



# Supplier Diversity Playbook

## Introduction

On behalf of the SMI Diversity and Inclusion Council, we are thrilled to present the Supplier Diversity Playbook in collaboration with the Healthcare Anchor Network (HAN). The purpose of this Playbook is to expand the adoption of supplier diversity across the U.S. healthcare supply chain, ultimately enhancing the health of the communities we serve. Our aim is to spark industry-wide conversations on this important issue and drive impactful actions that will deliver measurable results in the years ahead.

The SMI Diversity and Inclusion Council consists of a diverse group of leading healthcare providers, suppliers, manufacturers, distributors, and service organizations, all working together to drive transformational change within the healthcare supply chain. The Council is dedicated to identifying and promoting strategies that foster a culture of diversity and inclusion. We believe that when supplier diversity is thoughtfully implemented, it can enhance patient care, support financial objectives, and create significant economic impact within the communities we serve.

This Supplier Diversity Playbook brings together best practices and resources for both Healthcare Providers and Industry Partners. We believe that collaboration across the entire healthcare industry is essential to making meaningful progress.

At SMI, we strive to cultivate trust and respect between trading partners. The Supplier Diversity Playbook offers a common language, shared goals, and opportunities for both Providers and Industry Partners to grow their supplier diversity programs. It also provides insights into the requirements and expectations from the perspective of your trading partners.

The Playbook is structured for easy use, featuring eight modular chapters, eight executive summaries, an appendix, resources, and key definitions. Each section can be accessed individually or utilized as a comprehensive tool. This Playbook is built on proven practices implemented by over seventy health systems through SMI's partner, Healthcare Anchor Network, with valuable input and feedback from SMI's Diversity & Inclusion Council members.

The creation of this Playbook was made possible through the commitment of organizations like Cardinal Health and Henry Ford Health System who are champions of supplier diversity.

Thank you,

Bill Moir, Henry Ford Health

Robert Rajalingam, Executive Industry Leader

SMI Diversity and Inclusion Council Co-Chairs

# How to Use the SMI Supplier Diversity Playbook


The SMI Supplier Diversity Playbook aims to provide consistent definitions, language, and tools for healthcare supply chain leadership seeking to advance supplier diversity efforts within their organizations' supply chain department. Much of the supplier diversity playbook is applicable to supplier diversity efforts within industry partner and provider supply chain departments.

While the role of a provider and industry partner are complex and different, some operational and programmatic efforts extend across the industry. For example, by aligning providers and industry partners with a clear definition of supplier diversity and standards such as third-party certification and reporting metrics, we can continue to advance supplier diversity efforts within the sector.

Both industry partners and providers have a supplier base to engage and collaborate with to grow supplier diversity. Throughout the playbook, you will see references to providers, industry partners, diverse suppliers and suppliers. When referencing suppliers within this playbook, consider your organization's supplier diversity program, regardless of the part of the healthcare supply chain in which your organization resides, i.e. a supplier reference is applicable to both providers and industry partners.

The playbook provides the tools, language and methodology required to execute a supplier diversity program within the healthcare environment. The resource is focused on best practices standards and implementation. While the resource can be reviewed from beginning to end, it was developed with a modular function. Multiple organizations are referenced throughout the playbook, this is not an endorsement from SMI, and they're only provided as examples and references.

Each of the eight chapters includes a one-page executive summary. Definitions and tools can be accessed as pop-out windows and in the Appendix if more detail is needed. The table of contents has live links to each of the areas so that you can navigate to a specific section that interests you. Lastly, if you'd like to download the resource, a PDF option is available through the SMI website.

Please note that the popups noted with a  can be accessed via the online version of this playbook.

# Chapter 1. Setting the Stage, Building a Successful Supplier Diversity Program

## Executive Summary

Integrating supplier diversity into supply chain practices increases resiliency, and advances efforts to address economic and racial disparities impacting operations and community health outcomes. Healthcare supply chain is increasingly prioritizing supplier diversity and other Environmental Social Governance (ESG) related activities as critical to the mission of their organization. Gartner's Healthcare Supply Chain Top 25 incorporates Healthcare Anchor Network (HAN) anchor mission metrics into its methodology and U.S. News & World Report's Best Hospitals ranking includes health equity measures.

Supporting diverse suppliers increases competition within the market while leveraging existing resources to drive economic growth and strengthen organizational and community outcomes. A robust supplier diversity program can help an organization:

- Address supply chain needs.
- Create a more efficient and resilient supply chain.
- Generate a thriving diverse business community.
- Reduce unnecessary and costly utilization of medical services.
- Strengthen your organization's reputation as the provider of choice or a business that cares about diversity, equity and inclusion in your community.
- As an industry partner, differentiate by including your supplier diversity program outcomes and goals during the RFP process.

A successful supplier diversity program includes several components:

- Executive leadership engagement
- A designated resource to manage the program and projects
- Clear parameters for the supplier diversity program including scope and business objectives

A robust supplier diversity program includes intentional engagement and education for internal team members involved in the purchasing process, industry partners and diverse suppliers alike. The change management resource in this chapter offers an example of how to plan and prepare strategies to gain buy-in for a supplier diversity program at various stages of maturity.

## Introduction

Collaboration and innovation throughout the healthcare industry is required to lower the cost of care and improve community health. Healthcare expenditures continue to grow within the United States and accounted for over 18% of the GDP in 2021.<sup>1</sup> From 2019 to 2022, the cost of hospital expenses went up by 17.5% due to workforce shortages, supply issues, and pharmaceutical costs.<sup>2</sup>

A strong supplier diversity program offers a strategic solution to addressing these challenges by leveraging an organization's purchasing spend to drive economic health, improve supply chain resiliency, and increased competition during the bid process. In this chapter, we will cover the components of a best-in-class supplier diversity program. This chapter aims to equip team members with fundamental tools to solidify leadership support, build engagement, and set a high-level roadmap to success.

## Supplier Diversity Defined

Supplier diversity refers to an organization's supplier base and the degree to which those businesses are owned by diverse suppliers. The industry standard for a supplier to be recognized as diverse is that it has to be at least 51% owned, managed, and operated by minorities, women, veterans, or other designated groups that have historically been underrepresented in industry supply chains.<sup>3</sup>

Many large organizations require third-party certification for participation in their supplier diversity programs.<sup>4</sup> A business is considered "diverse" if the vendor is designated as minority-owned, woman-owned, LGBTQ-owned, veteran-owned, a Disadvantaged Business Enterprise (DBE) business, or a HUB business per Small Business Administration (SBA) guidelines, outlined within the Appendix under Supplier Diversity Certification Definitions <sup>5</sup> +

## Why Supplier Diversity in Healthcare

Increasingly, leading healthcare institutions are adopting strategies to address the root causes of poor health outcomes beyond the four walls of their organizations. While counterintuitive, it's estimated that only 20%<sup>6</sup> of an individual's overall health is due to clinical care. Comparatively, it is estimated that up to 50% of an individual's overall health is due to social determinants of health + (SDoH) including economic mobility, education, income, transportation, and environment.<sup>7</sup>

Supplier diversity is one method to address the economic factors contributing to the SDoH through reliable contracts to diverse-owned businesses leading to economic mobility and increased income for diverse community members. Supplier diversity aligns a healthcare organization's mission with operations to address the economic factors of health equity.



A common and false assumption is that supplier diversity will add costs to an organization. Interlacing supplier diversity into your supply chain and broader health equity work can support the financial rating of the organization. For example, in 2023, Boston Medical Center issued their first ESG Bond for a \$232 million capital project, a new endeavor within healthcare. In addition to saving \$5.4 million in debt services, the bond funding will be utilized to address health inequities in a variety of ways including economic mobility and supporting local businesses. This highly competitive bond sale was oversubscribed ninefold, indicating the strength and confidence of bond repayment by BMC. When an organization has a strong ESG program, it is an indicator that their business is successful operationally and financially.

### HEALTH EQUITY AND SOCIAL DETERMINANTS OF HEALTH


To address social determinants of health, healthcare organizations are increasingly looking to their purchasing practices to improve the economic health of the community. An individual's health is impacted by complex social, economic, and environmental factors that drive health outcomes. More than just the absence of illness, the World Health Organization's definition of health includes health equity, + and the social determinants of health, as "the conditions in which people are born, grow, work, live, and age." They represent the wider set of forces and systems shaping the conditions of daily life that drive health outcomes, such as inequality, social mobility, community stability, and the quality of civic life.

Sometimes referred to as "upstream" determinants, research indicates that up to 50 percent of the factors that contribute to health are social and economic.<sup>8</sup> The primary mission within healthcare is focused on improving health outcomes. This requires acknowledgment of the widening economic gap + and racial divide that are driving health disparities across the country. In 2021, the Centers for Disease Control and Prevention (CDC) issued a press release designating racism as a public health threat.<sup>9</sup> Part of this effort includes the CDC Core Commitment to Health Equity,<sup>10</sup> which aligns with and supports supplier diversity efforts within healthcare organizations. The CDC is specifically focusing on community partnerships and building a diverse workforce.

One successful method to integrate supplier diversity into a healthcare organization is to connect procure-


ment activities to identified community health needs. The Community Health Needs Assessment (CHNA)  often recognizes unemployment and generational poverty as critical issues. Part of the CHNA includes the development of an implementation plan to address identified community health needs and publicly report on a plan, all of which are subject to review by the IRS.<sup>11</sup> As a healthcare organization, a structured supplier diversity program with goals formally included in the CHNA implementation plan hardwires supplier diversity into your organization. 

## CREATE A COMPETITIVE ADVANTAGE

At the sector level, it's becoming increasingly clear that the most innovative supply chain departments have supplier diversity programs. Gartner's Healthcare Supply Chain Top 2512 incorporates ESG metrics, including supplier diversity. The U.S. News & World Report's Best Hospitals ranking includes health equity measures.<sup>13</sup> Incorporating these priorities into your institution's operations can have multiple benefits, examples of which can be found here. 

## SUPPLY CHAIN RESILIENCY

Supporting diverse vendors can help to incubate new community enterprises to fill supply chain demands, drive economic growth, and build a culture of economic health. Reductions in supply disruptions through the addition of diverse suppliers creates economic growth within the communities served while driving supply chain resiliency. The potential benefits of a resilient and diverse supply chain include reliable products closer to the hospital facility, fewer logistics complications due to weather or other factors, and increased competition in the market.

Interlacing supplier diversity into supply chain resiliency strategies provides institutions with an advantage in addressing economic and racial disparities that impact operations and community health outcomes. Gartner outlined six strategies to address resiliency, four of which align with purchasing initiatives including multisourcing, manufacturing network diversification, ecosystem partnerships, and nearshoring. Here are several examples of how supplier diversity aligns with supply chain resiliency strategies. 

## Background & History of Supplier Diversity

While much effort and progress has occurred since the Civil Rights movement that launched supplier diversity in the 1960s, there is still a significant wealth inequity within the United States. Recently the Michigan Minority Supplier Development Council and Supplier IO created a report "Facilitating Growth for Minority-owned Businesses" and they found that if minority owned businesses continue to grow at 2018 rates, it would require over 333 years for MBEs to achieve revenue parity with white owned businesses.

Addressing health equity, mission alignment, and competitive advantage are a few reasons to move forward with a supplier diversity program. Supplier diversity efforts of providers and industry partners can directly address economic inequity and improve community health through supply chain spending practices.

## Change Management: How to Gain Support for your Supplier Diversity Program

The most successful supplier diversity programs have engaged leadership and a clear, identifiable program purpose. For example, supplier diversity programs are often tied to diversity, equity, and inclusion initiatives. Due to the required shift in business practices, leadership engagement is a critical component of programmatic success. The designated executive champion supports critical elements to a successful program including goal setting and measurement, program operating budget, and resource allocation.

A robust change management plan can be utilized as a guide of where to begin shifting culture, changing hearts and minds to gain buy-in for sourcing from diverse suppliers. Change management is a method to understand the current environment of your organization and the most intentional ways to engage.

## COMPONENTS OF CHANGE MANAGEMENT

Change management can help your institution to gain the hearts and minds of your colleagues, improve collaboration, and obtain results. The reason to implement a change management approach is to gain support for your supplier diversity program and make it more likely that the program will be sustained over time. The Harvard Business Review language on change management includes four aspects:<sup>14</sup> (HBR Language)

1. Prepare for change
2. Create a vision and plan
3. Implement change
4. Integrate and sustain change

### PREPARE FOR CHANGE

Explore your organization's current health equity pledges and DEI initiatives. Identify leaders and work groups engaged in DEI initiatives and/or Inclusion Resource Groups. + Engage early adopters who are outspoken advocates to collaborate on building the business case for supplier diversity in alignment with your organization. Evaluate the purchasing teams' readiness to engage in alternative purchasing methods and current purchasing processes to determine barriers to entry for diverse suppliers.

### CREATE A VISION AND PLAN

Create a supplier diversity work group of volunteers from departments with aligned goals, such as the Diversity, Equity and Inclusion department, Population Health, and Community Relations. Designate an executive champion to steward the program and a point of contact that is the program resource within the purchasing department. Define any current efforts underway to purchase from diverse suppliers. Review the existing supplier base for diverse suppliers to explore capacity for growth. Establish priorities and set clear goals approved by the executive champion.

### IMPLEMENT CHANGE

Create a strategic education plan for internal team members involved in the sourcing process, including the "why" for supplier diversity at your institution. Engage healthcare providers, industry partners, and group purchasing organizations (GPO) to create additional opportunities for learning, potential new connections with diverse suppliers, and collaboration opportunities such as localized contracting or tier two + diverse spend reporting. Obtain commitment from an early adopter within your organization to remain flexible in contracting by splitting contracts and/or increasing spend commitment with diverse suppliers over time. Identify current and potential partners including entrepreneurial support organizations, chambers of commerce, and other organizations that promote and uplift the diverse business community. NMSDC, WBENC, and HSDA are several examples.

### INTEGRATE AND SUSTAIN CHANGE

A key to sustained success is through celebrating the wins and cultivating strong relationships. Partner with your marketing department to develop success stories of diverse businesses and highlight internal champions. Leverage your inclusion resource groups (IRG), community engagement, and diversity and inclusion team members to extend capacity for networking with diverse businesses. Become a member and/or sponsor organizations that support diverse business development. Consider internal policy changes such as shortened payment terms for small, diverse suppliers.



# Chapter 2. Getting Started with Supplier Diversity Self-Assessment and Goal Setting

## Executive Summary

When starting a supplier diversity program, begin by evaluating current supplier diversity practices and use that evaluation to set goals for program growth. Seeking advice for getting started? Click the pop-out to view a few actions to take. + If you are further along in your journey, you can click the next pop-out to see additional examples to explore. + The components of a successful supplier diversity program include leadership engagement, program and data tracking infrastructure, staffing and interdepartmental infrastructure, partnership and community engagement, goal setting, and program marketing. The maturity model and scoring provide a measurable way for an institution to evaluate current performance of existing supplier diversity programming, benchmark efforts against industry best practice and support direction setting for future goals.

## LEADERSHIP ENGAGEMENT

Best practice includes an accountable executive and designated project manager or point of contact responsible for the stewardship of the supplier diversity program. While the role may vary across the organization, an accountable executive is a single, identifiable leader responsible for oversight of the supplier diversity program.

## PROGRAM & DATA TRACKING INFRASTRUCTURE

Success in this category includes regularly measuring spend with diverse businesses and developing a dashboard to visualize data. The types of data breakdown would include spend with diverse suppliers by purchasing category + and spend broken down by diverse-owned businesses. Sustaining your program requires developing a method + to track purchasing dollars spent with diverse suppliers and their certification information if third-party certified.

## STAFFING & INTERDEPARTMENTAL INFRASTRUCTURE

Successful supplier diversity programs include a dedicated full-time employee responsible for supplier diversity. This individual is responsible for the daily duties to execute and measure the supplier diversity program. Collaboration and engagement across different areas + of expertise support the execution of a supplier diversity strategy, ownership over the work, and decision-making authority.

## PARTNERSHIPS & COMMUNITY ENGAGEMENT

Partnership engagement is essential for connecting with existing diverse suppliers and for the growth of diverse supplier relationships. Examples of Supply Chain Integrator + partners include chambers of commerce and supplier diversity organizations.

## GOAL SETTING

Goal setting with key metrics + supports efforts to promote and showcase the success of your supplier diversity program and build and sustain momentum.


## Introduction

### TOOLS TO ASSESS THE CURRENT SUPPLIER DIVERSITY PROGRAMMING AND HOW TO SET GOALS

This chapter's main objective is to establish a deeper understanding of the components of supplier diversity, best practices, and goal setting. Click the pop-out for a quick guide to getting started. +

If you're seeking a deeper evaluation of your current supplier diversity efforts, continue to the supplier diversity self-assessment below.

## Supplier Diversity Program Self-Assessment

The supplier diversity maturity model  is a tool to support the evaluation of an organization's supplier diversity program.



- The maturity model aims to create a clear vision of “what good looks like,” define a method to evaluate and score an organization's program, and provide ideas for successful program implementation. The maturity model includes six focus areas key to a successful supplier diversity program.
- Within each of the six program focus areas, there are four levels of progress with associated points: baseline (10 points), foundational (20 points), institutional (30 points), and innovation (40 points). Each level includes a definition of measurable goals. For example, the innovation level (40/40 point) of the Program & Data Tracking Infrastructure focus area includes the following measurable goal: tier two tracking of prime supplier spend with diverse suppliers and goal setting to increase spend.


Leverage the supplier diversity maturity model to assess your institution's supplier diversity program and create a project plan. When utilizing the maturity model, review the six different focus areas of a supplier diversity program as defined in the executive summary.


## Goal Setting, Getting Started

Establishing realistic and meaningful goals starts with understanding an organization's capacity to shift spend towards the diverse business community. Moreover, it involves understanding who and what guides purchasing decisions across the organization and a clear definition of diverse spending so that metrics can be adequately tracked and reported. Below are considerations when cultivating your goals and measuring current purchasing practices.

One of the first steps in establishing supplier diversity goals is to understand the focus, priorities, and current state of purchasing within an organization. To achieve a clear baseline of your current spend, there are several recommended tactics:

- Define your program scope based upon specific priorities  and diverse communities the organization is aiming to impact. For example, the Healthcare Anchor Network Impact Purchasing Commitment is focused on doubling the spending of third-party women and minority-owned businesses explicitly. Leverage Chapter 1 to reflect on what supplier diversity strategies the organization is aligned with, such as health equity or supply chain resiliency.
- Understand your total addressable spend  The Healthcare Anchor Network has developed a singular definition that its 70+ healthcare system membership adheres to. See Chapter 3 for more details on total addressable spend and how to cultivate a strong measurement process. Chapter 7 offers information about the various technologies that can support program measurement and tracking of goals.

With a clear understanding of your baseline spend, explore upcoming bids in the next calendar year to expand spend with new diverse suppliers. Meet with existing diverse suppliers to identify potential growth opportunities. With an understanding of potential purchasing efforts over the next 6-12 months, you and your organization can establish realistic goals for the program. 

The tactics outlined above provide a roadmap for developing supplier diversity goals for the first time. The maturity model is a tool that can be used over time to identify an organization's current supplier diversity program development and opportunities for progress. By reviewing each of the six key program areas , an



organization can choose which areas to celebrate and which need additional focus.

Successful supplier diversity programs include holding teams accountable to the goals. Examples of measurable supplier diversity goals focus on spend with diverse suppliers, the number of diverse suppliers an organization purchases from, and resources invested in the growth of the diverse business community. With clear goals and direction in place, in Chapter 3, we will review metrics in more detail to sustain a supplier diversity program.

# Chapter 3. Measure What Matters, Supplier Diversity Metrics

## Executive Summary

Successful supplier diversity programs are imbedded into the organization through measurable goals aligned with organizational priorities and/or strategic initiatives. When considering the metrics of success, review any existing tools, technologies and processes that are a standard throughout the organization. For example, an organization often resources supply chain with business, financial or data analysts to support measuring cost savings and track progress towards goals.

When cultivating metrics to move your program forward, consider how easy they are to measure and report. It's important that any metric in place is clearly defined for organizational leaders and management. In Chapter 2, we covered methods to determine organizational priorities and goals of a supplier diversity program, and in this chapter we will focus on components of program measurement.

### ESTABLISH THE ADDRESSABLE SPEND BASELINE

When beginning to measure a supplier diversity program, the first step is to establish the institution's current total addressable spend to identify potential opportunities and current efforts underway. Use clear definitions of your supplier diversity program and common language as outlined throughout the toolkit, for example a clear definition of total addressable spend + Leverage external technology providers to support the validation of existing third-party certified diverse suppliers.

### SUPPLIER DIVERSITY METRICS OF SUCCESS

Successful goals are clearly defined and measurable with objectives that are both qualitative and quantitative. Momentum is built upon small successes over time, building relationships with stakeholders, and clear goals that incentivize this work for organization leadership. Examples of goals that could be established to achieve incremental change might include the number of contracts awarded to diverse suppliers, attendance of sourcing team members at "meet the buyers" events, and the number of presentations in the community to increase transparency on the purchasing process.

## Introduction

### KEY TERMINOLOGY AND METRICS TO TRACK AND ASSESS PROGRESS OVER TIME

Best practice supplier diversity programs include guidance on definitions and program measurement to achieve success. While the program may evolve, including measurements of the program is critical at every stage. A crucial start to a successful supplier diversity program is clearly defined program objectives. Understanding your business case provides a foundation to shift into defining what your supplier diversity program will include. Examples of considerations for inclusion in or exclusion from scope can be found here. +

### ADDITIONAL RESOURCES TO SUPPORT PROGRAM DEFINITION AND MEASUREMENT

- Supplier diversity definitions to know +
- Government programs and certifying agencies to know + including programs that align with the above definitions of supplier diversity.

## Achieving Supplier Diversity Goals with Data

To begin measuring your supplier diversity program, create a baseline of your current spend that excludes categories such as government transfer payments, employee compensation, and depreciation and amortization. Creating a clear internal process to pull spend information on a consistent basis is key to accurate measurement. Below are the recommended methods of establishing supplier diversity spend in alignment with leading healthcare organizations. This includes:

- Define your data spend parameters including which categories of supplier diversity you will be setting goals for and measuring. For example, the Healthcare Anchor Network Impact Purchasing Commitment focuses on doubling the spending of third-party certified women and minority-owned businesses explicitly.
- Build internal awareness, support, and agreement for total procurement spend + and addressable procurement spend + as defined by the Healthcare Anchor Network (HAN).
- Construction spend (defined) + is variable based upon many unique factors of each organization. It's recommended that construction expenses and construction-related capital expenses such as furnishing the building are measured separately from total addressable spend. It's best practice to create a separate supplier diversity construction measurement, strategy, and goals.
- Work with your finance department to obtain a financial report including the total addressable procurement spend + which includes summed dollar amount of all operating, non-construction capital, AND construction expenses incurred during the fiscal year with direct vendors to your health system, minus the expense categories outlined here. +

Once you've pulled your total procurement spend report for a one-year period, organize the data by total spend, addressable spend, construction spend, and excluded spend.

- Validate your addressable spending to create a comprehensive list of cost centers and account numbers to include for baseline and future tracking within the ERP system.
- The first step to measuring your existing supplier diversity spend is through a clear financial view of the organization's total addressable spend. Once you've calculated your total addressable spend, utilize your comprehensive list of cost centers within scope to pull a report with your baseline spend for the specified year. Additional tips when developing your spend reports can be found [here](#).
- Determine what year your organization's baseline spend will be pulled from. Consider any major shifts in business or economy that are abnormal when setting the baseline spend. Consider any major events or purchasing decisions that would skew the baseline data (e.g. covid pandemic).

Once you've obtained your total spend, utilize your comprehensive list of addressable spend cost centers or general ledger accounts to pull a report with your baseline spend for the specified year.

- House data in a specified location with clear guidelines of cost centers or general ledger accounts included and excluded for the future.
- When developing a spend report for diverse suppliers, include the following variables: business name, certification type, headquarters address, primary contact, total spend over a one-year period, cost center, and account number.

Once you've reviewed your baseline diverse supplier spend report is accurate, engage a third party to provide data enrichment. This is a process by which a third-party business reviews the business name and headquarters information to confirm if that business is a certified diverse supplier.

- Review the data enrichment process and confirm all priority certification types and certifying bodies of interest are included. ➕ Request a transparent overview of the verification process from the data enrichment vendor.
- Once addressable spend is determined, use a third-party data enrichment partner to determine which suppliers are diverse.
- Confirm if they include/exclude self-certifying suppliers.
- With data enrichment complete, the organization now understands the current spending with diverse business suppliers. With this data, evaluate current diverse supplier spend and future goals by department or executive leader. More detail on goal setting can be found in chapter 2.

## Supplier Diversity Measurements of Success

Common measurements of supplier diversity include but are not limited to:

*Diversity Spend.* Diversity spend includes the percentage or total dollar amount spent with diverse suppliers. Diverse supplier spend data may be disaggregated by:

- Tier One Spend ➕ and Tier Two Spend ➕
- Diverse Supplier by category such as Minority-owned businesses.
- Organizational metrics (e.g. division or dept.)
- Number of diverse suppliers awarded contracts.
- Growth of spend with specific diverse suppliers over time.
- Number of diverse suppliers on contract over a period.

### *Leading and lagging measures*

It's important to create a measurement system that aligns with tactics (leading measures) that when implemented collectively create outcomes (lagging measures).

Leading measures are internal measurements of short-term progress. Focus on activities that move toward a larger goal. Leading measures can sometimes be more challenging to determine due to their short-term nature and the assumption that they will contribute to long-term outcomes. An example of a leading measure is the number of diverse suppliers included in the bid process. Increasing the inclusion of diverse suppliers in the bid process assumes the long-term (lagging) impact would be an increase in the number of diverse suppliers awarded the contracts.

Intentional metrics reinforce a process for the sourcing team members. For example, measuring the inclusion of diverse businesses throughout the year keeps supplier diversity efforts top of mind. By creating a goal focused on including more diverse suppliers, team members responsible for achieving this metric learn more about how to identify diverse businesses during a bid process and build relationships with new diverse suppliers. Leading metrics that are regularly reviewed and supported create a problem-solving culture and hold team members accountable for engaging in the program.

Lagging measures are aligned with outcomes and impact. An example would be the number of new diverse suppliers awarded contracts in a given fiscal year. Lagging measures focus on total impact over time, typically established before the fiscal year begins, and are reported annually. An example of a lagging measure would be the percentage of total spend in a given fiscal year with Minority Business Enterprises.

External reporting of outcomes is a method of celebration, promotion, transparency, and organizational

commitment to the integrity of the program. Many organizations place goals and annual outcomes on their customer-facing websites. When reporting information publicly, it is important to have high confidence and integrity in the supplier diversity data. Requiring all reported supplier diversity spend to be verified as third-party certified increases efficacy and confidence in the information shared.

### *Self-Certified and Third-Party Certified*

A vendor is third-party certified when they have obtained a certification from an external certifier (third-party certifier), such as the National Minority Supplier Diversity Council. Comparatively, a self-certified diverse business has made a proclamation of diverse ownership without additional verification from a neutral external third-party. Learn more as to why third-party and self-certification are of value to collect internally here. [+](#)

Reporting spend with suppliers that are certified diverse by a third-party is required in best practice supplier diversity programs, such as the Healthcare Anchor Network Impact Purchasing Commitment. Third-party verification is a process for a diverse supplier to verify the accuracy of the declared business ownership and is conducted by approved organizations. This increases the confidence and integrity of tracking your program and reporting transparently to the community. Methods to support third-party verification within the industry can include sponsoring the cost to certify diverse businesses or connecting them with an entrepreneurial support organization to support the journey. Some examples of certifiers can be found here. [+](#)

### **CLASSIFICATION FOR MULTIPLE DIVERSE CERTIFICATIONS REPORTED**

Consistent with federal government reporting standards, a supplier should be classified in only ONE diverse category, regardless of whether that supplier meets multiple diverse criteria. In other words, don't double count the spend among the diverse categories (minority, women, veteran, and other diverse). If a supplier is both minority-owned and of another ownership category, most institutions have historically opted to report this vendor as "minority-owned". It is recommended as an industry standard that healthcare organizations adopt this defined reporting criteria to create consistency and accuracy in reporting.

### **BALANCED SCORECARD OF PROGRAM IMPACT**


Leverage the Supplier Diversity Maturity Model to evaluate your current program and to determine what to measure. Review each focus area to determine the current level of your supplier diversity program is at within your organization. Track the associated points for that level and review what opportunities exist for your organization to shift to a higher level. Details on tracking an organization's progress can be found here. [+](#) This information can be utilized for goal setting and standardization for reporting overall progress of a supplier diversity program.

# Chapter 4. Internal Engagement for Growing Supplier Diversity


## Executive Summary

This chapter focuses on strategies to work across departments to promote and integrate supplier diversity into organizational priorities and decision-making.

### PROGRAM ALIGNMENT FOR SUCCESS

Best practice supplier diversity programs align with the strategic direction and priorities of the organization. Examples include aligning your program objectives with the organizational mission, diversity and inclusion efforts, and goals around social determinants of health and equitable community wealth building. This can include creating a shared understanding of why supplier diversity is important by connecting the program to the Community Health Needs Assessment (CHNA)  data, and sharing the benefits of a supplier diversity program. More details on the why of supplier diversity can be found in Chapter 1.

### CREATING THE ECOSYSTEM

One way to generate internal engagement is to connect procurement activities to larger organizational and community efforts, supplier development opportunities, and industry trends. A robust supplier diversity ecosystem includes engaged internal departments and stakeholders, community engagement efforts led by your organization, and creation of collaboration resources. 

### METHODS TO EMBED SUPPLIER DIVERSITY INTO YOUR INSTITUTION

Successful implementation of a supplier diversity program depends on clear goals and accountability. Cultivate organizational awareness, accountability, and buy-in across the organization through regularly updated internal dashboards of diverse supplier spend by functional area. Tie executive compensation to supplier diversity goals and outcomes. Measure the economic impact in the community through job creation, diversity of supplier workforce and diverse supplier ownership. Highlight success stories to build momentum internally through your intranet, blogs, and celebrations.

## Introduction

One of the many benefits of supplier diversity is the opportunity for different departments and organizational staff to collaborate on creating a more equitable supply chain. Chapter 4 provides strategies to work across departments to promote and integrate supplier diversity into organizational priorities and decision-making.

This chapter includes multiple strategies:

- Align your supplier diversity program with organizational strategies, goals
- Create the ecosystem of supplier diversity through relationship development, collaboration, and education.
- Embed supplier diversity into the organization through operational deployment. This includes cultivating organizational awareness, accountability, and buy-in across the organization.

### PROGRAM ALIGNMENT FOR SUCCESS

One of the most challenging components of a successful supplier diversity program is competing interests and demands of the sourcing team. Consider any system-wide projects underway that may impact program



expansion such as a hospital merger or ERP implementation. Explore how the institution's supplier diversity program aligns with other corporate initiatives, such as DEI goals, commitments to addressing the social determinants of health, and the Community Health Needs Assessment (CHNA) [+](#) implementation plan. Co-create supplier diversity goals between supply chain and various departments as a method to drive impact, focus, and create buy-in. More details on setting the stage for supplier diversity can be found in Chapter 1.

## Creating the Ecosystem

Building a strong supplier diversity ecosystem includes intentional engagement of internal departments. A strong network of relationships within your organization [+](#) can support awareness and collaborate around shared supplier diversity goals. According to a recent Pew report on Diversity, Equity, and Inclusion (DEI) in the workplace, 56% of employees believe focusing on DEI at work is a good thing. Promoting a supplier diversity program internally is one way to build employee awareness of organizational initiatives that seek to advance health equity. Methods to engage team members outside of supply chain include:

- Create a communication plan to raise awareness such as a presentation, policy statement, and talking points for sharing your supplier diversity program with internal stakeholders.
- Prioritize building awareness first within Supply Chain and then begin education to strategic stakeholders.
- Collaborate with other departments focused on health equity work to elevate your goals and cross-promote initiatives to gain further awareness and support.
- Create transparent accountability mechanisms within the organization to ensure that progress is regularly assessed, reported, and celebrated.
- Create a full-time role embedded within the supply chain to support the organizational effort and display a financial commitment to the work.

### COLLABORATION TACTICS

Successful supplier diversity programs leverage internal champions at every level of the organization. Examples of engagement efforts include developing a supplier diversity work group, collaborating with purpose-driven departments, and elevating existing training and resources around health equity to include supplier diversity information.

Developing a supplier diversity work group builds a space for cooperation and problem-solving when developing the program. With the support from an executive sponsor, recruit team members from various areas including buyers, contract managers, value analysis, and someone responsible for diversity, equity, and inclusion initiatives. Engage these team members to develop procedures, create educational materials, and promote the supplier diversity program. Support the program's success by letting team members participate as part of their current role during paid hours.

Aligning your supplier diversity efforts with purpose-driven departments creates more opportunities for cross-promotion and builds awareness of supplier diversity goals and methods to engage. Examples of departments that participate in social responsibility initiatives can be found [here](#). [+](#)

One common method is to connect with other strategic initiatives, such as sustainability efforts. Tying procurement efforts to organizational goals helps increase internal support and positions procurement as a strategy to address community health needs, such as nutrition, carbon emissions, and equity.

Another way to increase engagement and support for supplier diversity programs is through existing DEI training and resources. Review relevant materials currently in use in your organization and explore how to include more information about supplier diversity in these materials and training. If your organization has

robust education in place within the diversity, equity, and inclusion function such as cultural competency training, explore using these resources to build awareness within the purchasing department. Identify any external memberships or subscriptions that might offer resources, find examples here. [+](#)

Inquire with your data and analytics team or financial analysts on the development of supplier diversity data integration. Engagement talking points are a helpful tool to promote change and amplify the message of the supplier diversity program. Participants in the supplier diversity work group can leverage language from chapter 1 to customize the business case for individual departments. When developing talking points, focus on key priorities of the department engaged. For example, if a technology department values customer service and innovation, highlight the benefits of working with existing diverse technology businesses using innovative practices. Develop talking points that emphasize how supplier diversity can contribute to achieving specific departmental or organizational goals.

Another effective method to promote a supplier diversity program internally is through a supplier diversity commitment statement that can be referenced while engaging employees and the community. Best practice is for the CEO to be the author of the statement and to make it publicly available on your website. Kaiser Permanente's Impact Spending website provides an example of a publicly available commitment statement.

Below is an example of the type of language to incorporate into this kind of statement. Integrating your organizational mission, vision, and priorities into the policy statement further reinforces alignment with the supplier diversity program.:

#### **SAMPLE LANGUAGE – POLICY STATEMENT**

*(Your Organization) is committed to the health of the communities we serve and addressing the social determinants of health. We do this by leveraging (Your Organization) purchasing practices to create economically and racially equitable economies that sustain healthy communities. In alignment with our mission/vision/values, (Your Organization) aims to drive social impact by fully activating the organization as a community asset and responsible steward.*

## **Operational Deployment**

Achieving supplier diversity goals through internal engagement requires that they are embedded into existing business practices and that accountability extends beyond the supply chain. Engage with departments outlined here [+](#) to collaborate on shared goals and ways to advance the initiatives.



A clear method to communicate that supplier diversity is a priority is through the creation of an incentive bonus structure based upon the execution of outlined supplier diversity goals. Tying compensation to supplier diversity outcomes creates accountability and is often done as part of a larger DEI measure of success for leadership. Success for this type of program requires strong internal measurement and reporting of supplier diversity activity.

Stakeholder management is a strategic way to expand internal engagement in a supplier diversity program, an example of which can be found in the Target 2022 Sustainability Report. The Target report highlights the diversity in stakeholders of a for-profit organization that expands beyond the customer's voice to include the community, investors, vendors, the government, and employees.

Consider who your stakeholder groups are when developing goals and actions to achieve those goals. Examples of potential actions to engage stakeholders around supplier diversity can be found here. [+](#) A successful internal engagement program requires a clear vision of why your organization is invested in supplier diversity, which requires building an internal network of champions, obtaining buy-in throughout the organization, and aligning compensation with goals.

# Chapter 5. Developing Strategic Partnerships

## Executive Summary


Strategic partnerships with community partners and supply chain integrators  are an important way to learn from peers, make connections, and advance collective goals to support the growth of diverse businesses. Strategic partners include community partners, peer organizations, and supply chain integrators. Strategic partnerships differ from building connections with diverse suppliers in the learning objectives, resourcing and priorities. Many strategies described throughout the playbook hinge on partnerships with organizations that support diverse businesses. It is important to build relationships with stakeholders and involve them in the design process of a diverse purchasing initiative. A particularly important subset of organizations are local chapters of supplier diversity organizations. .

Often, these organizations are willing to share their supplier databases and can connect procurement teams to qualified firms. Local chambers of commerce, business development associations, and county or city governments can also be important partners. One strategy to encourage relationship building with community partners and supply chain integrators is to have an employee participate on the board of one or more of these organizations. This allows them to communicate supply chain needs, connect directly with potential suppliers, and build trust with the local business community.

The first step is to identify the organization's existing network of community partners. The mapping process will uncover and identify current work underway to avoid duplicative efforts. Navigate to Chapter 4 to learn which departments to engage on this question. When mapping your external partners, consider which organizations your institution is in active partnership with and which organizations you still need to cultivate relationships with.



*How to build partnerships with external organizations (e.g., chambers of commerce, certifying agencies, etc.).*

## Introduction

Successful supplier diversity strategies hinge on partnerships throughout the diverse business ecosystem. A particularly important subset of organizations are local chapters of supplier diversity organizations, examples of which can be found here.  These organizations can provide insight into barriers that diverse suppliers face, inform suppliers about available certification requirements, share their diverse supplier network and connect supply chain managers to qualified suppliers. Some examples of community partners in the diverse business ecosystem include local chambers of commerce, business development associations, and county or city government.

## Identify Your External Partners

Consider which community partners your organization is currently collaborating with, and which organizations you still need to cultivate relationships with. Tips to building your diverse business ecosystem and cultivating relationships include:

- Make a list of the organizations that engage with diverse businesses in your network. 
- Engage the key stakeholders from the list of identified partners. Share what your goals are around supplier diversity and learn about their current initiatives.
- Engage trading partners and other large local purchasing institutions  to learn from and partner with for supplier diversity initiatives.

Use Table 3. *Identify Your External Partners* to list the organizations and contacts from the business community and determine any partnership gaps that currently exist.

Consider what you're able to contribute to these strategic partners including information about upcoming bid opportunities and wrap-around support services. Supporting the growth of diverse business communities requires an investment in relationships with large organizations across the community, and support of entrepreneurial support organizations (ESO). + The most successful supplier diversity programs have a robust strategy for external partnerships and participate in industry-wide collaboration.

## Develop a Community Partnerships Map

Mapping your community partnerships will help uncover existing relationships between team members within your organization and the communities you support. Understanding an organization's current participation with supplier diversity efforts will help to avoid duplicative activities, such as multiple departments providing financial contributions to support a community organization. Convene relevant staff members from public facing roles within your organization, including community engagement staff, to provide input on your existing strategic partnerships and community assets map.

Collaboration with other large local purchasing organizations and strategic partners is a key component of a successful supplier diversity program. On your own, or through a partner, such as a region's local community foundation, convene other area purchasing professionals to talk about shared goals and areas in which collaboration could achieve success, and identify initiatives that no one institution could do alone.

Below are several questions that can assist in identifying and mapping the current community partners and supply chain integrators focused on building the ecosystem of supplier diversity.


- Which organizations do diverse businesses interact with to help them build capacity or receive technical assistance? What programs do they offer?
- What services does each respective organization already offer that supports supplier diversity? What current gaps in the ecosystem exist?
- How are other large purchasing organizations supporting diverse sourcing?
- Are there any other large purchasing institutions—such as a health system, universities, community colleges, public school systems, city and county governments—with similar supply chain needs?

## Creating External Partnerships

Develop partnerships with local business organizations, entrepreneurial support organizations (ESO), and other large purchasing organizations across the country to explore ways to collaborate and increase diverse business support in your community. Organizations with an aligned focus such as the National Minority Supplier Diversity Council, the Women's Business Enterprise National Council, or their regional equivalents are helpful organizations to connect with when the organization is getting started. Often statewide and national diverse-focused entrepreneurial support organizations (ESO) offer tools, best practices and match-making between corporate members and qualified diverse businesses. +

Local chambers of commerce, business development associations, and county or city governments are also important partners. One strategy to encourage relationship building with organizations like these is to have the designated supplier diversity employee and executive sponsor participate on committees and boards of one or more of these organizations. This allows the staff members to communicate supply chain needs, collaborate on cultivating supplier diversity across the industry, connect directly with potential suppliers, and build trust with the diverse business community.

Create a list of staff members within your organization that actively collaborate with community partners.


Engage members of the supplier diversity workgroup as well as positions with a public facing role  or organizational leaders that sit on community boards. As a team, work together to identify existing community partnerships your organization has with entrepreneurial support organizations and potential organizations to reach out to.

Leverage these questions to cultivate strong discussion and build shared goals when meeting with community partners. Building external partnerships takes time and intention. Leverage your existing passionate employees who participate in the supplier diversity workgroup or within leadership roles to engage in board and volunteer opportunities. The most successful supplier diversity programs include strong external partnerships.

# Chapter 6. Diverse Supplier Development and Capacity Building

## Executive Summary

Often, traditional procurement practices create barriers for diverse suppliers, even cost-competitive diverse suppliers. Adjusting internal practices to facilitate connections between the purchasing department and diverse businesses increases opportunities for bid participation. For example, a prominent challenge for diverse suppliers is awareness of upcoming bids. To reduce this potential barrier, purchasing department team members and the marketing department could collaborate on outreach and education strategies geared towards diverse suppliers.

Connection strategies, such as those described above, result in intentional procurement practices with more transparency in the bid process and methods for diverse businesses to participate. Supply chain buyers can identify existing diverse suppliers through community partners or supply chain integrators  who work with diverse businesses and are familiar with their capabilities. Key strategies to building connections with diverse suppliers include creating transparency in the purchasing process and criteria, identifying diverse suppliers aligned with your organizational needs, and collaborating with key supply chain integrators focused on supplier diversity and economic development.

Capacity strategies increase the ability of the diverse business community to meet supply chain needs. This can occur through diverse supplier sub-contractor requirements, mentor-protégé programs, promoting business incubation, and providing technical assistance. Cultivating a strong supplier diversity program requires investment in capacity building of existing suppliers and entrepreneurs, and strategies to connect diverse businesses with contracting opportunities.



## Introduction

*How to identify and cultivate a backlog of new diverse suppliers and build the capacity of existing diverse suppliers.* In this chapter, we will cover three strategies for diverse supplier engagement. This includes:

- How to identify diverse suppliers for contracting opportunities
- Methods to engage diverse suppliers in the bid process
- Capacity building strategies for diverse suppliers and entrepreneurs.

Capacity building strategies typically focus on an organization's existing supplier base and prioritize business growth and upskilling. Connection building strategies focus on building a network of diverse businesses and providing opportunities to participate in bid opportunities.

## Critical Strategies to Identify Diverse Suppliers

Often, traditional procurement practices create barriers  for diverse vendors to participate in the bid process with large institutions. Connection strategies aim to reduce barriers to contracting opportunities by identifying diverse businesses to participate in the bid process. Adjusting internal practices to facilitate connections increases opportunities for diverse businesses to be awarded contracts. Key strategies to identifying diverse suppliers include creating transparency in the purchasing process and criteria for selection, identifying diverse suppliers aligned with your organizational needs, and collaborating with key community partners and supply chain integrators  focused on supplier diversity and economic development.



## CREATE A TRANSPARENT PURCHASING PROCESS AND CRITERIA FOR DIVERSE SUPPLIERS

Prepare your internal purchasing decision makers to engage diverse suppliers by understanding the “must have” and “nice to have” items in each contract. Clearly define the scope of contracts and expectations of suppliers in advance to prepare diverse suppliers for what is required to successfully respond to a bid. Engage the primary purchasing decision-makers and outline upcoming bid opportunities. Leverage Table 1 as a template to explore upcoming bid opportunities and to understand what information can be transparently shared with suppliers. It’s also important to provide an onboarding process for diverse suppliers to engage with your organization. Create a “front door” for potential suppliers to engage with your organization’s supply chain department (for example, a supplier diversity landing page on your organization’s website) including a transparent bid process, bid calendar, and supplier diversity goals.

## DEVELOP A PROCESS FOR DIVERSE SUPPLIER RELATIONSHIP MANAGEMENT

Cultivating a strong diverse spending program requires more staff time, especially at the onset when health systems will need to create new supplier relationships. A best practice is to create a full-time role situated within the supply chain department. Often, supply chain leaders and buyers have limited capacity for additional projects and diverse suppliers need a primary point of contact for engagement. Key activities a supplier diversity professional can be found here. + Commit to flexibility within the supply chain purchasing process while engaging diverse suppliers. Below are several examples of equitable engagement:

- Commit to open and transparent communication throughout the bid process. This could include providing open office hours, question and answer sessions, or 1:1 support to review the bid process with a supplier.
- Clearly communicate to diverse businesses if there is any flexibility in contracting requirements once a business has been awarded the bid, such as reduced payment terms and/or reduced terms for a master service agreement.
- Cultivate a long-term growth strategy with key diverse suppliers to increase your organizational spending with the vendor over time. Achieving this requires a deeper understanding of the supplier’s short-term capacity, the organizational commitment to shifting volume of purchases towards a diverse supplier over time, and potentially additional financial investment from the diverse supplier to achieve the scale required.

Develop a vendor portal for prospective suppliers to provide information about their service or product offering.


Engagement and inclusion of diverse suppliers can occur in a multitude of ways. Table 3 Identify your external partners + is a template of types of external partners to engage for support. Leverage external partners such as certifying agencies or Group Purchasing Organizations, host networking events and member presentations, and share lists of existing diverse suppliers. Engage partners such as your Group Purchasing Organization or Healthcare Anchor Network, often host networking events, member presentations, and share lists of existing diverse suppliers. Supply chain peers, including providers and industry partners, may have recommendations for diverse suppliers currently in the market. Explore any large purchasing organizations in your network such as universities or manufacturers who may be able to create connections with diverse suppliers.

## Critical strategies for Engagement and Inclusion of Diverse Suppliers

Once connected with diverse suppliers, intentional engagement requires a deeper understanding of their experiences with your organization’s purchasing department. Either by yourself or working through a community partner (for example, a local chamber of commerce), conduct focus groups or interviews with diverse vendors to assess how they perceive working with your institution:

- What do diverse businesses like and dislike? What do diverse businesses think your organization does well? What could be improved?
- What are the barriers to doing business with your organization?
- Are diverse businesses equipped to provide invoices that are compatible with your internal invoicing system?
- Are diverse businesses paid in a timely enough manner?
- Are diverse businesses satisfied with the existing technical assistance support in your community? If not, where do they believe further investment is necessary?
- Are diverse businesses aware of upcoming contracting opportunities?
- Is your current system for submitting bids easy to navigate?
- Are smaller diverse businesses aware of any tier two or subcontracting goals?
- Do diverse businesses know who to engage at the institution around contracting opportunities?
- What are the other gaps?

### LEVERAGE UPCOMING CONSTRUCTION AND CAPITAL EXPANSION PROJECTS

Capital expansion projects offer the opportunity to set clear supplier diversity goals and create more transparent bid opportunities for diverse suppliers. Often capital projects have a designated budget, timeline and purchasing requirements. If a general contractor is hired to oversee a construction project, an institution can create clear supplier diversity goals with them and partner in cultivating additional support of diverse supplier goals. If tier one diverse suppliers are not available, work with your general contractor to create a plan for inclusion of diverse suppliers as subcontractors. Examples to include in your inclusion plan can be found here 

### ENGAGE IN THE DIVERSE ENTREPRENEURIAL COMMUNITY

Building trust and authentic relationships with community partners, business owners, and entrepreneurs is an important part of cultivating a network of diverse business connections. Several methods to engage with the entrepreneurial community include:

- Grow transparency and awareness to sourcing process and opportunities.
- Make connections and grow the network of diverse suppliers.
- Invest in your community through diverse entrepreneurial support organizations such as the local chamber of commerce. Ways to engage include:
  1. Understanding the role or entrepreneurial support organizations in diverse business growth.
  2. Attending, hosting and sponsoring events.
  3. Becoming members of diverse business organizations, such as local chapter of the National Minority Supplier Development Council.
  4. Donating to funds that support diverse entrepreneurs.

## Capacity strategies to strengthen the diverse business community

Capacity strategies are tools that increase the ability of the diverse business community to meet healthcare organization supply chain needs. The aim is to increase the capacity of existing businesses. A capacity-build-

ing approach helps address supply chain demands, meet specific product needs, and improve the efficiency and resiliency of the supply chain.

Capacity-building strategies are focused on the ability of diverse businesses to meet the healthcare supply chain purchasing requirements. Examples of capacity-building strategies include diverse supplier sub-contractor requirements, mentor-protégé programs, promoting business incubation, + and providing technical assistance. + At the core of capacity building strategies is a commitment to supporting diverse suppliers and cultivating relationships within the diverse business community.

Health systems can utilize the expertise and purchasing power of their network of larger industry partners to help grow the capacity of diverse businesses. This can take two forms:

1. Promote tier two supplier diversity spend by encouraging or requiring industry partners to subcontract with diverse businesses.
2. Increase the capacity of diverse suppliers through ecosystem support.

Methods to encourage industry partners to subcontract with diverse businesses are described below.

#### **REQUIRE MAJORITY-MINORITY CONTRACTS AND SUBCONTRACTING TO DIVERSE VENDORS.**

Requiring existing suppliers to subcontract with diverse businesses provides an entry point for diverse businesses who might not yet have the capacity to take on the full contract for a particular good, service, or capital project. Establish supplier diversity as a priority during the bid process and request a majority-minority contract plan from tier one suppliers in their bid response.

This strategy provides a means for increasing the capacity of the tier two suppliers in an environment that mitigates risks to the hospital and tier one supplier. The tier two suppliers do not take on too much too quickly, which helps to ensure they can complete contracts successfully and creates opportunity for growth.

#### **SCALE DIVERSE BUSINESSES BY FINDING THE RIGHT SUPPLY CHAIN PARTNERS**

A strategy to scale diverse procurement efforts is to partner with other purchasing organizations. Aggregating the demand of multiple organizations can help create sufficient volume for a diverse supplier to scale to competitive pricing. For a supplier to expand, or a business incubation project to get off the ground locally, multiple organizations must be lined up to work with the entity to help justify the required investment. Identifying areas of shared demand can help channel contracting opportunities to diverse suppliers, allowing these businesses to scale and diversify their customer base. An example of this approach can be found in the Cincinnati Health Collaborative, a group of hospitals based in Cincinnati, Ohio that focus on supplier diversity.

Increase the capacity of diverse suppliers through ecosystem support.

#### **FACILITATE MENTOR-PROTÉGÉ PROGRAMS**

Another strategy to leverage the expertise of existing suppliers is to facilitate a mentor-protégé program. More commonly employed in construction, mentor-protégé programs help build capacity across the supply chain, as protégés receive coaching around important business practices, such as putting together bids and organizing the back office.

Programs can take the form of informal mentorships, which encourage relationships between tier one and tier two vendors (as noted above), or formalized programs where the health system acts as a matchmaker and facilitator. Particularly in construction, subcontracting can be viewed as a form of mentorship, even if there is not a formal mentor-protégé program. For example, in Ohio, Cleveland Clinic and University Hospitals collaborated to create a mentor-protégé program called the DEI Supplier Accelerator Program, which, in addition to providing participants with business development coaching and direct access to supply chain leadership at the two institutions, also includes a \$10,000 cash prize upon completion.

## **PROMOTE DIVERSE BUSINESS INCUBATION AND EXPANSION.**

Business incubation encourages growth of new diverse businesses and provides an avenue for wealth creation. Through targeted business incubation within the diverse business ecosystem, an organization can support health equity, meet supplier diversity priorities, and encourage more diverse business and entrepreneurs. Often, public and philanthropic resources can be mobilized to support business incubation initiatives. Aside from financial resources, in-kind resources such as commercial space, technical information, or even just communication about future contracting opportunities can help considerably. Organizations can also provide grants or leverage their investment portfolios to provide resources for business incubators, or to provide start-up, working, and expansion capital to new, local, diverse businesses.

## **CONNECT DIVERSE SUPPLIERS TO TECHNICAL ASSISTANCE AND CAPACITY-BUILDING TRAINING**

Expanding diverse supplier access to technical assistance and training opportunities, by offering them directly or through partnerships, is another critical strategy for building diverse business capacity. Institutions have many assets they can leverage to help scale diverse businesses through technical assistance. Critical assets institutions have at their disposal that can be leveraged as technical assistance include subject matter experts with knowledge about healthcare contracting, marketing, risk assessment and legal support, and accounting expertise. Facilities can be offered up for supplier outreach events and training, or even as warehouse space. Staff time and expertise and information on the contracting process can also be shared as resources.

A successful supplier development program includes building the capacity and capabilities of diverse-owned businesses and entrepreneurs. Advanced partnerships with diverse suppliers focus on intentional collaboration and supporting supply chain community partners. Review the Request for Proposal (RFP) process within Chapter 8 for more details and sample language to support supplier diversity within your existing bid process.

# Chapter 7. Available Technology Solutions

## Executive Summary

A successful supplier diversity program requires an investment in tools and technologies to support the data enrichment, visualization, measurement, and identification of potential suppliers to work with. This chapter focuses on the types of common technologies in use, how to leverage them, and key considerations.

Types of technology include:

- Data enrichment platforms to evaluate diverse suppliers including third-party certified businesses.
- Supplier diversity portals and dashboards to provide a platform to onboard potential diverse suppliers, identify diverse suppliers for bid opportunities, and measure program success.
- Supplier onboarding and credentialing portals to provide a “front door” for diverse suppliers to provide information and store credentials.
- Diverse supplier databases used as a central location to store supplier credentials and identify existing diverse suppliers to include in bid opportunities.
- Solutions that enable data collection such as Tier 2 diversity data submission and reporting

Below are several tools that are often in used within supply chain including:

- Enterprise resource planning (ERP) is the technology to manage core business practices such as human resources, procurement, and accounting. Engage your ERP experts to inquire about ways to include supplier diversity measurements throughout the purchasing processes including, requests for information (RFI) and requests for proposal (RFP), supplier onboarding, and supplier databases.
- Enterprise intranets allow messaging for all staff and create an opportunity to engage employees. Leverage the intranet site to build an internal space for supplier diversity collaboration between peers, building program awareness and celebrating program successes to build momentum with your program.
- If available, leverage your organization’s supplier relationship management tools such as a customer relationship management (CRM) platform to track engagement with key stakeholders and suppliers.

Best practice supplier diversity programs invest in technology to build a comprehensive internal dashboard of the institution’s supplier diversity measures. A robust internal supplier diversity dashboard embeds supplier diversity measurement within the ERP system, enabling staff to track both tier one and tier two diverse vendors, and report diverse spend by department, ideally on a monthly cadence.

*Tools available to support a supplier diversity program*

## Introduction

Creating a more inclusive supply chain includes building transparency in the sourcing process through technology from end to end. Best-in-class supplier diversity programs leverage technology to identify sourcing partners and bid opportunities, measure progress toward supplier diversity goals, and create accountability.

Investing in tools and technologies provides great benefits to a supplier diversity program through data enrichment and identification of potential suppliers to work with. This chapter focuses on the variety of common technologies in use, how to leverage them, and key considerations.

## Types of Technology

A variety of tools and technologies exist to advance an organization's supplier diversity program. The table below is a template to leverage when comparing different technologies that support program development.

Name of Technology Platform	Technology Platform is a Third-Party Certified Diverse Suppliers (Y/N)	Technology Platform Ability to Perform Data Scrub (Y/N)	Number of Diverse Supplier Certifications Included	Technology Platform includes a Supplier Diversity Dashboard (Y/N)	Frequency of Platform Updates	Includes a Diverse Supplier Directory (Y/N)	Technology Platform Ability to Integrate into ERP (Y/N)
Example 1	Y	N	N/A	Y	Quarterly	Y	Y
Example 2	N	Y	100	N	AD Hoc	Y	Y
Example 3	N	N	N/A	Y	Quarterly	N	N

The key types of technologies one should consider as part of a supplier diversity program are outlined below.

### SUPPLIER RELATIONSHIP MANAGEMENT TECHNOLOGY +

If available, leverage your Customer Relationship Management (CRM) platform to identify and engage key internal stakeholders to support the growth of your supplier diversity program and monitor the supplier diversity goals of your customers, industry partners, and tier two suppliers.

### ENTERPRISE RESOURCE PLANNING (ERP) +

Embed supplier diversity indicators such as those found in Chapter 3 into the ERP platform. Integrating supplier diversity into the ERP will support data collection activities such as pulling spend reports and storing suppliers' third-party certifications within the platform. Inquire with the account manager of your ERP platform about additional processes available to support your institution's supplier diversity efforts. Integrating diversity data into the ERP system includes working with your ERP partner to create financial accounting measures that include diverse suppliers. Examples include housing third-party certifications, spending with diverse suppliers, tracking diversity status, and creating a storehouse of diverse business contacts.

## Data Enrichment Platforms

Data enrichment services are used to evaluate the certification status of existing suppliers such as third-party certification, certifying bodies, and recommendations for diverse suppliers to engage in various categories. Data enrichment services are externally sourced services. Inquire with your peers and supplier diversity organizations such as the Minority Supplier Diversity Council to identify data enrichment platforms to work with. Additional considerations and definitions to validate with suppliers conducting a data enrichment or internal spend dashboard can be found here. +

## Supplier Diversity Dashboards

A supplier diversity dashboard is a way to measure the current impact of an organization's program. Development of a supplier diversity dashboard can be done internally in partnership with your organization's analytics team, or through an external service. + When developing a dashboard, consider the frequency of



data updates, how your supplier's information is input into your ERP system, and the type of data and information you provide.

Examples of different ways to utilize your supplier diversity dashboard include:

- Measure and maintain your ongoing and historic spending with diverse suppliers by customized categories.
- Report current spending with diverse suppliers and progress towards goals.
- Benchmark your supplier diversity program against peer organizations.

An internal dashboard provides a transparent view of progress to key leadership within supply chain and accountable executives throughout the organization. MassDOT Supplier Diversity Dashboard is a great example of an internal supplier diversity dashboard with key measures and details including diverse business spend and a breakdown of diverse spend by various departments and categories.

## Supplier Diversity Onboarding & Credentialing Portals

This type of portal is a technology service aimed at creating an onboarding process for potential and current diverse suppliers for your organization. The benefits of a portal include providing one central location to onboard potential suppliers, storing supplier credentials, and identifying existing diverse suppliers to include in bid opportunities. Explore if your ERP platform includes any of these services such as an onboarding process for diverse suppliers interested in partnering with your organization.

## Enterprise Platform Intranets

Building program awareness and celebrating successes with employees is a great way to gain further engagement. Utilize your organization's intranet to share program goals, educate employees and purchasing decision-makers on why supplier diversity is important, and uplift employees and leaders who are champions of supplier diversity. The intranet is a great way to highlight, celebrate and feature new diverse businesses to build awareness within your organization.

When seeking out potential partners to support your technology needs, consider engaging your network of diverse supplier support organizations, supply chain colleagues, community partners and entrepreneurial support organizations to identify any existing diverse suppliers that may be able to meet your technology needs.

## Leverage Technology to Measure Your Program

Technology can be leveraged to create, manage and validate your supplier diversity goals. An example of a good use of a web platform can be found in the Appendix. + Types of measurements include Financial Spend, + Ecosystem Development, + Operational Deployment. +

# Chapter 8. Integrate Supplier Diversity into the Sourcing Process

## Executive Summary

A key strategy to realize diverse spending goals is to embed them within purchasing practices and policies from soliciting bids to evaluating contract performance. Including diversity goals in RFPs provides organizations with a formal framework for considering these factors. Moreover, it can help institutions leverage other supply chain actors—supply chain integrators, GPOs, distributors, dining contractors, and other large suppliers to meet diverse procurement goals. Building supplier diversity requirements into RFPs and contracts communicates that it's an important priority. +

Adding language around diverse procurement to RFPs and contracts allows the supply chain team to evaluate bids based on whether suppliers have met diverse supplier participation requirements. It also encourages suppliers to report on their performance strategy and promotes subcontracting with diverse-owned businesses.

If you're unsure where to begin in your journey of supplier diversity within the contracting process, this chapter is for you. The three steps to getting started with supplier diversity in the bid process include:

1. Setting the requirement for purchasing staff to include diverse supplier participation in the bidding process.
2. Adding supplier diversity language into RFPs and contracts.
3. Communicating supplier diversity priorities to key community partners, GPO, distributors, suppliers, and invite them to collaborate in achieving your organization's goals.

## Introduction

A key strategy to achieve diverse spending goals is to embed the goals into purchasing practices and policies, from soliciting diverse suppliers in bids to evaluating contract performance. Including diversity goals, commitments, and questions in RFPs provides organizations with a formal framework for considering supplier diversity as a factor in decision making. Identifying and embedding contracting language that includes organizational priorities for supplier diversity further amplifies the message that it's an important part of how supply chain conducts business.

## Three Key Steps to Success


If you're just beginning the journey of integrating supplier diversity within the contracting process, the top three priorities include:

### STEP ONE — REQUIRE INCLUSION OF DIVERSE SUPPLIERS IN THE BIDDING PROCESS

One initial step to ensure that diverse suppliers are included in the bid process is to make it a requirement. Inclusion as a priority and measurement of the effort over time ensures that all supply chain team members engage with the supplier diversity work group to meet this requirement.


### STEP TWO — ADD LANGUAGE AROUND DIVERSE PROCUREMENT TO RFPs AND CONTRACTS

By including language that indicates supplier diversity is a priority in the bid process, suppliers can include information aligned with the goal in their bid response. The purchasing decision makers can evaluate bids including reference to whether suppliers have met supplier diversity requirements.

When collaborating with non-diverse suppliers, set an expectation through the RFP that non-diverse suppliers may be required to report on their supplier diversity performance. Include goals in the RFP template for achieving tier two diversity goals  and a plan for implementing those goals. Require documentation in RFPs of the suppliers' plan for diversity purchasing. If awarded the bid, build the plan and reporting process into the contract. Add the organization's supplier diversity goals into the contract. Leverage the supplier results to evaluate how well a business delivers diverse vendor goals.

One method to measure the success of your supplier diversity program is through counting the inclusion rate of diverse suppliers in the RFP process and the number of contracts awarded to diverse suppliers. Follow up with diverse suppliers to let them know why they did not receive the bid, if interested in the feedback. Require purchasing staff to track and report on their efforts with diverse suppliers.

### **STEP THREE — COMMUNICATE SUPPLIER DIVERSITY GOALS AND PRIORITIES TO SUPPLY CHAIN PARTNERS AND COLLABORATE WITH THEM TO ALIGN STRATEGIES**

Writing diverse goals into RFP and contracting documents establishes that supplier diversity is a priority to your organization. Communicating supplier diversity goals to existing supply chain partners  acknowledges supplier diversity as an important business strategy to partner. Examples of methods to build awareness with supply chain partners can be found here.






Revisit Chapter 5 and 6 for more details on building partnerships with diverse businesses and supplier chain partners respectively.



### **EMBED SUPPLIER DIVERSITY INTO CONTRACTING DOCUMENTS**

Integration of diverse businesses into the sourcing process may require additional flexibility in business processes. Many diverse suppliers have not been afforded the opportunity to bid on contracts and aren't familiar with the process. Similarly, a small business may not have the legal resources or the bandwidth for lengthy master service agreement (MSA) language. In both circumstances, a commitment to being flexible and communicative while a diverse supplier is navigating the process will set them up for success.

Supply chain integrators, GPOs, distributors, dining service contractors, and other industry partners can help to meet diverse procurement goals, especially when embedded in contracts and discussed during business reviews. This visual outlines tactics to integrate supplier diversity throughout the contracting process.

 Examples of strategies to achieve supplier diversity goals in the contracting process include:

- Unbundle contracts and carve out opportunities for new diverse vendors. 
- Leverage long-term contracts with distributors, aggregators, and construction general contractors to achieve procurement goals. 
- Leverage upcoming capital projects, large projects, and contract opportunities. 
- Engage the expertise and purchasing power of existing industry partners. 
- Explore majority-minority contracts and subcontracting to diverse suppliers. Additional considerations for industry partners can be found here. 

Learn more about additional benefits of a majority-minority partnerships for diverse businesses here.  For industry partners, when provider hospitals communicate supplier diversity as a priority, answer that call with concrete strategies to sub-contract with diverse businesses. Learn more about additional considerations for industry partners here. 


### **REINFORCE SUPPLIER DIVERSITY THROUGH THE BID PROCESS**


The following categories are key to evaluating how well your procurement practices integrate supplier diversity into the bid process: diverse supplier development, net payment terms and invoicing system, and

procurement targets. To determine key areas of focus when creating specific policies and practices for your organization leverage Questionnaire 1. Internal evaluation of your procurement policies and practices (Link to Table). Key barriers to diverse suppliers can be found throughout the bid process. Below are examples of what to explore within your own organization.

The bid process provides an opportunity to evaluate the purchasing practices of your institution by asking pointed questions on how supply chain measures and award business and any flexibility in contracting terms.

- Explore if diverse supplier development includes the organization's current efforts to engage with diverse suppliers.
- Confirm if net payment terms and invoicing systems provide more clarity on the payment process, timetable, and types of payment opportunities available.
- Evaluate if procurement targets include supplier diversity goals established by the department and the method of accountability and reporting.
- Identify the employees working within the community and any organizational incentives aligned with achieving supplier diversity goals.
- Determine which third-party certifications are prioritized and accepted. This offers more clarity for diverse suppliers to identify and prioritize certifications if, for example, they qualify for multiple such as MBE and WBE.

Understanding your organization's current bid participation can help identify where to focus supplier diversity program goals. *Utilize Table 1. Evaluate your Bid Process*  to gain a deeper understanding. For example, are diverse vendors already bidding on contracts? Are diverse vendors submitting bids, but aren't being awarded a contract? If there is a high bid participation in the bidding process and a low number of contracts awarded to diverse businesses, it's worth further exploration.

Understanding current and future contracting opportunities will provide a bid calendar to leverage when identifying potential diverse suppliers to engage. *Table 2. Evaluate upcoming contracting opportunities*  provides a template to document upcoming contracting needs. Key contract attributes to capture include contract end dates, bid timeline, and noting what contracts will be expiring soon and when to start planning for the next contract. The goal of capturing this information is to either:


- 1) Identify opportunities for new diverse supplier in that space or,
- 2) Work with an existing supplier on subcontracting with diverse businesses

Adding supplier diversity questions into the RFP process supports the supply chain team in evaluating bids based on their supplier diversity programs. Suppliers self-report on their performance, making the process viable to implement consistently throughout your organization. Leveraging RFP questions is one aspect of evaluating how well a business aligns with your diverse vendor goals. This evaluation is considered when businesses apply for future contracts. Supporting resources in this chapter include a questionnaire for suppliers and a Likert scale of answers which aligns with the weighted scorecard. Questionnaire 4. RFP Questionnaire for Suppliers Utilize this template within your bid process to create consistent questions of all suppliers. Leverage responses to measure alignment with organizational supplier diversity goals.

#### *Criteria to evaluate suppliers' efforts towards supplier diversity*

To evaluate supplier diversity performance and efforts, it's important to have a clear scoring process. Creating consistent RFP criteria with clear alignment towards organizational supplier diversity goals creates a strong message. This questionnaire demonstrates to the potential suppliers that supplier diversity is a priority and outlines key measures required to be successful at implementation. See Table 1. Supplier RFP Response Scoring Criteria and Questionnaire Four. RFP Questionnaire.

# Decision Making Tools to Support RFP Criteria and Scoring

Including supplier diversity in your decision-making process through consistent evaluation of suppliers during the contracting process is best practice. A weighted scorecard can be leveraged by purchasing decision makers to categorize suppliers' efforts and compare supplier diversity programs. While a template is provided , it's encouraged to review with your supplier diversity workgroup to determine what areas are of the largest priority to your organization's supplier diversity goals. For example, if you're prioritizing diverse supplier development, you might add more points to those questions.


The recommended process below allows the purchasing or supplier diversity professional to evaluate various supplier programs and supplier diversity initiatives.

1. To begin, during the bid process, request all vendors complete Questionnaire 4. RFP Questionnaire for Suppliers.
2. Use supplier responses and compare each to Table 1. Supplier RFP Response Scoring Criteria to determine their vendor score.
3. Add up responses for each question in the RFP response as shown in Table 2. Supplier Diversity RFP Response Scoring Criteria and Examples
4. Input the Supplier Diversity score into the Weighted Scorecard as outlined in "Example of a weighted Scorecard."

The weighted scorecard criteria are outlined in Table 2. Weighted Scoring Criteria. Table 2 is a tool to evaluate the supplier diversity program of vendors by purchasing decision-makers. Below is an example of a weighted scorecard, including evaluation categories and highlighted Supplier Diversity.

Evaluation Category	Weight	Score Supplier A	Supplier A Weight	Score Supplier B	Supplier B Weight
Safety and Quality	5	20	100	15	75
Cost	4	22	88	20	80
Service	3	9	27	9	27
Supplier Diversity	2	12.5	25	11	22
Innovation	1	1	1	2	2
Total		64.5	241	59.6	206

## Example of weighted scorecard

Creating standard language to evaluate the performance of an industry partner's supplier diversity program provides a consistent method to implement your program. Included within this section are tools to support the RFP process, evaluation of bid process and scoring criteria. 

A successful supplier diversity program includes engagement throughout the purchasing process, collaboration within the diverse business ecosystem, and clear goals for supplier diversity as a priority. The three

primary methods to integrate supplier diversity into the contracting process include.

- Require participation of diverse firms in the bidding process.
- Add language around supplier diversity procurement practices into RFPs and contracts.
- Communicate priorities to supply chain integrators to communicate supplier diversity as a priority and collaborate.



## SMI Supplier Diversity Playbook Closing Remarks

The Supplier Diversity Playbook was written through a collaborative effort between SMI and Healthcare Anchor Network (HAN) using HAN's research and learnings over the past decade. HAN catalyzes its more than 75 health system members (representing nearly 40% of nonprofit healthcare organizations) to apply a holistic social impact lens to their business practices, including supply chain. In doing so, health systems can more intentionally address economic and racial inequities that create barriers to improved health and well-being outcomes in the communities they serve.

At HAN, supplier diversity is one facet of the “impact purchasing” lens, a strategy that aims to leverage institutional purchasing power to create positive social and economic impacts in local communities. The impact purchasing strategy calls for us to prioritize not only diverse spending, but also spending that is sustainable, local, and high-impact (e.g., spending with employee-owned businesses) to stabilize local economies and build community wealth. By expanding our focus to include these other lenses of spend, we can leverage even more of our existing resources to maximize local economic multipliers and drive inclusive, economic growth.

The impact purchasing strategy is part of a broader “anchor mission,” a commitment by large, place-based institutions to intentionally apply their long-term, place-based economic power, and human capital in partnership with the community to mutually benefit the long-term well-being of both. Through this playbook, SMI and HAN aimed to share our knowledge with a broader audience, align around shared definitions in the supplier diversity space, and create practices and standards around supplier diversity to accelerate the industry.

The playbook is a great way to build momentum within your supplier diversity program, and we invite those who are interested in broadening their impact purchasing efforts to join us in going deeper. The Healthcare Anchor Network (HAN) is an organization that can support your institution to expand your approach, collaborate with peers, and gain access to additional resources. Examples of the types of resources available to HAN members include:

- Collaboration with other health systems and industry partners to achieve collective impact.
- Monthly calls, educational presentations, shared definitions and goals, resources, and 1:1 consulting support.
- Educational opportunities, including speakers, newsletters, and case studies.

A current example underway of leading practices of health systems in impact purchasing is through the “Impact Purchasing Commitment” (IPC). In partnership with Health Care Without Harm and Practice Greenhealth, HAN created a commitment for leading members to shift purchasing focused on supplier diversity, environmental sustainability, and community wealth building. One key component of the IPC is a pledge by the dozen participating health systems to collectively increase their spending with minority and women-owned businesses by \$1 billion by 2025.

With millions of community members experiencing avoidable negative health impacts, HAN exists to scale up anchor mission strategies like impact purchasing to help build communities where all can be healthy and thrive. Join us as we work to reach a critical mass of health systems adopting as an institutional priority the improvement of community health and well-being by leveraging all their assets for equitable, local economic impact.

We appreciate our partnership with SMI and are excited about the reach that this playbook can have in driving increased supplier diversity in the healthcare supply chain.

Visit Healthcare Anchor Network to learn more and join the more than 75 health systems building more inclusive and sustainable local economies.

David Zuckerman and Claire Brawdy

# Appendix

Definitions and exerts within the Supplier Diversity Playbook and outlined below are provided from:

- The Healthcare Anchor Network member “Fiscal Year 2023 Data Companion” guide.
- “Inclusive, Local Sourcing, Purchasing for People and Planet.” Part of the Hospitals Aligned for Healthy Communities toolkit series Fall 2016 | David Zuckerman and Katie Parker | The Democracy Collaborative
- Disclaimer: SMI is not endorsing resources and is only providing them as references.

## Chapter 1. Setting the Stage, Building a Successful Supplier Diversity Program Sources Referenced

- 1.NHE Fact Sheet CMS (<https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet>)
2. AHA 2023 Cost of Caring (<https://www.aha.org/guidesreports/2024-05-01-2023-costs-caring#:~:text=These%20unfortunate%20realities%20have%20resulted,care%20data%20and%20consulting%20firm>)
- 3.Can Hospitals Heal America’s Communities? “All in for Mission” is the Emerging Model for Impact (Takoma Park, MD: The Democracy Collaborative, 2015)
4. ASPE HHS (<https://aspe.hhs.gov/sites/default/files/documents/e2b650cd64cf84aae8ff0fae7474af82/SDOH-Evidence-Review.pdf>)
5. Boston Medical Center Sustainability Bond( ESG) (<https://www.bmc.org/news/boston-medical-center-is-sues-first-sustainability-bonds-us-not-profit-health-care-organization>)
6. World Health Organization Healthy Equity ([https://www.who.int/health-topics/health-equity#tab=tab\\_1](https://www.who.int/health-topics/health-equity#tab=tab_1))
7. CDC Racism and Health (<https://www.cdc.gov/minority-health/racism-health/index.html#:~:text=In%20April%20of%202021%2C%20CDC,cause%20of%20many%20health%20disparities>)
8. CDC Core Commitment to Health Equity (<https://www.cdc.gov/health-equity/core/index.html>)
9. Community Health Needs Assesement, IRS (<https://www.irs.gov/charities-non-profits/community-health-needs-assessment-for-charitable-hospital-organizations-section-501r3>)
10. Gartner Top 25 Global Supply Chain (<https://www.gartner.com/en/newsroom/press-releases/2023-05-24-gartner-announces-rankings-of-the-2023-global-supply-chain-top-25>)
11. US News Health Equity Measures (<https://health.usnews.com/media/best-hospitals/Best-Hospitals-Health-Equity-2022-23>)
12. Gartner Six Strategies to a Resilient Supply Chain: Gartner’s Healthcare Supply Chain Top 25 (<https://www.gartner.com/en/newsroom/press-releases/2022-11-09-gartner-announces-ranking-of-the-gartner-healthcare-supply-chain-top-25-for-2022>)
13. Michigan Minority Supplier Development Council 333 Years to Parity (<https://minoritysupplier.org/333-year-to-parity/>)
14. 5 Steps in Change Management, Harvard Business Review Change Management (<https://online.hbs.edu/blog/post/change-management-process>)

## DEFINITIONS

**Environmental Social Governance (ESG)** Environmental, social, and governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

### ENVIRONMENTAL

- Reducing greenhouse gas emissions
- Conserving natural resources
- Minimizing waste
- Energy and water reduction
- Social (Consideration of people & relationships)
- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards
- Social responsibility broadly speaking

### GOVERNANCE

- Standards of accountability and transparency in business operations
- Board composition and diversity
- Audit committee structure
- Bribery and corruption
- Executive compensation

*Definitions below are from The Healthcare Anchor Network member “Fiscal Year 2023 Data Companion” guide unless otherwise indicated.*

**Supplier Diversity** refers to an organization’s supplier base and the degree to which those businesses are owned by diverse suppliers. The industry standard for a supplier to be recognized as diverse is that it be at least 51% owned, managed, and operated by minorities, women, veterans, or other designated groups that have historically been underrepresented in industry supply chains.

### Supplier Diversity Certifications Defined

- *Minority-Owned Business Enterprise (MBE)* is a designation for businesses that are at least 51 percent owned, operated and controlled by one or more people who are African-American, Hispanic, Asian American or Native American. MBE can be certified by local, state or federal agencies. National certification is also offered through the National Minority Supplier Development Council (NMSDC).

- *Women-Owned Business Enterprise (WBE)* is a national certification for women-owned businesses. The Women's Business Enterprise National Council (WBENC) oversees the certification that is widely accepted by corporate and nonprofit organizations as well as local, state and federal agencies.
- *Veteran-Owned Business Enterprise (VBE)* are at least 51 percent of the business must be directly and unconditionally owned by one or more veteran(s) or service-disabled veteran(s). The veteran owner(s) must have full control over the day-to-day management, decision-making, and strategic policy of the business.
- *Small Business Enterprise (SBE)* indicates whether a business concern is eligible for assistance from the SBA. Indicates whether the business is small, usually certified by a federal, state, or local government agency or organization as having met all of the government standards that award eligibility.
- *Disadvantaged Business Enterprise (DBE)* certified businesses meet government standard eligibility as women, minorities, disabled, and other disadvantaged businesses as a result of economic disadvantages concerning education, employment, residence or business location or social disadvantage and lack of business training. The business must be at least 51 percent owned by one or more people who are socially and economically disadvantaged. Certification requirements are met through a federal, state or local government agencies.
- *LGBT Business Enterprise (LGBTBE)* indicates whether a business is at least 51 percent owned, operated, managed, and controlled by LGBT person(s) who are either U.S. citizens or lawful permanent residents. Exercises independence from any non-LGBT business enterprise.
- *Historically Under-Utilized Business Zones (HUBZone)* is a federal designation for a small business at least 51 percent owned and controlled by U.S. citizens, or a Community Development Corporation, an agricultural cooperative, or an Indian tribe (including Alaska Native Corporations). The firm's principal office (the location where the greatest number of employees perform their work, excluding contract sites) must be in a HUBZone. 35 percent of the firm's total workforce must reside in a HUBZone.

**Social Determinants of Health:** The World Health Organization defines the social determinants of health as "the conditions in which people are born, grow, work, live, and age." They represent the wider set of forces and systems shaping the conditions of daily life that drive health outcomes, such as inequality, social mobility, community stability, and the quality of civic life. Sometimes referred to as "upstream" determinants, research indicates that up to 50 percent of the factors that contribute to health are social and economic.

**Health equity** refers to the notion that all people should be able to achieve their highest level of health, regardless of their race, gender, class, sexual orientation, or other identities. Achieving health equity requires addressing the systemic factors shaping the social determinants of health.

**Industry Partner:** SMI to provide

**Healthcare Provider:** SMI to provide

**Supplier diversity** refers to an institution's vendor base, and the degree to which the businesses institutions procure from are owned by diverse suppliers. It has developed as an industry term to refer to working with businesses that are at least 51% owned, managed, and operated by businesses owned by minorities, women, veterans, or other designated groups that have historically been underrepresented in industry supply chains. Many institutions require third-party certification for participation in their supplier diversity programs.

**Health** The World Health Organization's definition of health: is "a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity." Health equity refers to the notion that all

people should be able to achieve their highest level of health, regardless of their race, gender, class, sexual orientation, or other identities. Achieving health equity requires addressing the systemic factors shaping the social determinants of health.<sup>13</sup>

**Community Health Needs Assessment (CHNA)** is a research process non-profit hospitals must implement as part of their community-benefit reporting. Instituted by the Affordable Care Act of 2010, CHNAs must be completed by hospitals and health systems every three years and identify the most pressing community health concerns.

**Anchor Institutions** are nonprofit or public institutions that are firmly rooted in their locales, including hospitals, universities, local governments, and utilities. These institutions often have a social or charitable purpose, and unlike for-profit corporations that can relocate, are place-based and tend to stay put. As such, they have a vested self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable.<sup>1</sup> **Anchor Mission** A commitment to consciously apply the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which the institution is anchored.<sup>2</sup>

**Executive Leaders** are the senior leaders of the organization responsible and accountable for budgeting, people management, and operating practices.

**Group Purchasing Organization (GPO)** A Group Purchasing Organization (GPO) is an entity that aggregates purchasing volume with the objective of achieving cost savings for its members by negotiating deals with vendors, distributors, and manufacturers.<sup>†</sup> Participating institutions engage in a contract with a GPO by becoming members, and agreeing to direct a certain percentage of their spending through the organization rather than engaging in contracts directly. According to the Healthcare Supply Chain Association, more than 70% of purchases that U.S. hospitals make are done through GPO contracts. A GPO is one type of Supply Chain Integrator.

**Tier Two Spend** is the dollar amount of operating expenses and capital non-construction related expenses that was spent during the fiscal year with vendors that are suppliers to your health system's direct vendors (may or may not be subcontractors).

**Inclusion Resource Groups (IRG)** or Employee Resource Groups are voluntary committees typically led by Diversity, Equity and Inclusion focused on a shared background or interest and aim to foster inclusion, cultivate diversity and create resources and support for diverse employees.

## Chapter 2. Getting Started with Supplier Diversity Self-Assessment and Goal Setting

**Supplier Diversity Maturity Model** (picture- see excel file for full maturity model)

**Supply Chain Integrators or Entrepreneurial Support Organization** For the purposes of this toolkit, the terms Supply Chain Integrators or Entrepreneurial Support Organization refers to organizations that strengthen the capacity of small, local, diverse, and/or employee-owned businesses to serve institutional purchasers. In this context, these organizations include technical assistance providers, business incubators, organizations that help connect businesses to capital, and supplier development councils.

**Addressable Spend** (as defined by the Healthcare Anchor Network): Total Spend minus the expense categories listed below. Construction expenses should be separated out and not be included in this count, as outlined in the category list below:

- Construction Spend
- Construction-related capital expenses

- Compensation
  - Salaries and wages (including overtime and bonuses)
  - Resident and board member compensation
  - Fringe benefits
  - Medical director fees
- Government Transfer Payments
  - All other taxes
  - Hospital and tax assessment
- Financial Accounting Concepts
  - Bad debt
  - Depreciation and amortization
  - Interest payments
- Purchasing Categories
  - Claims costs
  - Utilities
  - Sponsorships
  - Prime pharmaceutical distributor
  - Retail pharmacy
  - Spend with non-profits (including hospitals)
  - Blood, OPO (Organ procurement organization)
- Optional Exclusions:
  - Independent physician groups
  - Building leases
  - Business employee expenses (e.g. miles, meals, and expenses)

**Total Spend (as defined by HAN) is the summed dollar amount of all operating, capital and construction expenses incurred during the fiscal year with direct suppliers to your health system, minus the expense categories listed below:**

- Compensation
  - Salaries and wages (including overtime and bonuses)
  - Resident and board member compensation
  - Fringe benefits
  - Medical director fees

- Government Transfer Payments
  - All other taxes
  - Hospital and tax assessment
- Financial Accounting Concepts
  - Bad debt
  - Depreciation and amortization
  - Interest payments

## IMPACT PURCHASING SCORECARD- SUPPLIER DIVERSITY



EXAMPLE OF HOW YOU COULD TRACK YOUR DATA AT AN ORGANIZATIONAL LEVEL INCLUDING Tier 1 and Tier 2 diverse supplier spend.

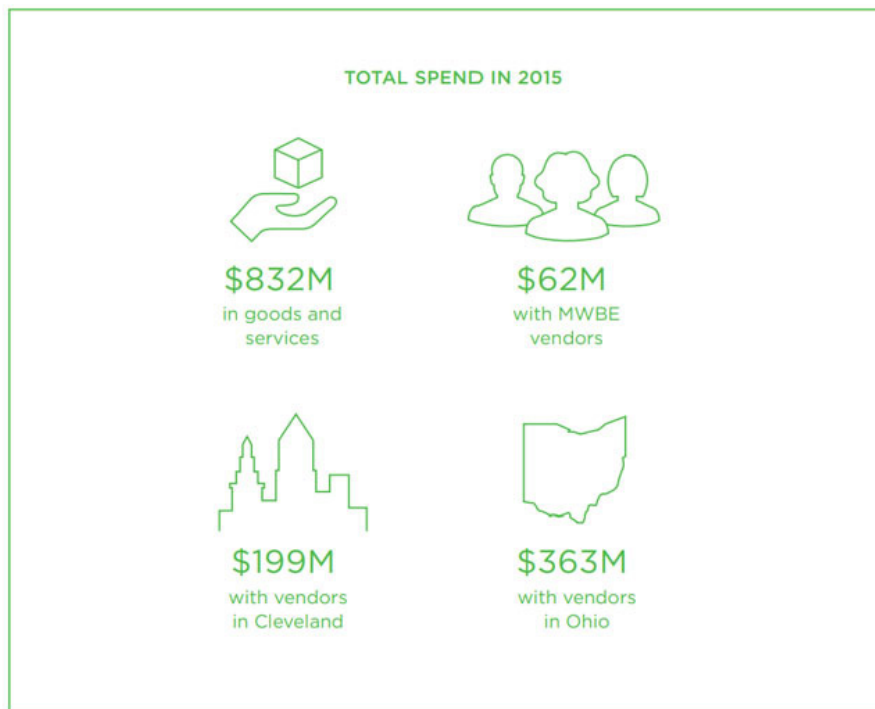
Metric Title	Example 1	Example 2
Tier 1 Total Diverse Procurement Spend		\$1,000
Tier 1 Minority-Owned Procurement Spend		\$1,000
Tier 1 Women-Owned Procurement Spend		
Tier 1 Employee-Owned Procurement Spend		
Tier 2 Total Diverse Procurement Spend	\$100	
Tier 2 Minority-Owned Procurement Spend	\$100	
Tier 2 Women-Owned Procurement Spend		
Tier 2 Employee-Owned Procurement Spend		



BELOW IS AN EXAMPLE OF THE MARKETING SUCCESS OF YOUR PROGRAM:



#### IMPACT



## Chapter 3. Measure What Matters, Supplier Diversity Definitions and Metrics

### DEFINITIONS

**Addressable Spend** (as defined by the Healthcare Anchor Network): Total Spend minus the expense categories listed below. Construction expenses should be separated out and not be included in this count, as outlined in the category list below:

- Construction Spend
- Construction-related capital expenses
- Compensation
- Salaries and wages (including overtime and bonuses)
- Resident and board member compensation
- Fringe benefits
- Medical director fees
- Government Transfer Payments
- All other taxes

- Hospital and tax assessment
- Financial Accounting Concepts
- Bad debt
- Depreciation and amortization
- Interest payments
- Purchasing Categories
- Claims costs
- Utilities
- Sponsorships
- Prime pharmaceutical distributor
- Retail pharmacy
- Spend with non-profits (including hospitals)
- Blood, OPO (Organ procurement organization)

#### Optional Exclusions :

- Independent physician groups
- Building leases
- Business employee expenses (e.g. miles, meals, and expenses)

#### Supplier Diversity Definitions to know:

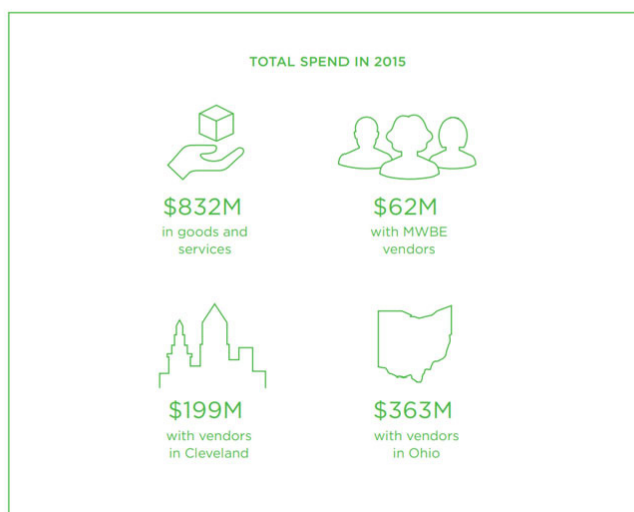
- Tier One Suppliers Tier-one (or prime) suppliers refer to vendors that institutions directly contract with when procuring a good or service.
- Tier One Spend is the summed dollar amount of all operating, capital, AND construction expenses incurred during the fiscal year with direct vendors to your health system,
- Tier Two Suppliers refer to vendors that tier one supplier's subcontract with in order to fulfill the contract. Subtracting requirements can encourage tier one vendors to work with and mentor local and diverse suppliers.
- Tier Two Spend is the dollar amount of operating expenses and capital non-construction related expenses that was spent during the fiscal year with vendors that are suppliers to your health system's direct vendors (may or may not be subcontractors).
- Supplier Diversity refers to an institution's strategy to include diverse suppliers into its supply chain and procure from diverse suppliers. More specifically, Supplier diversity refers to an institution's vendor base, and the degree to which the businesses institutions procure from are owned by diverse suppliers. It has developed as an industry term to refer to working with businesses that are at least 51% owned, managed, and operated by businesses owned by minorities, women, veterans, or other designated groups that have historically been underrepresented in industry supply chains. In short, Supplier Diversity refers to an institution's strategy to include diverse suppliers in its supply chain.

- **Diverse Supplier Certifying Organizations** validate the status of diverse-owned businesses, provide support in their growth and development and connect businesses with one another for potential contracting opportunities. Many of these organizations have regional affiliates that can be found on their websites.
- **Group Purchasing Organization (GPO)** A Group Purchasing Organization (GPO) is an entity that aggregates purchasing volume with the objective of achieving cost savings for its members by negotiating deals with vendors, distributors, and manufacturers. Participating institutions engage in a contract with a GPO by becoming members, and agreeing to direct a certain percentage of their spending through the organization rather than engaging in contracts directly. According to the Healthcare Supply Chain Association, more than 70% of purchases that U.S. hospitals make are done through GPO contracts. A GPO is one type of Supply Chain Integrator (see definition below).
- **Supply Chain Integrators or Entrepreneurial Support Organization** For the purposes of this toolkit, the terms Supply Chain Integrators or Entrepreneurial Support Organization refers to organizations that strengthen the capacity of small, local, diverse, and/or employee-owned businesses to serve institutional purchasers. In this context, these organizations include technical assistance providers, business incubators, organizations that help connect businesses to capital, and supplier development councils.
- **Equity and Underserved Communities Health & Health Equity** More than just the absence of illness, these toolkits utilize the World Health Organization's definition of health, "a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity." Health equity refers to the notion that all people should be able to achieve their highest level of health, regardless of their race, gender, class, sexual orientation, or other identities. Achieving health equity requires addressing the systemic factors shaping the social determinants of health.
- **Third-Party Verification** is a third-party process of a diverse supplier to verify the efficacy of the business ownership and is conducted by approved organizations.
- **Small Business status** is determined by their business size in comparison to their corresponding NAICS code listed in the business's SAM profile.
- **Split Business/Set Aside Contracts** according to the SBA:" To help provide a level playing field for small businesses, the government limits competition for certain contracts to small businesses. Those contracts are called "small business set-asides," and they help small businesses compete for and win federal contracts."
- **Mentor-Protégé Program** A mentor-protégé program connects large vendors with smaller local and diverse vendors in order to provide training and capacity-building opportunities. More commonly employed in construction, mentor protégé programs help build capacity across the supply chain, as protégés receive coaching around important business practices, such as putting together bids and organizing the back office. Programs can take the form of informal mentorships, which encourage relationships between tier-one and tier-two suppliers (see below), or formalized programs where the health system acts as a matchmaker and facilitator.
- **Procurement, Purchasing and Sourcing** Purchasing and sourcing refer to different stages of the procurement process, or the way in which institutions procure items. Although each of these terms has its own specific parameters and functions, in this toolkit we use them interchangeably to refer to activities that are part of the supply chain, or the entire process of procuring items from identifying needed goods and services to distributing them within the hospital.

EXAMPLE 1. BELOW F HOW YOU COULD TRACK YOUR DATA AT AN ORGANIZATIONAL LEVEL INCLUDING TIER 1 AND TIER 2 DIVERSE SUPPLIER SPENDS.

Metric Title	Example 1	Example 2
Tier 1 Total Diverse Procurement Spend		\$1,000
Tier 1 Minority-Owned Procurement Spend		\$1,000
Tier 1 Women-Owned Procurement Spend		
Tier 1 Employee-Owned Procurement Spend		
Tier 2 Total Diverse Procurement Spend	\$100	
Tier 2 Minority-Owned Procurement Spend	\$100	
Tier 2 Women-Owned Procurement Spend		
Tier 2 Employee-Owned Procurement Spend		

EXAMPLE 2. BELOW IS AN EXAMPLE OF THE MARKETING SUCCESS OF YOUR PROGRAM5:



EXAMPLE 3. SUPPLIER DIVERSITY DASHBOARD EXAMPLE FROM FEDERAL GOVERNMENT SMALL BUSINESS CONTRACTING GOALS.

#### Small business contracting goals

The government works to make sure small businesses get at least 23% of all federal contracting dollars.

Additionally, the government tries to award a certain percentage of all federal prime contracting dollars to small businesses that meet certain socio-economic conditions.

Small business category	Contracting dollar award goal
Women-owned small business	5%
Small disadvantaged business	12%
Service-disabled veteran-owned small business	3%
Small business in a HUBZone	3%

Example- Federal Government Dashboard: <https://d2d.gsa.gov/report/supplier-base-dashboard>

# Chapter Four. Internal Engagement for Growing Supplier Diversity

## Sources Referenced

**Pew Research** “Diversity, Equity and Inclusion in the Workplace” 2023.

<https://www.pewresearch.org/social-trends/2023/05/17/diversity-equity-and-inclusion-in-the-workplace/>

Kaiser Permanente’s “Impact Spending website” <https://supplier.kp.org/impactspending/what-we-do/supplier-diversity/>

Target 2022 Sustainability Report <https://corporate.target.com/sustainability-governance/governance-and-reporting/reporting-progress/archive>

## Chapter 5 Developing Strategic Partnerships

**Table 1.** Current Partner Engagement Mapping, identify existing external partners your organization is partnered with.

<b>Table 1. Current Partner Engagement Mapping</b> Identify existing external partners your organization is partnered with.	
<b>Build Community Asset Map</b>	<b>Identified Businesses and Community Organizations</b>
Identify current businesses from diverse communities that are already present in your area or network.	
What organizations do local and diverse businesses interact with to help them build capacity or receive technical assistance.	
Meet with key stakeholders from your identified partners to see what services they already offer in these areas, and what gaps still exist.	
Other anchor institutions—hospitals, universities, community colleges, public school systems, city and county governments—with similar supply chain needs	

**Table 2.** Identify your external partners, cultivate a list of potential external partners and who the internal contact is within your organization.

<b>Table 2. Identify your external partners</b> Cultivate a list of potential external partners and who the internal contact is within your organization.	
<b>External Partner</b>	<b>Internal Contact</b>
Local minority chambers of commerce, women-owned business entities, or other diverse supplier networks	
National Minority Supplier Diversity Council and local/regional affiliates	
Mayor's Office of Economic Development, or similar city or county agency or department	
Local business support organizations, such as small business development centers, loan funds, technical assistance providers, etc.	
Cooperative incubators or support organizations focused on worker-, employee- and cooperatively owned businesses	
Credit unions and area financial institutions with Community Reinvestment Act requirements	
Local community foundations or other locally based foundations	
Community-based organizations focused on employment and job readiness	
Food hubs, farmers' cooperatives, or other entities focused on local food distribution infrastructure	
Other anchor institution partners (e.g. health systems, universities, community colleges, public schools, city and county governments)	
Supply chain integrators ( These include medical supply distributors, distribution centers, group purchasing organizations, and other such entities.	
Group Purchasing Organization (GPO)	

## Chapter 6. Diverse Supplier Development and Capacity Building

**Table 3.** Template of criteria needed to identify potential opportunities for inclusion of diverse suppliers in upcoming contracts.

<b>Table 3.</b> Template of criteria needed to identify potential opportunities for inclusion of diverse suppliers in upcoming contracts.		
<b>Contract Description</b>	<b>Contract Details</b>	<b>Comments/Notes</b>
Name of Upcoming Contract		
Primary Stakeholder		
Sourcing/Buyer		
"Must Have" Criteria		
"Nice to Have" Criteria		
Organizational Goal Alignment		
Payment Terms & Flexibility		
Additional Logistics (warehouse, delivery timeframe, bar coding...etc.)		
Process and Timeline of RFP		
Onboarding process for potential suppliers		
Mandatory data to report (diversity of ownership, third-party certification,		

## Chapter 7. Available Technology Solutions

**Table 1.** Table of questions to ask technology suppliers

Name of Technology Platform	Technology Platform is Diverse Ownership (Y/N)	Technology Platform is a Third-Party Certified Diverse Suppliers (Y/N)	Technology Platform Ability to Perform Data Scrub (Y/N)	Number of Diverse Supplier certifications Included	Technology Platform includes a Supplier Diversity Dashboard (Y/N)	Frequency of Platform Updates	Includes a Diverse Supplier Directory (Y/N)	Technology Platform Ability to Integrate into ERP (Y/N)
Example 1	Y	Y	N	N/A	Y	Quarterly	Y	Y
Example 2	N	N	Y	100	N	Ad Hoc	Y	Y
Example3	Y	N	N	N/A	Y	Quarterly	N	N

**Table 4.** Sample of questions to ask technology suppliers

Name of Technology Platform	Technology Platform is Diverse Ownership (Y/N)	Technology Platform is a Third-Party Certified Diverse Suppliers (Y/N)	Technology Platform Ability to Perform Data Scrub (Y/N)	Number of Diverse Supplier Certifications Included	Technology Platform includes a Supplier Diversity Dashboard (Y/N)	Frequency of Platform Updates	Includes a Diverse Supplier Directory (Y/N)	Technology Platform Ability to Integrate into ERP (Y/N)
Example 1	Y	Y	Y	N/A	Y	Quarterly	Y	Y
Example 2	N	N	Y	100	N	Ad Hoc	Y	Y
Example 3	Y	N	N	N/A	Y	Quarterly	N	N



## Examples of successful web platforms from the HAN Inclusive, Local Sourcing Toolkit Pages 111-115

1. MD Anderson Cancer Center, based in Houston, Texas MD Anderson maintains a website that vendors can access even before registering with the institution. All bids over \$50,000 are listed publicly, ensuring that all local vendors may access bids and review requirements. The website also includes historical information, which local small business development centers can use to create mock bids with businesses to help them learn about the Request for Proposal process. The website also includes details on how to make an appointment with MD Anderson staff members. It features important resources for Historically Underutilized Businesses (HUBs), including information on how to become a HUB, templates for the required HUB subcontracting plan, along with an instructional video, and state goals for HUB spending.

The screenshot shows the MD Anderson Cancer Center website. The header includes the MD Anderson logo, navigation links (myMDAnderson, Locations, Contact Us, Appointments), a search bar, and a 'Give Now' button. A secondary navigation bar lists various departments: PATIENTS & FAMILY, PREVENTION & SCREENING, DONORS & VOLUNTEERS, FOR PHYSICIANS, RESEARCH, EDUCATION & TRAINING, and CANCER MOONSHOTS. Below this, a breadcrumb trail reads: Business & Legal > Doing Business > Vendors and Suppliers > HUB & Small Business Program. The main content area is titled 'HUB & Federal Small Business Program'. It includes a sidebar with links: Vendors and Suppliers, Vendor Terms & Conditions, Current Bids, Vendor Contact Information, and HUB & Small Business Program. The main text describes the program's mission to increase contracts for minority and woman-owned businesses. It lists criteria for a 'Historically Underutilized Business' (HUB) and defines 'Small Business Concerns'. A sidebar on the right titled 'Make an Appointment' provides business hours and contact information. Another sidebar titled 'Our HUB Goals for FY 2016' lists goals for Building Construction (10%) and Special Trade Construction (12%).

Above: webpage for MD Anderson's HUB & Federal Small Business Program

The screenshot shows the 'Welcome to the University of Texas - MD Anderson Public Bids Page'. It includes a navigation bar with links: Home, Supplier Portal Login, New Supplier Registration, HUB & Federal Small Business Program, and Terms & Conditions. The main section is titled 'Business Opportunities' and features a filter bar with tabs: Open for Bid, Upcoming, Closed, Awarded, and All. Below the filter bar is a search bar and a 'Sort by' dropdown set to 'Close date descending'. The results section shows '1-6 of 6 Results' and '20 Per Page'. Three open bids are listed:

Status	Details
Open	<b>Specialty Pharmacy Channel Partner</b> Open: 11/28/2016 11:00 AM CST Close: 12/27/2016 4:00 PM CST Type: RFP Number: MS-A-00426-RFP Contact: Ashraff Hassan AHassan1@mdanderson.org Details: View as PDF
Open	<b>The University of Texas MD Anderson Cancer Center Executive and Sr Management Leadership Development</b> This RFP will identify a provider, or series of providers, who will deliver services to effectively enhance the leadership capabilities of the institution's executive/senior level management staff. Open: 11/17/2016 4:01 PM CST Close: 12/20/2016 2:00 PM CST Type: RFP Number: AIS-BUS-00416-RFP Contact: Nicole Allen nfallen@mdanderson.org Details: View as PDF
Open	<b>Building Window Cleaning</b> The washing and inspection of all exterior window systems. Open: 11/17/2016 11:00 AM CST Close: 12/13/2016 2:00 PM CST Type: RFP Number: FAC-00417-RFP Contact: Lola Jackson lola.jackson@mdanderson.org

Above: webpage listing open bid opportunities at MD Anderson

## Chapter 8. Strategic Sourcing RFP Requirements for Suppliers

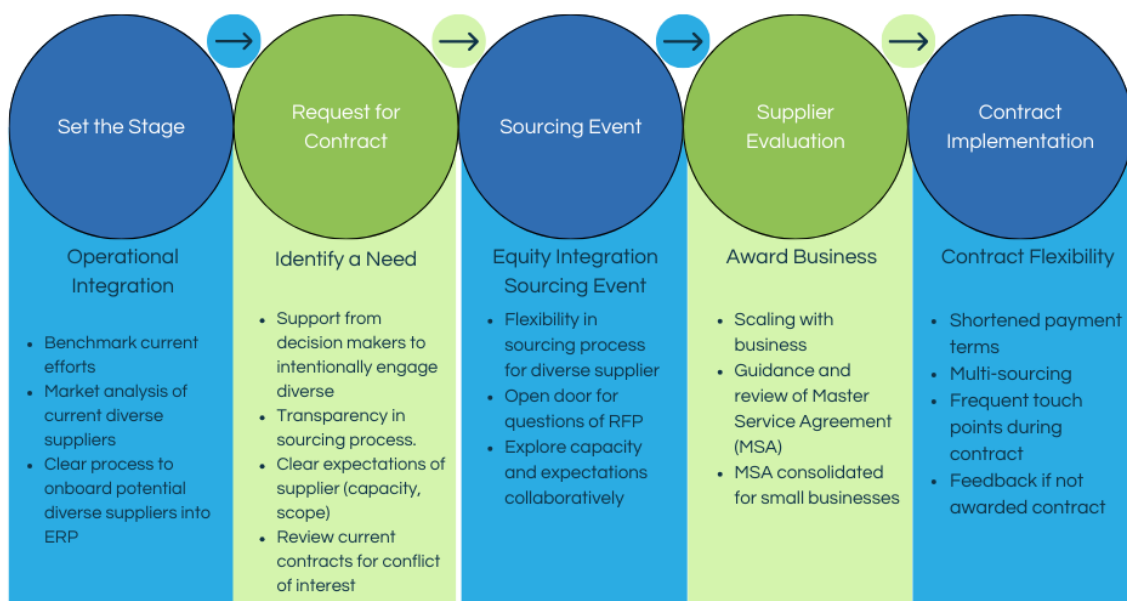
### Visual Example 1. Impact Purchasing Integration into the Sourcing Process

#### Impact Purchasing Integration into the Sourcing Process



### Visual Example 2. Supplier Diversity Technology Integration into the Sourcing Process

#### Supplier Diversity Technology Integration into the Sourcing Process



Visual Example 3. Equity in Sourcing, end-to-end process



**Table 5. Evaluate your Bid Process**

Review bids submitted to determine if diverse vendors are included in the process. With this information, you can further explore if your lack of diverse suppliers is due to participation or other factors. Understanding their current participation can help identify whether your efforts, to begin with, should be focused on outreach or capacity building.

**Table 6. Evaluate upcoming contracting opportunities**

The first step to integrating diverse suppliers into your sourcing process is identifying potential opportunities for engagement. A great place to start is inquiring with your purchasing department what their contract renewal process is. Determine if you’re able to pull contract data by expiration date. Leverage the list of goods and services below as a starting place to determine upcoming bid opportunities for diverse suppliers.

**Table 4. Image from Hospital-Toolkits-Inclusive-Local-Sourcing.pdf page 80**

**Table 7. Supplier RFP Response Scoring Criteria**

The supplier RFP responses scoring criteria provide a measurable process to evaluate performance in key areas.

**Table 8. Supplier Diversity Weighted Scoring Criteria and Scoring Examples**

The scoring above outlines the importance of these components to the overall supplier diversity program. These components can be populated by utilizing the RFP questionnaire for suppliers and the Likert scale to compare efforts between companies. According to the example above, Supplier A has a stronger program.

Many successful procurement departments create weighted scorecards to standardize the evaluation of suppliers and inform decisions. Best practice would include supplier diversity as one of the measurable

faucets to awarding a bid. For example, supplier diversity as a factor in weighting supplier responses could look like:

Based upon the criteria above, Supplier A had a better overall supplier diversity score and total score. It's likely that they would be awarded the bid.

### **Questionnaire 1. Internal evaluation of your procurement policies and practices**

Key categories to evaluate to within your procurement practices to integrate supplier diversity include:

- Bid process
- Diverse supplier development
- Net payment terms
- Net payment periods & invoicing system
- Procurement targets
- Staff development and evaluation
- Types of certifications accepted.

Once you've identified your current approach, you can explore opportunities to continue to integrate supplier diversity language.

### **Questionnaire 2. Future contracting opportunities**

List potential future procurement opportunities below for diverse vendors. These could include new facilities, retrofits, increasing sustainability through retrofits, etc.

### **Questionnaire 3. Feedback Questions to Engage Diverse Suppliers in Process Improvement**

Identify vendors from underserved communities that are already present in your area. Either by yourself or working through a community partner, conduct focus groups or interviews with these diverse vendors to assess how they perceive working with your institution:

- What do vendors like and dislike?
- What do vendors think your institution does well?
- What could be improved?
- What are the barriers to doing business with your institution?
- Are vendors equipped to provide invoices that are compatible with your internal invoicing system?
- Are vendors paid in a timely enough manner?
- Are vendors satisfied with the existing technical assistance support in your community? If not, where do they believe further investment is necessary?
- Are vendors aware of upcoming contracting opportunities?
- Is your current system for submitting bids easy to navigate?
- Are smaller vendors aware of any tier 2 or subcontracting goals?

- Do vendors know who to engage at the institution around contracting opportunities?
- What are the other gaps?

#### **Questionnaire 4. RFP Questionnaire for Suppliers**

A sample list of questions organized by categories to provide to suppliers for an RFP or RFI. These questions provide a clear understanding of their current supplier diversity programming. This is a different way of sending out information to the supplier. Once a response is received, place the information into Table 1. Supplier RFP Response Scoring Criteria to compare multiple supplier responses.

## SMI Supplier Diversity Playbook Closing Remarks

The Supplier Diversity Playbook was written through a collaborative effort between SMI and Healthcare Anchor Network (HAN) using HAN's research and learnings over the past decade. HAN catalyzes its more than 75 health system members (representing nearly 40% of nonprofit healthcare organizations) to apply a holistic social impact lens to their business practices, including supply chain. In doing so, health systems can more intentionally address economic and racial inequities that create barriers to improved health and well-being outcomes in the communities they serve.

At HAN, supplier diversity is one facet of the “impact purchasing” lens, a strategy that aims to leverage institutional purchasing power to create positive social and economic impacts in local communities. The impact purchasing strategy calls for us to prioritize not only diverse spending, but also spending that is sustainable, local, and high-impact (e.g., spending with employee-owned businesses) to stabilize local economies and build community wealth. By expanding our focus to include these other lenses of spend, we can leverage even more of our existing resources to maximize local economic multipliers and drive inclusive, economic growth.

The impact purchasing strategy is part of a broader “anchor mission,” a commitment by large, place-based institutions to intentionally apply their long-term, place-based economic power, and human capital in partnership with the community to mutually benefit the long-term well-being of both. Through this playbook, SMI and HAN aimed to share our knowledge with a broader audience, align around shared definitions in the supplier diversity space, and create practices and standards around supplier diversity to accelerate the industry.

The playbook is a great way to build momentum within your supplier diversity program, and we invite those who are interested in broadening their impact purchasing efforts to join us in going deeper. The Healthcare Anchor Network (HAN) is an organization that can support your institution to expand your approach, collaborate with peers, and gain access to additional resources. Examples of the types of resources available to HAN members include:

- Collaboration with other health systems and industry partners to achieve collective impact.
- Monthly calls, educational presentations, shared definitions and goals, resources, and 1:1 consulting support.
- Educational opportunities, including speakers, newsletters, and case studies.

A current example underway of leading practices of health systems in impact purchasing is through the “Impact Purchasing Commitment” (IPC). In partnership with Health Care Without Harm and Practice Greenhealth, HAN created a commitment for leading members to shift purchasing focused on supplier diversity, environmental sustainability, and community wealth building. One key component of the IPC is a pledge by the dozen participating health systems to collectively increase their spending with minority and women-owned businesses by \$1 billion by 2025.

With millions of community members experiencing avoidable negative health impacts, HAN exists to scale up anchor mission strategies like impact purchasing to help build communities where all can be healthy and thrive. Join us as we work to reach a critical mass of health systems adopting as an institutional priority the improvement of community health and well-being by leveraging all their assets for equitable, local economic impact.

We appreciate our partnership with SMI and are excited about the reach that this playbook can have in driving increased supplier diversity in the healthcare supply chain.

Visit Healthcare Anchor Network to learn more and join the more than 75 health systems building more inclusive and sustainable local economies.

David Zuckerman and Claire Brawdy

## Contributing SMI Members



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