table A-5a (http://www.census.gov/hhes/school/data/cps/historical/index.html)

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Figure 1
College Enrollment Rates among 18- to 24-Year-Old High School Completers, by Race and Ethnicity

Notes: "White" includes only non-Hispanic whites. Starting in 2003, respondents could identify more than one race. The figures for 2003 onward refer to the white-, black-, and Asian-alone populations. The data shown prior to 2003 consists of those identifying themselves as "Asian or Pacific Islanders."


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Figure 4
18- to 24-Year-Old College Enrollment, 2009-2010 (millions)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>12.1</td>
<td>12.2</td>
</tr>
<tr>
<td>White</td>
<td>8.0</td>
<td>7.7</td>
</tr>
<tr>
<td>Hispanic</td>
<td>1.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Black</td>
<td>1.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Asian</td>
<td>0.8</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Notes: White includes only non-Hispanic whites. All includes persons of other racial and ethnic groups not separately shown.


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Corporate Purchasing Initiatives Lead to Economic Inclusion & Marketplace “Wins”

- Based on selling to general public (demographics)
  - Automotive
  - Packaged Goods
  - Telecoms/Tech companies
  - B to C

- Based on your customers’ demands – B to C Drives increased supplier diversity
  ‣ Private label manufacturers
  ‣ Material manufacturers
  ‣ Federal, State and Local Government

- Competitive advantage versus competition
  ‣ Automotive and Telecoms have used this tactic
  ‣ Universities NEED to use this as a tool in the toolbox for recruiting
  ‣ Colleges and companies need to “run supplier diversity like a business”
Corporate Purchasing Initiatives Lead to Economic Inclusion & Marketplace “Wins”

- Supplier Diversity in its purest form addresses huge constituents (numbers and income)
  - Blacks
  - Hispanics (See future population trends for both)

- For minorities, helps to address the social issues of unemployment
  - Supplier Diversity = financial health for consumers of consumer products companies

- Diversity as a broad business strategy means long-term success
  - University's—Attracting the “new” American Student (Hispanic and Black)

- Not having a strong Diversity strategy causes business issues
  - Denny’s
  - Coke
  - Toyota (Gold Tooth Ad campaign)
  - Wal-Mart
What are we doing at MIZZOU?

- $63 million in M/WBE Spend in 2013, 8.2% of total spending/$250 million in spend over last 5 years
- In my 6 months at UM
  - Have revised web site and marketing materials
  - Created a comprehensive 5 year plan to double the business—In management review now
- Have a Supplier Mentoring program- we plan to expand to an education program
- Working to have supplier diversity more “known” at the campus level
- Work a “link” with campus Diversity Leaders
- Important to UM System because
  - Big economic engine for state
  - We employee lots of people through our business in Missouri
  - Increased Black and Hispanic future student base—if we are not inclusive, they may choose to take their money and talents to other schools.
  - Two (30,000 students) urban campuses in St. Louis and KCMO
Video: Supplier Diversity-A Business Case for America
What Can You DO?

- Support Companies and institutions that have great values and value your money (Examples)
  - McDonalds vs Burger King
  - P&G VS ANY consumer goods company
  - Kroger (Dillon's) Vs Wal-Mart
  - GM/Ford/Chrysler Vs Honda
- Use Social Media (Twitter, LinkedIn, Facebook, etc.) to talk about good and bad examples
- Inquire in your company a supplier diversity effort...and if so, what is it
- When sending children to college, use as a factor in decision (MIZZOU!)
- Research who talks about their spending and percentages online—usually a sign of good work
Thanks!

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