

# ANALYZING HOW SUPPLIER DIVERSITY PROGRAMS CONTRIBUTE TO AREA ECONOMIES

Impact of MWSBE Programs

North Carolina MWBE Coordinators'  
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*Presented by: Thompson-Mitchell Consulting*







# INTRODUCTION

Ron Thompson of *Thompson Consulting & Analytics* and Vernetta Mitchell of *Mitchell Consulting Group* joined their expertise and passion to perform economic impact analyses for agencies that:

- Support their supplier diversity initiatives,
- Engage discussions on program modifications, and
- Communicate the effectiveness of the program.





# OBJECTIVES

1. Illustrate the economic contributions of supplier diversity programs in designated communities.
2. Strategies to justify supplier diversity program existence through the use of an economic impact analysis.
3. Show how to influence opinion by communicating the value and contribution of MWSBE Policies.



# WHAT IS ECONOMIC IMPACT ANALYSIS?

- Examines the effect of an event on the economy.
- Event can include implementation of new policy, project, or the presence of business or organization.
- Measures changes in economic activity, personal wages, taxes and/or jobs.
- Estimates the change in economic activity between two scenarios:  
1) Event *occurs* and 2) *Does not occur*.





# WHAT IS MEASURED

- Economic Activity - i.e. Value Added or Gross Domestic Product.
- Jobs – Creating and supporting of employment
- Wages – Compensation associated with employment
- Tax Revenue – Fiscal impact of economic event





# WHY MEASURE IMPACT

- Show impact upon MWSBE communities
  - Particularly job creation in high unemployment areas
  - Higher at-risk demographics
- Illustrate true effect/benefit these communities
  - Holistic view supplier diversity program
  - Contract dollars impact to the community – initial injection
- Determine impact of NOT achieving program goals
  - Potential impact not injected MWSBE contract dollars into community







# MEASURING EIA

- Distribution of contract dollars to minorities and women businesses
  - Contributes to tax revenue, wages, employment, and economic output
- Direct Effect
  - Injection of contract dollars to MWSBE firms
- Indirect Effect
  - MWSBE firms buys supplies and hires workers
- Induced Effect
  - Employees of firms impacted buy goods and services



## DIRECT IMPACT

A health center purchases medical devices from a local medical supply store.



This purchase is a **direct** economic impact of the health center's operations.

## INDIRECT IMPACT

The medical supply store purchases paper from an office supply store to print receipts and hires a local delivery service to transport the medical devices.



These purchases are **indirect** economic impacts of the health center's operations.

## INDUCED IMPACT

As local industries grow and household income increases, employees of the health center, medical supply store, office supply store, and delivery service spend their salaries in the community.



These purchases are **induced** economic impacts because they are the result of a ripple effect through the entire community.



# HOW IS IMPACT MEASURED

- Input-Output Model
- Model Construction
- Direct Impact Data Collection
- Model Execution/Analysis



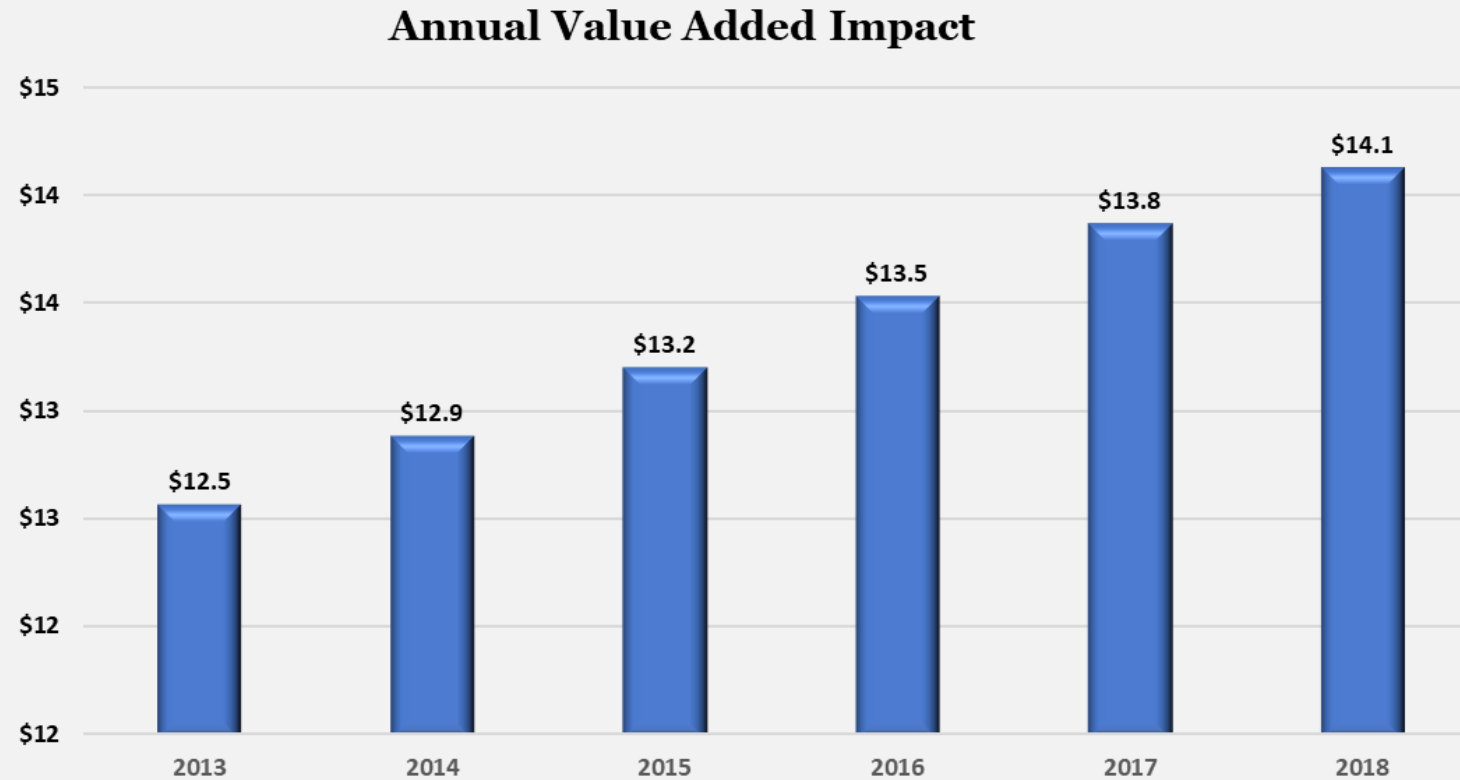
# HOW IMPACT IS MEASURED

Example Framework:

- 2013 through 2018 spending with MWSBEs is \$5M/year
- Spending occurred with firms located in ABC County



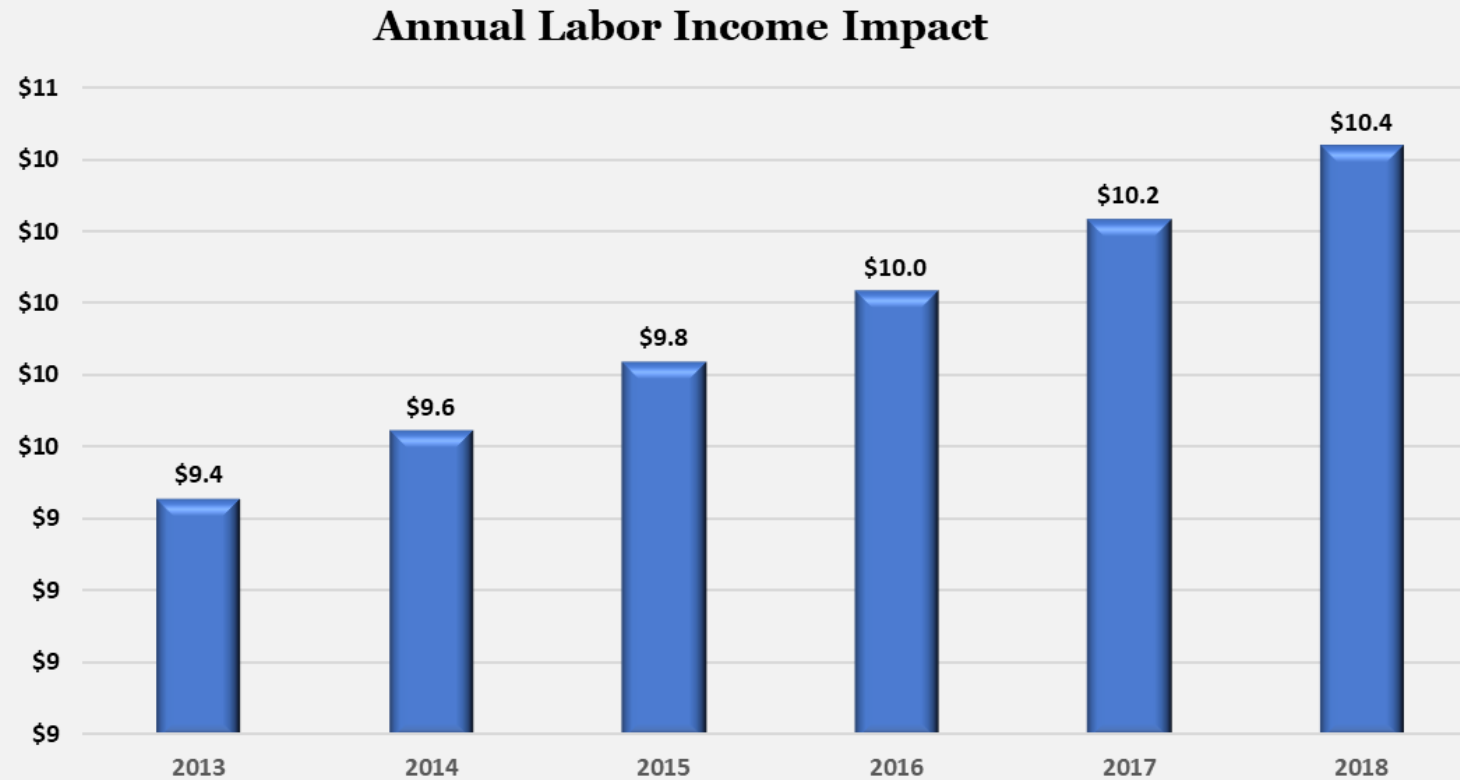
# EIA EXAMPLE



Source: Thompson-Mitchell Consulting  
Figures are in millions



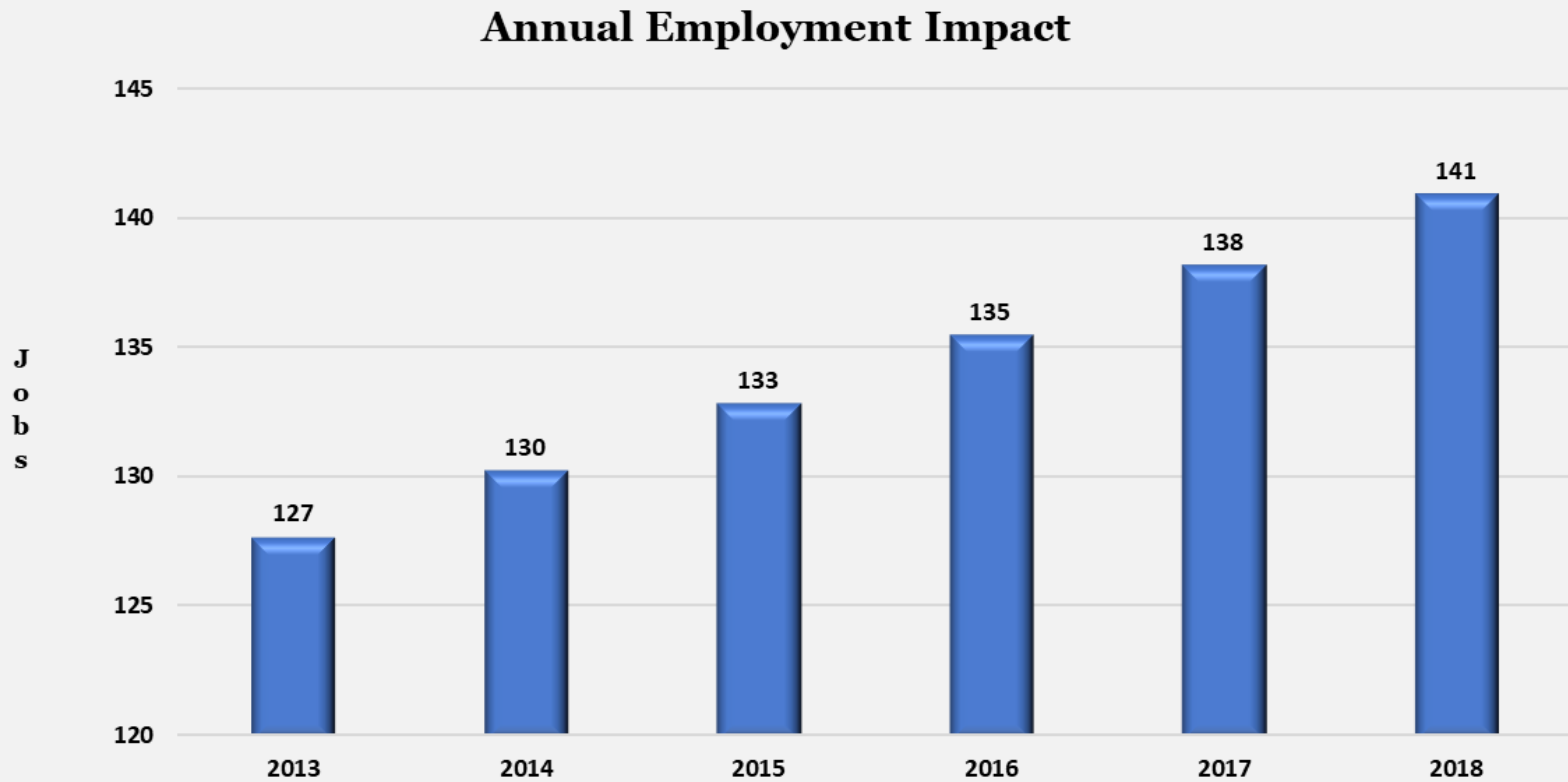
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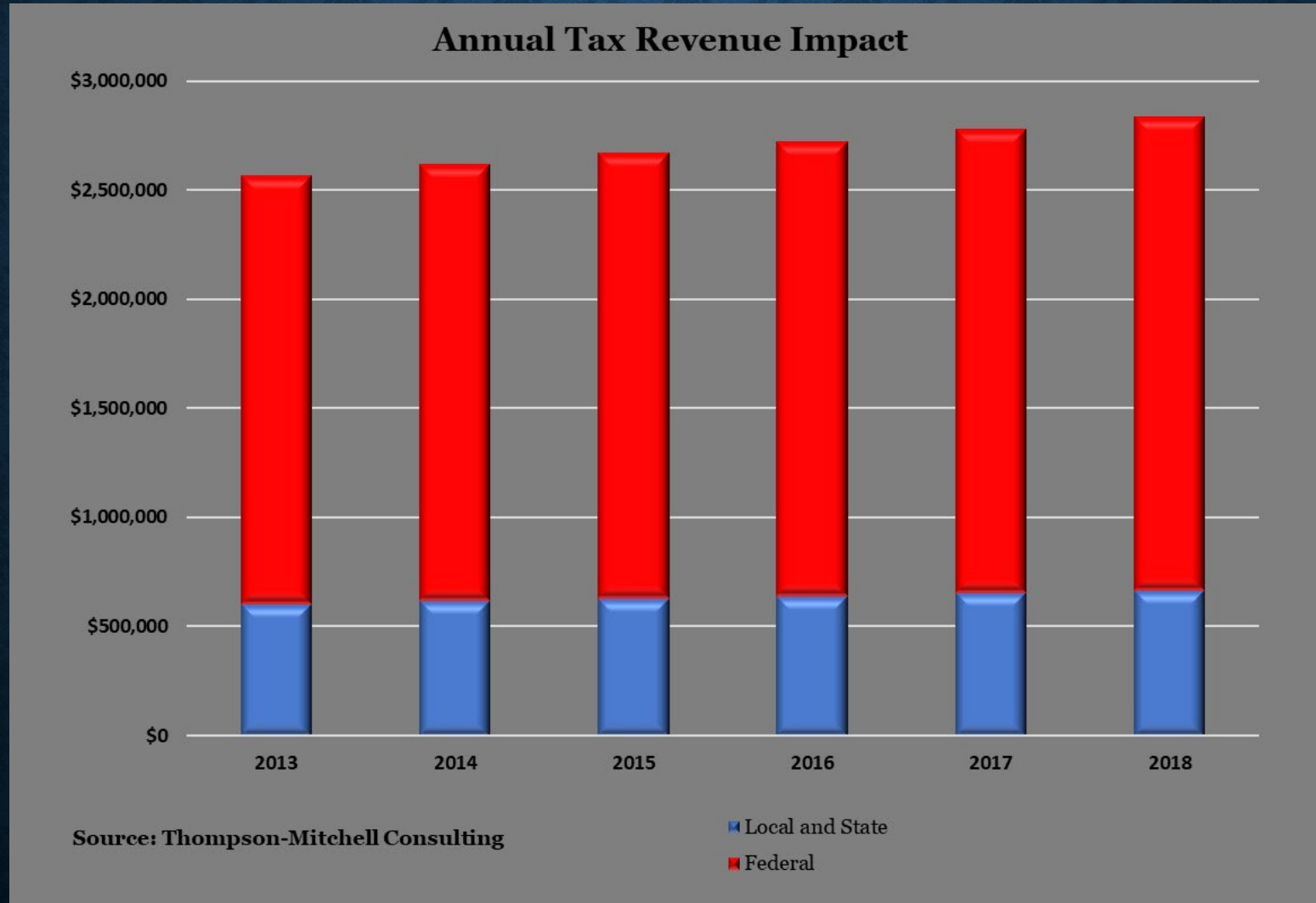
# EIA EXAMPLE



Source: Thompson-Mitchell Consulting



# EIA EXAMPLE





# EIA EXAMPLE SUMMARY

Annual Economic Impact Summary				
Year	Employment	Value Added	Labor Income	Tax Revenue
2013	127	\$12,544,720	\$9,443,031	\$2,562,914
2014	130	\$12,858,338	\$9,631,892	\$2,614,172
2015	133	\$13,179,796	\$9,824,530	\$2,666,456
2016	135	\$13,509,291	\$10,021,020	\$2,719,785
2017	138	\$13,847,023	\$10,221,441	\$2,774,180
2018	141	\$14,107,270	\$10,425,870	\$2,829,664
Total	804	\$80,046,438	\$59,567,784	\$16,167,171
Source: Thompson-Mitchell Consulting				







# PAYBACK

- Strategies and/or justification of program investments
  - IRR - % earned on each dollar invested for each period it is invested
  - ROI –  $\text{Benefit of Investment} \div \text{Cost of Investment}$
  - Payback – Amount of time to recoup the investment

Payback Period and Return	
IRR	30%
ROI	268%
Payback	3.3 Years
Source: Thompson-Mitchell Consulting	



# SUMMARY

An EIA is a great way to **communicate** your program's goals and needs.

1. Illustrate economic contributions of supplier diversity programs in designated communities.
  1. Direct, Indirect, and Induced Effects
  2. Employment, Economic Activity, Wages, and Fiscal
2. Strategies to justify supplier diversity program existence through EIA.
  1. Calculating IRR, ROI, and Payback
3. Show how to influence opinion by communicating the value and contribution of MWSBE Policies.
  1. Answering the "So what?"
  2. Illustrating the total potential impact



# QUESTION & ANSWERS

## Thompson-Mitchell Consulting Contact Information

- Website: [www.thompsonmitchell.com](http://www.thompsonmitchell.com)
- Ron Thompson
  - Email: [rthompson@thompsonmitchell.com](mailto:rthompson@thompsonmitchell.com)
  - Phone: 484.574.3561
- Vernetta Mitchell
  - Email: [vmitchell@thompsonmitchell.com](mailto:vmitchell@thompsonmitchell.com)
  - Phone: 704.330.9429