MINORITY PURCHASING PROGRAMS--AN EMPIRICAL INVESTIGATION

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ABSTRACT

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The purpose of this research was to identify those variables most highly related to minority purchasing activity. Minority purchasing activity was measured in terms of percentage of annual dollar purchases from minority vendors, total number of minority vendors, annual minority vendor dollar expenditures, and respondent's self-perception of minority purchasing success. Major independent variables included:

1. Purchasing policies and procedures
    a. Corporate policy statement about minority vendors
    b. Chief executive support for minority purchasing programs
    c. Corporate minority purchasing goals
    d. Techniques used to locate minority vendors
    e. Techniques used to develop minority vendors
2. Geographic and demographic data
    a. Product categories in which purchases were made
    b. Minority groups from which purchases were made
    c. States where purchasing locations operated minority purchasing programs

3. Differences in problems when purchasing from minority and non-minority vendors

The need for this research is due to the increasing emphasis corporations and the Federal government are placing on expanding purchases from minority businesses. Corporate purchases from minority vendors increased from $86 million in 1972 to $1.8 billion in 1978. Public Law 95-507, passed in October 1978, requires strict reporting of goal achievement and actual dollars spent with minority businesses for prime government contractors.

Data for the study were collected during March, April, and May 1979, via mail questionnaire. The research sample was composed of manufacturing corporations currently operating minority purchasing programs. Questionnaires were sent directly to the minority purchasing program coordinators at the corporations' headquarters. One hundred ninety usable or partly usable responses were obtained from the mail survey. Statistical procedures used to analyze the data were multiple regression, correlation analyses, t-tests, and one-way analysis of variance.

Research sample profile analyses indicated that a majority of the respondents had (1) one individual responsible for coordinating their programs; (2) a minority purchasing policy statement; and (3) established corporate minority purchasing goals. By minority group, 66 percent of the annual purchase dollar was spent with black minority vendors. Supplies and Services constituted the largest minority product group (40 percent of the annual purchase dollar).

Minority vendor development techniques perceived as most successful were providing technical assistance to minority vendors, breaking up large purchases into smaller quantities, and allowing longer lead times for minority vendors to respond to quotations and to deliver materials and services.

The two most significant problems faced when purchasing from minority vendors were lack of minority vendors at or near operating locations and lack of minority vendors supplying purchased items.

Key findings and implications from the research were:

1. Minority purchasing policies and procedures most highly related to minority purchasing activity were program support from top management and consideration of minority vendor goal achievement in buyer performance appraisals.

2. The payment of a price differential to develop minority vendors was not a standard policy for the majority of respondents; however, it was successfully used by those corporations having active programs in developing additional minority vendors.

3. Minority purchasing activity was highly related to the successful use of certain development techniques including managerial and financial assistance.

4. Minority purchasing activity was more highly related to the successful use of selected sourcing and development techniques than the absolute number of techniques used.

5. Problems encountered in purchasing from minority vendors were all significantly ($p < .001$) greater than those faced in purchasing from nonminority vendors.

6. Respondents in larger corporations who were more experienced in operating minority purchasing programs had higher levels of minority purchasing activity.

7. Minority purchasing programs established after 1975 experienced faster percentage growth in minority purchasing activity than those programs established prior to 1975 due to lower initial levels of activity.

8. It appears that minority purchasing programs can be implemented in a programmatic manner and that program emphasis changes with experience.

To Jan, Matthew, and

My Parents

ACKNOWLEDGMENTS

This dissertation reflects the contribution of many people. I would like to express special thanks to my committee chairman, Dr. Robert M. Monczka, whose advice, guidance, stylistic and methodological contributions were instrumental in this research. In addition, he has provided me with several valuable learning opportunities in the purchasing area during my stay at Michigan State University for which I am deeply indebted. I also express sincere thanks to the other members of my committee, Dr. John H. Hoagland, Dr. J. Kenneth White, and Dr. Lawrence W. Foster for their invaluable assistance and encouragement.

I am indebted to the National Association of Purchasing Management who helped support this study through a Doctoral Research Grant. Thanks are also due to the National and Regional Minority Purchasing Councils for providing their membership lists. In addition, I would like to acknowledge the generous help of the many corporate minority purchasing coordinators whose participation made this study possible.

A special note of appreciation to Mr. George L. Hanson for his encouragement of my work in the purchasing area and his professional guidance during my years at Westinghouse. Additional thanks to Michael J. Dona, who provided assistance during the early stages of the research.

Final consideration must go to my wife, Jan, who typed the rough draft under conditions of short notice, late hours, and illegible handwriting and maintained the perseverance, patience, and understanding which enabled me to complete this study.

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CHAPTER I

INTRODUCTION

Industrial purchasing personnel have witnessed many changes in the business environment in the past decade. These changes included material shortages, high inflation rates, and increased government intervention into the private sector. Minority purchasing programs represent one of the new developments witnessed by purchasing personnel in the past decade. The purpose of this research is to determine those variables which best explained minority purchasing activity.

This chapter defines minority purchasing programs, indicates why this research is important, defines the research objectives, and presents the research hypotheses and limitations of the research.

Minority vendor programs in purchasing are aimed at increasing the volume of goods and services purchased from minority-owned businesses through the development and utilization of such businesses. A minority-owned business is

> . . . a business in which more than 50% of the ownership interest, stock or otherwise, is owned by minority group members. The determination of minority status depends solely on ownership and is not related to employment of minority

persons. Minority group members are Black Americans, Spanish Surnamed, American Orientals, American Indians, American Eskimos, and American Aluets.[1]

Purchasing departments are often directly responsible for the success of minority vendor programs. Corporations are placing greater importance on such programs as illustrated by the increase in purchases from minority businesses. Corporate purchases from minority vendors have increased from $86 million in 1972 to $1.8 billion in 1978.[2]

In the future, it appears that minority vendor programs will receive increased emphasis due to several developments including:

President Carter's call for the doubling of total Federal procurement dollars spent with minority businesses over the next two years.[3]

Public Law 95-507 passed October, 1978, which revises the Small Business Act and Small Business Investment Act of 1958 and requires strict reporting of goals on minority business for prime government contractors.[4]

National Association of Purchasing Management goals of supporting purchases from minority-owned businesses.[5]

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[1] Regional Minority Purchasing Council Handbook, Augustine R. Marusi, chairman (Washington, D.C.: National Minority Purchasing Council, 1978), p. 3.

[2] National Association of Purchasing Management/National Minority Purchasing Council Conference, Atlanta Georgia, March 28-30, 1979.

[3] President Jimmy Carter, "The White House: Statement by the President," Access (Washington, D.C.), September/October 1977, p. 10.

[4] U.S., Congress, House, Amending the Small Business Act and the Small Business Investment Act of 1958, H.R. 11318, 95th Cong., 2d sess., March 13, 1978, pp. 1-2.

[5] Frank J. Winters, C.P.M., "Let's Get With It!" National Purchasing Review (New York), January 1977, p. 12.

> Continued growth of National and Regional Minority Purchasing Councils whose purpose is to increase purchases from minority-owned businesses.[6]

Despite this increased emphasis, very little published research has addressed the issue of identifying the specific methods that corporations use to establish and operate active minority purchasing programs. Conversations were also conducted with leading purchasing executives: Thomas Corey, Eli Lily Corporation; Phillip Drotning and Gordon Stone, Standard Oil Company (Indiana); Ben Torrison, Allis Chalmers Corporation; Michael Dona, Westinghouse Electric Corporation; and John Haines, General Motors Corporation. Conversations were also conducted with Thomas Ahert, the Executive Director of the National Minority Purchasing Council, and with Frank Winters and Joseph Stagg of the National Association of Purchasing Management. These conversations indicated a strong need for research about minority purchasing.

There were three objectives to this research. They included: (1) identification and evaluation of current organizational policies and practices used by manufacturing corporations in establishing, operating, and expanding minority purchasing programs; (2) identification of selected geographic and demographic characteristics associated with minority purchasing programs; and (3) identification of differences in problems when conducting business with minority and nonminority vendors.

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[6]National Minority Purchasing Council, Purchasing Power: How Corporations Can Locate and Utilize Qualified Minority-Owned Professional Services and Vendors (Washington, D.C.: NMPC, 1978), Introduction.

The research design utilized was cross-sectional.[7] Data were collected via mail questionnaire during March, April, and May of 1979. The research involved:

1. Collection of information about minority purchasing programs from selected manufacturing corporation headquarters throughout the United States.

2. Comparison and analyses of minority purchasing programs using the individual corporation as the unit of analysis.

3. Identification of key variables which predicted the degree of minority purchasing activity. Minority purchasing activity was measured in terms of self-perceived success, annual minority vendor dollar expenditures, total number of minority vendors, and percent of annual dollar purchases from minority vendors.

The research results can be used to assist corporations in establishing new minority purchasing programs, to further develop existing programs, and for comparative purposes.

Research Hypotheses

The research hypotheses were primarily developed by reviewing the literature (Chapter III) on minority businesses and minority purchasing programs. Additional guidance was provided by the dissertation

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[7] Gilbert A. Churchill, Jr. describes cross-sectional as an investigation involving a sample of elements selected from the population of interest at a single point in time in Marketing Research Methodological Foundations (Hinsdale, Ill.: Dryden Press, 1978), p. 651.

committee, consisting of Drs. Robert M. Monzcka, John H. Hoagland, J. Kenneth White, and Lawrence W. Foster, and discussions with various purchasing executives.

The hypotheses were structured to determine the independent variables which best explained minority purchasing activity. These independent variables are mentioned in the following hypotheses. Minority purchasing activity was measured in terms of self-perceived success, percentage of annual dollar purchases from minority vendors, annual minority vendor dollar expenditures, and total number of minority vendors. Explanation of and reasons for selection of these activity measures is provided in Chapter IV.

All hypotheses are stated in terms of the null hypothesis. Further explanation is provided by a statement following the hypothesis.

Hypothesis 1:

There is no relationship between minority purchasing activity and the existence of the following purchasing policies, procedures, and techniques:

- --a corporate policy statement about minority purchasing
- --chief executive support for minority purchasing programs
- --corporate minority purchasing goals
- --buyer minority purchasing goals
- --an individual responsible for coordinating the minority purchasing program
- --payment of a price differential to develop minority vendors
- --inclusion of minority vendor goal achievement in buyer performance appraisal
- --identification of minority vendors
- --development of minority vendors
- --frequency of reports of minority purchasing program results

These variables were mentioned in the literature and in corporate brochures as necessary activities for establishing and operating minority purchasing programs.

Hypothesis 2:

There is no relationship between minority purchasing activity and the ten independent variables (listed in the previous hypothesis) and year of program initiation and corporate size.

Hypothesis 3:

There is no relationship between minority purchasing activity and corporation size and year of program initiation.

It was thought that the size of the corporation and the years of experience in operating a minority purchasing program would influence the independent variables in Hypothesis 1. It was also thought that the size of the corporation and year of program initiation would be related to the minority purchasing activity measures.

Hypothesis 4:

There is no relationship between minority purchasing activity and the number of states in which a corporation operates minority purchasing programs.

Those corporations operating minority purchasing programs in a larger number of states were thought to have more active programs.

Hypothesis 5:

There is no relationship between minority purchasing activity and the number of different responsibilities performed by the minority purchasing coordinator. These responsibilities include:

--conducting in-house training sessions about minority vendors

--acting as a central data source in providing information about minority vendors

--identifying minority vendors for purchasing departments
--identifying minority vendors for other departments
--identifying purchased items which have potential for minority vendor sourcing
--providing assistance to purchasing personnel in solving minority vendor problems
--providing assistance to minority vendors
--participating in setting minority purchasing goals
--monitoring purchases made from minority vendors.

Hypothesis 6:

There is no relationship between minority purchasing activity and the annual frequency with which responsibilities (as listed in the previous hypothesis) were performed by the minority purchasing coordinator.

The responsibilities of the minority purchasing coordinator and annual frequency of performance of these responsibilities was thought to be related to minority purchasing activity.

> The ultimate goal, of course, is for the minority purchasing effort to be the combined effort of all who make purchases for the company, each accountable for his separate part. For this to occur, there should be one individual . . . to develop, guide, and monitor the program.[8]

Hypothesis 7:

There is no relationship between minority purchasing activity and the number of sourcing techniques used to locate minority vendors. These sourcing techniques are:
--buyer initiated contacts with minority vendors
--advertising for sources in minority publications
--distributing brochures describing products purchased
--attending minority trade fairs
--exhibiting at minority trade fairs
--external directories
--membership in NMPC or RMPC
--membership in NAPM
--internally developed corporate directories.

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[8] Chicago United, A Practical Guide to Starting or Improving a Minority Purchasing Program (Chicago, Ill.: Chicago United, 1975), p. 6.

Hypothesis 8:

There is no relationship between minority purchasing activity and perceived success in using the sourcing techniques (as listed in the previous hypothesis).

Sourcing techniques enable corporations to identify potential minority vendor sources. Purchasing personnel can locate information about minority vendors from various sources including Regional Minority Purchasing Councils, trade fairs, and other corporations' purchasing departments.

> Minority Purchasing Council maintain headquarters in 38 metropolitan areas. Minority Business Opportunity Fairs bring sellers and buyers together. Also, the purchasing officers of the major corporations are usually eager to share their lists of minority-owned businesses.[9]

In addition, the amount of perceived success with these locating techniques were analyzed with the minority purchasing activity measures.

Hypothesis 9:

There is no relationship between minority purchasing activity and the number of supplier development techniques used to develop minority vendors. These supplier development techniques are:

--broadening product specifications
--breaking up large purchases into smaller quantities
--requiring that your suppliers utilize minority vendors
--simplifying paperwork requirements
--awarding long-term contracts
--providing longer vendor quotation times
--providing special payment terms
--providing technical assistance
--providing management assistance
--providing direct financial aid
--providing financial aid through company run MESBICs
--providing prepayment on large dollar or long lead time items

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[9] National Minority Purchasing Council, Purchasing Power, p. 6.

--providing a letter of credit to minority vendor's suppliers
--helping minority vendors obtain funds from government loan agencies
--helping minority vendors develop effective purchasing practices
--helping minority vendors secure raw materials
--paying a price differential
--allowing longer lead times
--broadening acceptable quality levels.

Hypothesis 10:

There is no relationship between minority purchasing activity and perceived success in using supplier development techniques (as listed in the previous hypothesis) with minority vendors.

It was hypothesized that there would be a relationship between the dependent variables and those corporations which utilized supplier development techniques. "Many minority firms simply do not have the staff or the marketing expertise or the kind of sales effort that is needed to sell a large company or organization."[10] This effort is congruent with supplier development as defined by England and Leenders:

> . . . the purchaser is aware that benefits will accrue to both the supplier and the purchaser, benefits of which the supplier may not be aware. These benefits may be limited to the order at hand or they may include more far reaching results, such as technical, financial, or management assistance . . . it is the aggressiveness and initiative by the purchaser that makes the difference.[11]

In addition, perceived success with these development techniques was analyzed with the minority purchasing activity measures.

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[10] Chicago United, A Practical Guide, p. 10.

[11] Wilbur B. England and Michiel R. Leenders, Purchasing and Materials Management (6th ed.; Homewood, Ill.: Richard D. Irwin, 1975), p. 454.

Hypothesis 11:

There is no perceived difference in purchasing problems between a corporation's minority and nonminority suppliers. These problems include:

- --inability to understand purchase order specifications
- --insufficient technological expertise
- --insufficient production capacity
- --failure to meet bid deadlines
- --failure to respond to phone calls
- --failure to submit samples
- --failure to deliver on time
- --low quality/high rate of rejected material
- --long lead time required to correct quality problems
- --consistently high prices
- --lack of minority vendors at or near operating locations
- --lack of minority vendors supplying purchased items
- --lack of compliance with purchasing procedures
- --lack of qualified management personnel
- --lack of qualified sales personnel
- --lack of qualified engineering personnel
- --minority serving as front for nonminority business.

Hypothesis 12:

There is no relationship between minority purchasing activity and those corporations perceiving greater problem differences between minority and nonminority vendors (problems listed in previous hypothesis).

There are many purchasing problems encountered in dealing with suppliers. Hypothesis 11 tested for statistically significant problem differences between minority and nonminority vendors. Hypothesis 12 tested the extent of problem differences and their relationship with the minority purchasing activity measures.

Limitations of the Research

The research contains certain limitations which impact upon the findings. These were:

1. The study was cross-sectional in design which limited the ability to infer causality.

2. The sample population was not chosen randomly. This nonrandom selection typically restricts the range of variance in the data. This restriction typically underestimates the true magnitude of the relationships in the population.

3. The nonrandom sample selection typically limits the generalizability of the findings to those corporations having minority purchasing programs.

4. Corporation size was not measured directly but was subsequently calculated from the total sales of those corporations which identified themselves on the questionnaire. This restricted the number in the sample for this variable.

5. The scale for question seventeen ("How successful does your corporation feel the minority vendor program is?") started at "slightly successful" and went to "highly successful." This question assumed some degree of minority purchasing success and did not measure complete lack of success.

6. The geographic data collected as to the number of states in which a corporation operates minority vendor programs does not indicate volume of purchases or the number of locations within each state operating minority vendor purchasing programs.

7. The obtained multiple correlations will somewhat overestimate population values due to a finite sample size.

CHAPTER II

LEGAL AND OTHER SUPPORT FOR MINORITY BUSINESS

This chapter discusses the various legislative acts and executive orders which are concerned with minority businesses. It also discusses the public and private organizations which support and assist minority businesses.

Legal Developments

The initial federal action in assisting minority businesses was Executive Order 11458 entitled, "Prescribing Arrangements for Developing and Coordinating a National Program for Minority Business Enterprise." This executive order was issued by President Richard M. Nixon on March 5, 1969. Each section of the order is summarized below:

> Section 1. Functions of the Secretary of Commerce. The Secretary was made responsible for promoting the mobilization of activities and resources of State and local governments, businesses and trade associations, and other groups towards the growth of minority business enterprise.
>
> Section 2. Establishment of the Advisory Council for Minority Enterprise. The council members were composed of members appointed by the President. The council was to serve as a source of knowledge and information on minority business enterprise.

> Section 3. Responsibilities of Other Federal Departments and Agencies. This section required that each department or agency head keep the Secretary informed on programs affecting minority business enterprise.[1]

This executive order resulted in the creation of the Office of Minority Business Enterprise (OMBE), a division of the U.S. Department of Commerce. OMBE monies provided for the administrative costs of some three hundred private Business Development Organizations which offered business assistance to minority businesses.[2]

In order to carry out the purpose of Executive Order 11458, Federal Procurement Regulations, Title 41: Public Contracts and Property Management of the Federal Procurement Regulations was amended on August 25, 1971, to include a provision for "Minority Business Enterprise." The revision required that all Federal contracts exceeding $5,000 contain a clause encouraging contractors to utilize minority businesses on a best effort basis. It also prescribed subcontracting policies, procedures, and contract clauses designed to develop and encourage participation by minority businesses in the subcontracts awarded by Government prime contractors.

Specific steps were outlined in the Title 41 amendment to promote minority business involvement in government procurement and included:

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[1] U.S. Department of Commerce, Office of Minority Business Enterprise, The Interagency Council for Minority Business Enterprise (Washington, D.C.: Government Printing Office, 1976), p. 40.

[2] U.S. Department of Commerce, Office of Minority Business Enterprise, Minority Enterprise Corporate Involvement (Washington, D.C.: Government Printing Office, 1977), p. 2.

> The contractor's agreement to establish and conduct a program which would enable minority businesses to be considered fairly as subcontractors and suppliers.
>
> The contractor's designation of a liaison officer to administer his minority business program.
>
> The contractor's provision for adequate consideration of potentialities of known minority businesses in all make-or-buy decisions.
>
> The contractor's assurance that the known minority businesses would have equal opportunities to compete for subcontracts.
>
> The contractor's maintenance of records showing procedures for implementation of his program, the number of contracts awarded to minority businesses, and specific efforts made to award such contracts.[3]

The Minority Business Enterprise Subcontracting Program (of which the steps are outlined above) was to be implemented by those contractors whose federal contracts exceeded $500,000 and which, in the opinion of the procurement officer, offered substantial subcontracting possibilities.[4]

The Nixon Administration's Minority Business Enterprise Program was strengthened on October 13, 1971, by the issuance of Executive Order 11625.[5] The order, entitled "Prescribing Additional Arrangements for Developing a National Program for Minority Business Enterprise," increased the authority of the Secretary of Commerce regarding minority business development.[6] Basically, this order gave the Secretary of Commerce the authority to:

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[3]Robert L. Kunzig, Administrator of General Services, "Title 41--Public Contracts and Property Management," Federal Register 36 (September 1, 1971), 17509.

[4]Ibid.

[5]U.S. Department of Commerce, Interagency Council, p. 1.

[6]Ibid.

Implement Federal policy in support of the minority business enterprise program.

Provide additional technical and management assistance to disadvantaged businesses.

Assist in demonstration projects.

Coordinate the participation of all Federal departments and agencies in an increased minority enterprise effort.[7]

In compliance with Executive Order 11625, the Armed Services Procurement Regulations were also revised. The revisions stated that:

> . . . emphasis should be placed on utilizing minority enterprises for procurement. . . . Liaison should be maintained with Governmental and private sources maintaining lists of minority enterprises. . . .[8]

In April of 1974, OMBE signed agreements with both the National Aeronautics and Space Administration (NASA) and with the Maritime Administration to increase cooperation among government and minority businesses to further insure that minorities were given the fullest consideration as suppliers. The agreement between OMBE and NASA provided a cooperative effort to transfer space-developed technology to minority businesses as follows:

> . . . NASA and OMBE will jointly sponsor a pilot seminar program to provide information on new products and processes which have commercial applicability. . . . Both NASA and OMBE will provide follow-up assistance to develop new products and markets. OMBE's technical and management staff will then assist minority businessmen in fully implementing the technologies adopted.[9]

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[7] U.S. Department of Commerce, Office of Minority Business Enterprise, Progress of the Minority Business Enterprise Program 1974 (Washington, D.C.: Government Printing Office, 1975), p. 18.

[8] U.S. Department of Defense, Armed Services Procurement Regulations (Washington, D.C.: Government Printing Office, 1976), p. 1:74.

[9] U.S., Congress, Senate, Committee on Labor and Public Welfare, Economic Opportunity Legislation, 1974, Hearing, before a subcommittee on Employment, Poverty, and Migratory Labor, Senate, on S. 3870, 93d Cong., 2d sess., 1974, p. 390.

The agreement between OMBE and the U.S. Maritime Administration provided a cooperative effort to assist minority businesses in becoming maritime subcontractors in that:

> . . . OMBE will provide management and technical assistance to minority firms interested in becoming maritime subcontractors and to those firms which win contracts. It will also seek to locate capable minority firms and will assist in development of financing from private sources for firms that need it.[10]

In May of 1977, the Public Works Employment Act of 1977 authorized a $4 billion Round Local Public Works program. This program contained the requirement that 10 percent of each grant approved under the program go to minority businesses. The legislation also authorized the Secretary of Commerce to waive the provisions in situations where it was unreasonable to require fulfillments of the quota. This requirement was the first of its kind legislated by Congress and represented a strong effort to overcome discrimination against minority businesses in construction and related industries.[11] The Commerce Department's Economic Development Administration (EDA) assumed the primary responsibility for implementing the 10 percent requirement. An interim report of the progress of the implementation was published in September 1978:

> Although final judgments on the MBE (Minority Business Enterprise) effort must await completion on the program and EDA's monitoring activities, the results to date have been sufficiently impressive. . . . We are optimistic that such efforts will further the progress being made under the LPW program in fostering the development and expansion of minority firms.[12]

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[10]Ibid., p. 393.

[11]U.S. Department of Commerce, Economic Development Administration, Interim Report on 10 Percent Minority Business Enterprise Requirement (Washington, D.C.: Government Printing Office, 1978), p. 1.

[12]Ibid.

On August 4, 1977, Public Law 95-89 was signed by President Carter. The primary purposes of the new law were to increase loan authorization and surety bond guarantee authority and to improve the disaster assistance and Small Business set-aside programs for small and minority businesses. The law also amended the Small Business Act to require separate reporting for minority businesses to the House and Senate Subcommittee on Small Business.

> With respect to minority small business concerns, the report shall include the proportion of loans and other assistance under this Act provided to such concerns, the goals of the Administration for the next fiscal year with respect to such concerns, and recommendations for improving assistance to minority small business concerns under this Act.[13]

On September 12, 1977, President Carter asked the Office of Federal Procurement Policy to review and revise procurement regulations and to require that recipients of major Federal contracts show how they would involve minority and small businesses before, rather than after, a federal contract has been awarded. President Carter also asked that all executive departments double their purchases of goods and services from minority businesses within the next two years.[14]

On September 16, 1977, Secretary of Transportation, Brock Adams, established a minority business enterprise participation goal of 15 percent for all recipients of financial assistance under the

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[13] U.S., Congress, House, An Act to Amend the Small Business Act and the Small Business Investment Act of 1958, Public Law 95-89, 95th Cong., 2d sess., 1977, H.R. 692, p. 558.

[14] President Jimmy Carter, "The White House: Statement by the President," pp. 9-10.

Railroad Revitalization and Regulatory Reform Act of 1976 (the 4R Act). The 4R Act established nondiscrimination practices for Federally assisted railroad programs. The regulations called for Federal agencies to establish percentage goals for increased minority business participation.[15]

On October 24, 1978, Public Law 95-507 was signed by President Carter. This new law contained several amendments to the Small Business Act and Small Business Investment Act of 1958. First of all, Public Law 95-507 increased the size of the Minority Enterprise Small Business Investment Companies (MESBICs) program and the size of the individual MESBICs.[16] MESBICs had been created in 1969 by an amendment to the Small Business Investment Act to "stimulate the creation of investment corporations strictly for minority loans."[17]

Public Law 95-507 allowed:

> MESBICs formed as corporations to sell twice as much preferred stock to the Small Business Administration (SBA) as was previously allowed.
>
> Small Business Investment Companies (SBICs) to invest idle funds in savings and loan associations in amounts exceeding $40,000.

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[15] Kenneth E. Bolton, Director of Minority Business Resource Center, Department of Transportation, to Larry Giunipero, 28 November 1978.

[16] For further details on MESBICs see Chapter III, LITERATURE REVIEW.

[17] Harry Turton, "A Forgotten American Right," Access, January/February 1977, p. 4.

MESBICs to make distributions to its shareholders without paying SBA any differential costs.
MESBICs to form as limited partnerships.[18]

Secondly, the law extended some legislative control over the SBA's 8(a) program.[19] In order to facilitate the placement of subcontracts with minority small businesses, an advisory committee composed of "five high-level officers from five United States businesses and five representatives of minority small businesses"[20] was to be created. The committee members and chairman were to be appointed by the President. The chairman was to report the committee's activities annually to the President and to Congress.

Thirdly, Public Law 95-507 required that any bidder who is to be awarded a Federal contract exceeding $500,000 ($1,000,000 for contracts for the construction of any public facility) must submit to the relevant Federal agency concerned a subcontracting plan incorporating the following:

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[18] U.S., Congress, House, Amending the Small Business Act and Small Business Investment Act of 1958, Report No. 95-949, 95th Cong., 2d sess., 1978, p. 15.

[19] Section 8(a) of the Small Business Act authorized the Small Business Administration to enter into contracts with Federal procuring agencies or departments for the purchases of goods and services. For performance of such contracts, the SBA is empowered to let subcontracts to business concerns. Since 1968 this authority has been used to channel Federal purchase requirements to the socially or economically disadvantaged owners of small businesses. Congress, however, had never extended legislative controls over the activities of the SBA's 8(a) program prior to Public Law 95-507.

[20] U.S., Congress, House, An Act to Amend the Small Business Act and Small Business Investment Act of 1958, Public Law 95-507, 95th Cong., 2d sess., 1978, H.R. 11318, p. 1765.

Setting percentage goals for the utilization of subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals.[21]

Naming an individual within the employ of the bidder who will administer the subcontracting program of the bidder and a description of the duties of such individual.

Describing the efforts the bidder will take to assure that small business concerns and small business concerns owned and controlled by the socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts.

Assuring that the bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the Federal agency or the Administration in order to determine the extent of compliance by the bidder with the subcontracting plan.[22]

Public Law 95-507 provided the basis for more capital to minority businesses, provided more control over the 8(a) program, and placed the burden on corporations for determining the amount of minority business prior to receiving federal contracts.

Public Organizations

This section contains information about public organizations which assist minority businesses.

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[21] Socially disadvantaged individuals are those individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group with regard to individual qualities. Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. Black Americans, Hispanic Americans, American Indians, Eskimos, Aleuts, and native Hawaiians are to be considered socially and economically disadvantaged. Quoted in Lester Fettig, Administrator, "Subcontracting," Federal Register 40 (April 20, 1979), 23610.

[22] U.S., Congress, House, An Act to Amend the Small Business Act and Small Business Investment Act of 1958, pp. 1768-1769.

The Office of Minority Business Enterprise (OMBE), an agency of the U.S. Department of Commerce, is one of the most extensive of the public organizations which provides assistance to minority business. OMBE is headquartered in Washington, D.C. with regional offices in New York City, Chicago, Atlanta, Dallas, San Francisco, and Washington, D.C. Field offices are located in various cities where there is a concentration of minority populations.

Direct assistance is offered to minority businesses through a network of nearly three hundred private OMBE-funded Business Development Organizations (BDO's) located throughout the nation. These BDO's constitute the primary function of OMBE--they provide management and technical assistance to minority businesses. The BDO's:

> Identify, attract, and advise qualified or qualifiable candidates for OMBE management and technical assistance.
>
> Provide information to minority business communities about existing or forthcoming business opportunities at the local level.
>
> Help minority businesses "package" their business plans, including interviews with aspiring entrepreneurs; determine market feasibility; assist with loan packages; and help provide access to private capital to start a business or strengthen an existing business.
>
> Provide follow-up management and technical assistance, as needed.[23]

The Interagency Council for Minority Business Enterprise was organized in conjunction with OMBE. Executive Order 11625 strengthened the program by increasing the authority of the Secretary of Commerce in minority business development. The Interagency Council for

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[23] U.S. Department of Commerce, Minority Enterprise Corporate Involvement, p. 2.

Minority Business Enterprise is comprised of Under Secretary-level government executives and is chaired by the Under Secretary of Commerce. The Council's major functions are:

> To coordinate Federal activities in support of minority business development and serve as a focal point to emphasize administrative policy in support thereof.
> To promote increased Federal participation in the development of minority businesses.
> To develop and implement Federal policy in support of the minority business development effort.
> To ensure key individual points of contact within each agency for program support.
> To establish and oversee the operation of substantive action elements which address specific program areas.[24]

State offices of OMBE were also established to provide a direct link between minority businesses and state authorities. State OMBE's identify opportunities within state agencies for minorities to supply their goods and services.

Minority Business Opportunity Committees (MBOC's) are found in thirty-five major U.S. cities. These committees identify, promote, and coordinate Federal resources at local and regional levels in support of minority businesses. The following is a description of how MBOC's assist minority businesses:

> They promote the needs of minority business within the local government structure, identify sources of deposits for minority financial institutions, arrange minority business seminars and training courses, secure minority business concessions at local Federal buildings, and develop localized lists of minority suppliers for use by Federal and corporate or local government purchasing agents.[25]

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[24] U.S. Department of Commerce, Interagency Council, pp. 1-3.

[25] U.S. Department of Commerce, Office of Minority Business Enterprise, Minority Enterprise Corporate Involvement, p. 3.

The Small Business Administration (SBA) assists minority business through several ways previously mentioned, such as the 8(a) program. In addition, the SBA has developed a Procurement Automated Source System (PASS). "PASS contains information on 15,000 small businesses of which approximately 12 percent are minority-owned."[26]

Private Organizations

In 1972 the National Minority Purchasing Council (NMPC) was formed. It is composed of corporate chief executives, purchasers, and minority businesspersons and organizations. By 1978, there were nearly one thousand corporations participating in the NMPC program. OMBE provided $1.8 million to the National and Regional Minority Purchasing Councils in 1978. This represented over 50 percent of the organization's budget. The balance of the budget was provided by corporation membership fees.[27] The National Minority Purchasing Council:

> Promotes the adoption and implementation of corporate minority purchasing policies and helps member corporations locate qualified minority suppliers.
>
> Maintains current information on capabilities of minority-owned firms and develops programs designed to help minority-owned businesses qualify as corporate suppliers.
>
> Reports on the use of minority suppliers by U.S. industries and businesses.[28]

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[26]Paul Hyman, "Minority Firms Computerized But Unverified," Electronic Buyers News, August 27, 1979, p. 4.

[27]A. Marusi, remarks made during conference "Developing and Maintaining a Successful Minority Purchasing Program," Atlanta, Georgia, March 1979.

[28]U.S. Department of Commerce, Office of Minority Business Enterprise, Minority Enterprise Corporate Involvement, pp. 4-5.

There is also a NMPC Vendor Information Service which provides corporations with information about minority businesses capable of supplying the goods and services they need. The NMPC has forty-three regional purchasing councils throughout the United States.

Other organizations which support and promote minority business development include (with founding dates):

1. National Business League (1900)
2. Interracial Council for Business Opportunity (1963)
3. National Minority Business Campaign (1968)
4. Black Affairs Center (1970)
5. National Economic Development Association (1970)
6. National Association of Black Manufacturers (1971)

The National Business League (NBL) was founded in 1900 and "was the oldest national organization advocating minority enterprise and its full development."[29] The National Business League helped introduce the concept of regional purchasing by minority businesses which resulted in the formation of the National-Regional Minority Purchasing Council program. The National Business League also:

> Identifies and attracts the minority markets.
> Identifies and helps qualify minority suppliers.
> Identifies and helps organize personnel within individual companies to respond effectively to minority affairs, consumers, and matters relating to corporate and social responsibility.
> Identifies and helps arrange the disposal of inner-city corporate properties for community services.
> Identifies and helps survey communities in which corporations should build or expand manufacturing, distribution, and sales facilities.

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[29]National Business League, Corporate Guide for Minority Vendors (Washington, D.C.: National Business League, 1977), p. 2.

> Identifies and helps organize personnel resources.
> Identifies and develops new advertising and market programs.
> Identifies and maintains avenues of communication with government regarding minority affairs, obligations, and opportunities.
> Identifies problems affecting minority business enterprise and development and promotes legislative proposals at the national level. . . .[30]

The Interracial Council for Business Opportunity provides management counseling and loan assistance. Management training courses are offered by the Council in conjunction with local colleges.

The National Minority Business Campaign (NMBC) has the express purpose of acquainting majority-owned corporations with the products and services of minority businesses. Nonminority organizations are encouraged by the NMBC to purchase minority business products through the "Try Us" Directory which lists 3,600 minority businesses, their location, and their products and services.

The Black Affairs Center is basically an educational and research organization. The focus of attention at the Center is on "the development and use of its resources in the promotion of positive social change, educational and institutional development and reorganization . . . and multi-cultural skills development."[31] The National Economic Development Organization was designed to provide management assistance to minority business owners with particular emphasis on Spanish-speaking owners.

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[30] Ibid., p. 53.

[31] "Section 7--Social Welfare Organizations," Encyclopedia of Associations, 1976, p. 672.

The National Association of Black Manufacturers is comprised of black manufacturers dedicated to the promotion of the industrial interests of both its members and all minority-owned businesses, and to assisting large industrial corporations locate minority corporations. The organization annually sponsors a four-month internship program for minority college business majors in an attempt to encourage minority young people to enter the industrial field.[32]

Summary

Table 2.1 is a summary of recent legislation which has affected minority business. Executive Order 11458 made the Secretary of Commerce responsible for mobilizing efforts of state and local governments, businesses, and trade associations in promoting the growth of minority business enterprise. The Order also resulted in the establishment of the Office of Minority Business Enterprise (OMBE). Executive Order 11625 gave the Secretary of Commerce authority to implement Federal policy in support of the minority business programs, coordinate the Federal government's minority purchasing efforts, and provide assistance to minority businesses.

The Public Works Employment Act authorized a $4 billion Round Local Public Works Program. This program contained the requirement that 10 percent of each construction grant awarded must be awarded to minority business. A 15 percent minority business goal was established by Brock Adams for all Federal agencies and their contractors as part of the Railroad Revitalization Act.

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[32] Ibid.

TABLE 2.1

RECENT LEGISLATION AFFECTING MINORITY BUSINESS

Year	Legislation/ Executive Orders	Summary
1969	Executive Order 11458	Established the Office of Minority Business Enterprise with the purpose of mobilizing Federal resources to aid minorities.
1971	Title 41 Federal Procurement Regulations	Required all Federal contracts exçeeding $5,000 to contain a a clause encouraging contractors to utilize minority businesses on a best-effort basis.
1971	Executive Order 11625	Secretary of Commerce was given the authority to implement: 1. Federal policy in support of minority business enterprise program. 2. Provide technical and management assistance to disadvantaged businesses. 3. Coordinate activities of all Federal departments to aid in increasing minority business development.
1977	Public Works Employment Act	Required that 10 percent of each Federal construction grant be awarded to minority businesses.
1977	Public Law 95-89	Increased loan authorizations and surety bond guarantee authority to minority businesses.
1977	Railroad Revitalization and Regulatory Reform Act	Required that recipients of financial grants and their subcontractors establish a goal of 15 percent of purchases be awarded to minority businesses.
1978	Public Law 95-507	Mandated that perspective bidders for Federal contracts exceeding $500,000 ($1,000,000 for construction contracts) submit, prior to contract award, a plan which includes percentage goals for utilization of minority businesses.

Public Law 95-507 revised the Small Business Act and the Small Business Investment Act of 1958. The law also required that bidders on Federal contracts exceeding $500,000 ($1,000,000 for construction contracts) submit to the relevant Federal agency a subcontracting plan setting percentage goals for the utilization of minority businesses prior to a receipt of a contract.

There are many organizations which assist minority businesses. The public organization efforts at the Federal and state levels are guided by the Office of Minority Enterprise and the Small Business Administration. The OMBE-funded groups include the Business Development Organization, State OMBEs, and city OMBEs. Private organizations include the National Minority Purchasing Council, the National Business League, and the National Association of Black Manufacturers.

CHAPTER III

LITERATURE REVIEW

Review of the literature resulted in the collection of a body of information about minority business enterprises and minority vendor purchasing. The review provided information used to identify factors which were thought to be important in developing effective minority purchasing programs.

The literature search on minority businesses was conducted in the following manner. First, Federal government indices for Congressional hearings, laws, and agency reports were reviewed. Secondly, two computer data base searches of the literature were conducted utilizing the AVI-INFORM Business Journal Data Base and the Social Science Search Data Base. Thirdly, the _Dissertation Abstracts_, _Business Periodicals Index_, _New York Times Index_, _Wall Street Journal Index_, and Michigan State University's library card catalogues were searched. Finally, additional information was obtained through direct mail inquiries to Federal agencies, the National Minority Purchasing Council, and the National Association of Purchasing Management and through contact with the office of U.S. Representative Robert L. Carr of Michigan.

The literature specifically addressing minority purchasing programs represented a very small portion of the total literature reviewed. However, much literature reviewed concerned minority business considerations which do impact minority purchasing programs. For example, the lack of capital available to minority businesses may limit the number of minority vendors in a minority purchasing program.

A major source of information about minority businesses is found within various government publications. Government publications, as well as the major categories of the literature which have an impact on minority purchasing, are presented in this chapter. The categories are:

1. Loans and Capital Requirements Assistance
2. Training and Development Assistance
3. Corporate Social Responsibility
4. Minority Purchasing Programs

Government Publications

The Office of Minority Business Enterprise (OMBE) and the Small Business Administration (SBA) have published numerous pamphlets, brochures, and booklets. Several OMBE and SBA publications describe procedures for obtaining financial assistance from the Federal government. Two of these are the "Guide to Federal Assistance Programs for Minority Business Enterprises" and "Section 301(d) SBIC's."

The "Guide to Federal Assistance Programs for Minority Business Enterprises" describes OMBE programs which provide assistance to minority businesses. One hundred ten programs are summarized with such information as the title of the program, federal agency sponsoring the program, type of assistance available, eligibility requirements to participate in the program, the manner in which application to the program can be made, and whom to contact for further information.

"Section 301(d) SBIC's" (Small Business Investment Corporations) is a publication of the Small Business Administration. In this pamphlet a question-answer approach is used to describe what the Section 301(d) license program is, how to establish and operate a Section 301(d) SBIC, availability of funding, and the rules used to govern Section 301(d) SBIC's.

Another major publication of OMBE is the periodical Access. Access is published six times per year and includes articles on types of contracts which have been awarded to minority businesses; interviews with executives of major corporations which describe their efforts in the area of minority business; minority businesses which have become successful; and legal developments which could affect minority businesses.

The Minority Business Information Institute, which is staffed by OMBE employees, publishes a monthly newsletter. This publication details success stories of minority businesses, describes past and up-coming events designed to increase minority business involvement, and, in general, is an account of news within the minority business environment.

Loans and Capital Requirements Assistance

The problems that minority businesses have in obtaining capital were cited quite frequently in the literature. These problems were typified by the following comment:

> Usually mired at the bottom of the economic scale, minority members don't inspire bankers to throw open the cashbox. Those bankers who have done so have usually regretted it. The odds against any fledgling business succeeding are astronomical. . . .[1]

Two avenues available to minority business to overcome these problems are Minority Enterprise Small Business Investment Companies (MESBICs), which were developed as part of the Small Business Investment Act, and minority-owned banks.

Minority Enterprise Small Business Investment Companies

The Small Business Investment Act of 1958 was designed to encourage the establishment of privately owned companies to lend financial support to small businesses which were unable to obtain financing through normal banking channels. Yet, minority businesspersons still found themselves lacking the capital necessary to develop their own companies. Due to this continuing problem, the Small Business Investment Act of 1958 was amended in 1969 to stimulate the establishment of investment companies to lend money to minority businesses exclusively. These Minority Enterprise Small Business Investment Companies (MESBICs) provided, in addition to

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[1] Harry Turton, "A Forgotten American Right," p. 4.

financial support, consulting services to the businesses in an attempt to reduce some of the risk of the initial investment.[2]

The amendment also provided leverage for further funding.

> To establish a MESBIC, a corporation must supply a capital base of $150,000 or more. The SBA will purchase $2.00 of long-term debentures of the investment company for every $1.00 of private capital invested. MESBIC's enjoy two major financial advantages. First, MESBIC's obtain special tax treatment of dividend income and deductability of loan losses and thus, is able to pass "through" to shareholders the tax benefits of operating losses. Secondly, it is able to obtain SBA 2 for 1 leverage on its invested capital.[3]

Many major corporations subsequently established MESBICs. In 1970 General Motors established one of the first of these MESBICs--Motor Enterprises, Inc. (MEI). Under the MESBIC program, General Motors authorized MEI to use $1 million. With this $1 million, $4 million could be borrowed from the Small Business Administration. The $5 million total could then be leveraged by seeking $4 from banks and other sources for every dollar loaned. Thus, MEI had raised the total available funds (including reinvested interest) to nearly $25 million.[4]

Motor Enterprises made 105 loans to minority businesses. Twenty-five of these businesses have failed, and twenty-five have proven profitable. Of the remaining businesses, twelve appeared

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[2] Ibid.

[3] "MESBIC Offers More Than Cash Client Says," Access, March/April 1977, p. 4.

[4] Harry Turton, "A Forgotten American Right," p. 4.

potentially profitable, fourteen seemed likely to fail, and the success of the remaining businesses was still questionable.[5]

Standard Oil of Indiana had invested corporate funds in several minority businesses prior to the MESBIC program. When the MESBIC program began, Standard Oil of Indiana formed a wholly-owned subsidiary, Amoco Venture Capital Company, to continue its lending practices. By the end of 1975, Amoco Venture Capital had invested nearly $1.35 million in twenty-three minority-owned businesses. This $1.35 million investment created eight hundred new jobs with the establishment of the new minority-owned businesses.[6]

One of the largest MESBIC's formed was MCA New Ventures, Inc. Capitalized at $3 million by its parent company, MCA-Universal, Inc., loans of nearly $60 million could be generated. As its parent company was an entertainment conglomerate, MCA New Ventures' investment policy called for the lending to minority businesses which were also involved in the entertainment-related fields.[7]

Glenco Enterprises, Inc. was a Cleveland-based MESBIC. It was one of the two MESBIC's totally financed and managed by black investors. Glenco developed a state-supported minority business educational program involving a series of four seminars for minority businesspersons throughout Ohio.[8]

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[5]Ibid.

[6]"Corporate Minority Interprise Involvement," Access, September/October 1976, p. 12.

[7]"MESBIC Round-Up," Access, September/October 1976, p. 3.

[8]"Cleveland MESBIC Holds Annual Meeting," Access, May/June 1977, p. 12.

The first MESBIC organized by an aerospace corporation, Rockwell International, was Space Ventures, Inc. Its key objective was to assist in the development of minority-owned businesses which produced products and services in support of the space program. The development of Space Ventures occurred around the same time that the National Space and Aeronautics Administration (NASA) and OMBE began promoting increased minority efforts in the production of space-related items.

Space Ventures had no apparent difficulties in attracting clients even though only a small percentage of client proposals for loans were accepted. Space Ventures' potential clients usually learned of the MESBIC by word of mouth. When Space Ventures invested in a company or made a loan, new inquiries were generated. OMBE, local business development organizations, and occasionally the Small Business Administration referred potential clients to Space Ventures. Approximately twenty inquiries per month were received by the MESBIC, with roughly two out of every hundred being legitimate proposals. Space Ventures had a total of nearly $2 million invested in its program, and it was expected to increase this amount in the future.[9]

Minority-Owned Banks

Another source of financing for minority businesses is the minority bank. Minority banks, however, constitute less than one-half of 1 percent (165 banks) of the 14,000 commercial banks in the United States. Reasons for the diminutive role include an inaccessibility to

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[9] "Bringing Space Technology Down to Earth," Access, March/April 1977, pp. 3-5.

adequate capital for developing and supporting a flexible bank structure necessary for growth; lack of trained and talented minority banking managers; and lack of centralized sources of information for planning and organizing a bank.[10]

Milton Puryear published a how-to manual entitled "Organizing A Bank" in hopes of establishing guidelines for minority persons desiring to start a bank. The handbook discusses the need for newly organized banks to have correspondent banks and the Federal requirements that a newly organized bank must meet. Samples of typical agreements and forms used in establishing a bank were also given. "Organizing a Bank" helps minority businesspersons realistically assess their potential in the banking field.[11]

A minority person who desires to enter the banking field may receive training from several sources. Educational training is available through the National Bankers Association. Scholarships are available to attend the National Commercial Lending School at the University of Oklahoma and to the senior bank management seminars which are held at Columbia University. Another program available permits individuals who work at a minority bank to train at non-minority banks for periods of up to a year in any functional activity.[12] These scholarships and training programs are specifically designed to increase the capabilities of minority bankers.

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[10]"Starting A Bank," Access, May/June 1974, p. 15.

[11]Ibid.

[12]"Minority Banks Face New Challenge," Access, January/February 1976, p. 4.

Major corporations are increasingly doing more business with minority banks. General Motors, American Telephone and Telegraph, Xerox, IBM, Mobil Oil, Prudential Insurance, and others have deposited millions of dollars in minority banks. The Conference Board, an independent business research agency, conducted a survey of six minority-owned banks during late 1973. Conclusions of the survey indicated that not one corporation had closed an account and that several corporations were expanding their use of minority banks.[13]

> It cited Avon Products, which currently uses 17 minority banks, as an example of a firm that not only continues to do business with these banks, but has plans for expansion in the near future. By Spring, Avon expects to be using 25 minority banks and to have $2 million on deposit with them.[14]

To encourage and aid corporations to become more involved in minority banking, Chicago United, a coalition of business and professional leaders in Chicago, published "A Practical Guide to Starting or Improving a Minority Banking Program." In this publication primary consideration is given to obtaining the support of the corporate chief executive and his particular role in launching and monitoring a minority banking program. The guide also discusses the commitment necessary to develop an effective banking program.

> It is important that any effort which is directed at both a business and a social need be grounded in firm, sound management practice. To undertake a minority banking

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[13] "Minority Banking Billion Dollar Industry," Access, January/February 1974, p. 3.

[14] Ibid.

> program without making it part of the day-to-day business of the organization is to condemn it to almost certain failure.[15]

With the support of the Small Business Administration, corporate-run MESBICs, and minority banks, minority businesspersons had greater opportunity to find the needed capital necessary to develop and maintain businesses.

Training and Development Assistance

Competent and skilled personnel to organize and operate the minority businesses are a most vital requirement.

> Perhaps not more than one-half of the men placed in charge of the new black enterprises in the past two years or so have survived in their jobs as managers, or will survive in the next two or three years.[16]

Research conducted by Jeffrey A. Timmons with owner-managers of minority businesses supports the need for training assistance. The objectives of Timmons' training program are to stimulate the participants to set challenging yet realistic goals for business expansion or initial business development; to develop their achievement motivation to reach their goals; and to help the participants identify needs for specific skills to meet their goals.[17]

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[15] Harry G. Beckner and Daryl F. Grisham, Co-chairmen, _A Practical Guide to Starting or Improving a Minority Banking Program_ (Chicago: Chicago United, January 1978), p. 9.

[16] Michael Brower and Doyle Little, "White Help for Black Business," _Harvard Business Review_, May/June 1970, p. 5.

[17] Jeffrey A. Timmons, "Black Is Bountiful--Is It Beautiful?" _Harvard Business Review_, November/December 1971, p. 84.

Timmons concluded from his research that a "catalyst for black capitalism is available now in some form of an entreprenuerial training program."[18]

> All along, the missing link had been the creation of the essential first step: the will and the commitment of local ghetto residents to acquire the knowledge and resources to launch new enterprises, thus obtaining self-determination, self-respect, and economic equality.[19]

Publications reported here illustrate how this support is provided. Training and development assistance is made available through MESBICs, various OMBE-funded projects such as the Business Development Organizations, and through corporations seeking to develop additional minority businesses. The type of assistance provided includes managerial, technical, accounting, and marketing.

Minority Enterprise Small Business Investment Companies (MESBICs) offer considerable technical and managerial assistance as well as other training programs. Congress wanted the MESBICs to be supported by strong parent companies that would not only provide start-up or operating capital, but would provide "a commodity more valuable than money: technical and management know-how."[20] Space Ventures, the MESBIC sponsored by Rockwell International, provides management assistance in terms of reviewing financial statements and trying to provide the minority business owner with insight as to the

[18]Ibid., p. 92.

[19]Ibid.

[20]Harry Turton, "A Forgotten American Right," p. 5.

value of such financial analyses. Space Ventures also provides technical assistance in specific areas of engineering and operation.[21]

Another example of MESBIC involvement in training is that of Glenco Enterprises.[22] Glenco was given a $30,000 contract by the Ohio Department of Economic and Community Development for the specific purpose of developing a statewide training program for minority businessmen.[23]

Counseling and management assistance is also provided by the Office of Minority Business' (OMBE's) Business Development Organizations (BDO's). Nearly 250 BDO's reported that during the fiscal year 1977 counseling assistance, management assistance, and other assistance was provided to 43,516 clients.[24] Figure 3.1 indicates the percentage of time spent in each area of assistance and service.

The Business Development Center (BDC) of Indianapolis, Indiana, is a prime example of BDO involvement. Each year the Center sponsors a Management Skills Course designed specifically for small business managers.

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[21]"Bringing Space Technology Down to Earth," p. 5.

[22]See "Finance" section, p. 34.

[23]"Cleveland MESBIC Holds Annual Meeting," p. 12.

[24]"Over 43,000 Clients Visit OMBE Centers," Access, November/December 1977, p. 8.

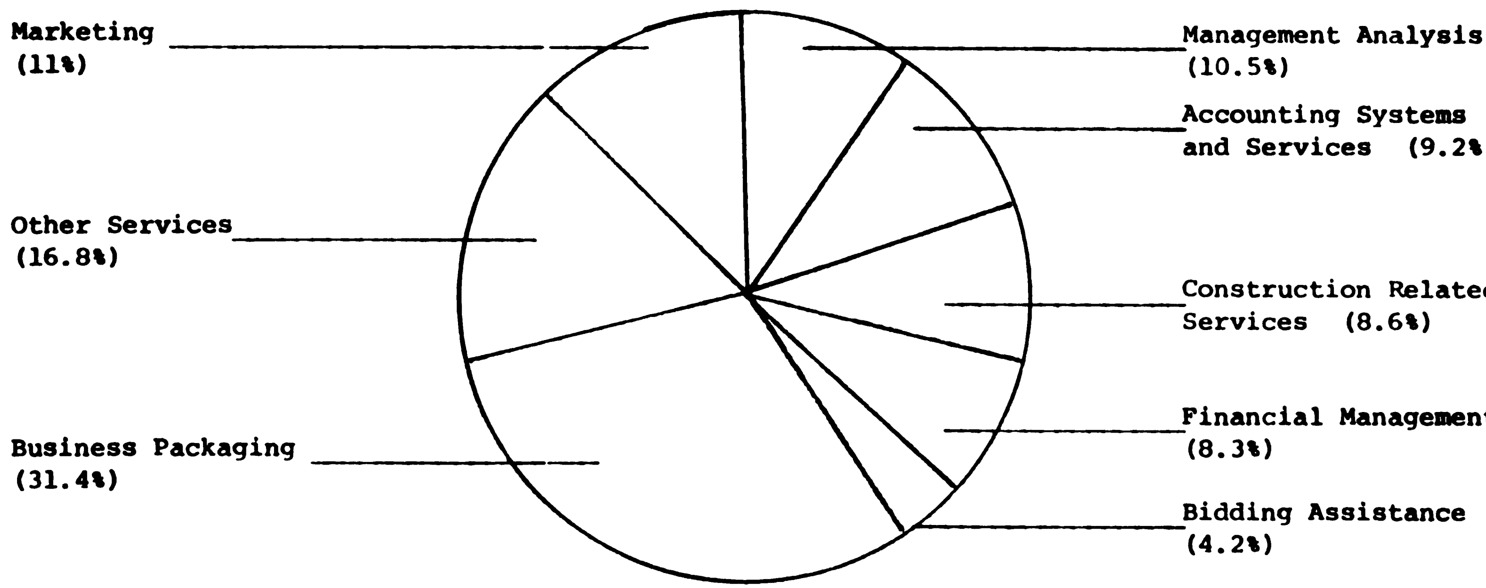

Fig. 3.1.--Allocation of Staff Time at OMBE Centers[a]

[a]"Over 43,000 Clients Visit OMBE Centers," Access, November/December 1977, p. 8.

> Pricing, sales promotion, advertising, decision-making, and financial statements were among the topics covered in the training. Volunteer lecturers include university professors, bankers, CPA's, industry advertising executives, and a representative from the SBA.[25]

In addition, the BDC and Indiana University have an arrangement whereby faculty and graduate students in marketing are on call to assist minority businesses with special sales problems. The director of the Indianapolis BDC estimated that in 1974, volunteers from major corporations, local organizations, and Indiana University provided nearly 1,559 hours of counseling time.[26]

OMBE's further interest in offering technical and training assistance is exemplified by the contract OMBE established with an Atlanta, Georgia-based consultant, Southern Rural Action (SRA). The contract specified that SRA was to assist fifty minority manufacturers in eight southern states. Included were counseling on the acquisition of capital, help in improving management skills, assistance in marketing practices, and the development of new sources of business from both the Government and private sectors. Southern Rural Action also helped establish training programs and assisted in developing and conducting trade shows for minority manufacturers.[27]

Amoco Oil Corporation, a subsidiary of Standard Oil of Indiana, has developed a program specifically designed to assist

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[25] "BDO Clients, Staff Members Go Back to the Classroom," Access, March/April 1975, p. 7.

[26] Ibid.

[27] "Manufacturers in Eight States to Get Expert Advice," Access, November/December 1975, p. 5.

minority contractors in bidding on major construction jobs. The program assists minority contractors in soliciting and preparing bids; provides a liaison between the contractors and project managers; and helps contractors with procedural and management problems.[28]

In its October 1978 quarterly report, Standard Oil Company of Indiana announced that the Amoco Foundation provided over $95,000 to students from minority groups for minority manpower development at thirty-two colleges and universities around the country. A majority of the funds were to help guide prospective engineering students.[29]

Brunswick Corporation was also involved in the development of a training program for a minority business--the Devil's Lake Sioux Manufacturing Corporation. Brunswick absorbed the start-up costs and provided working capital and training for the Indians. From their involvement with the Devil's Lake Sioux Manufacturing Corporation, a series of training and development guidelines were developed. They included:

> Selection of a nucleus of managers who are sensitive to the attitudes and cultural differences of the minority group.
>
> Keeping in mind the goal of minority control, care should be taken in upgrading the skills of the minority person--development of managerial expertise should be gradual.

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[28]"Amoco Oil Helps Minority Firms Win Construction Jobs," Access, July/August 1975, p. 4.

[29]Span, John E. Swearingen, Chairman (Chicago: Standard Oil of Indiana, 1978), p. 20.

Stress placed on an extensive, carefully planned training program--workers must not only gain job skills, but must also accept the "industrial work ethic."

Preparation for slow progress made in changing the employees' attitude toward industrial work.[30]

Corporate Social Responsibility

The concept of social responsibility which a corporation possesses involves several aspects:

The adaptation of the corporation to the changing requirements of society.

The maintenance of corporate activities in tune with what is generally perceived as the public interest.

The positive response to emerging societal priorities.

The demonstration of a willingness to take needed action ahead of confrontation.[31]

Publications in this section discuss the efforts being made by corporations in being more socially responsible.

Michael Brower and Doyle Little conducted a survey among executives from 281 of the nation's 750 largest corporations and among leaders from minority businesses and communities to determine their attitudes and activities toward minority businesses. Several conclusions included:

Executives of large corporations overwhelmingly endorse black capitalism.

A growing number of large companies have established positive programs to support minority businesses--nearly one out of every four corporations responding to the survey reported having one or more men assigned at least part-time to promoting black capitalism.

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[30] John G. Watson and Clair D. Rowe, "A Company Seeks Profits With a Sioux Indian Tribe," Harvard Business Review, July/August 1976, p. 10.

[31] A. A. Thompson and A. J. Strickland, Strategy and Policy: Concepts and Cases (Dallas: Business Publications, 1978), p. 55.

> The total support for black capitalism offered by the largest corporations is still a tiny trickle--the vast majority are still waiting on the sidelines, expressing support but doing nothing as yet.[32]

> There is a need for government pressure, assistance, and incentives--in the long run, sizable commitments of resources from a wide variety of corporations will apparently come only because of renewed or continued threats to corporate existence and to profits by militant groups or because of strong government pressures backed by economic incentives.[33]

The Standard Oil Company of Indiana was one of the first corporations to establish a minority purchasing program. Mr. Phillip T. Drotning, Standard Oil's Director of Corporate Social Policy, stated his corporation's initial minority purchasing policy evolved from both a moral obligation and an economic motive. In 1961 Standard Oil recognized the increasing number of minorities located in major urban population centers. This trend indicated that the less affluent minorities in urban areas would be unable to own cars and, thus, buy Standard Oil's products.

> Although we realized one corporation's impact was relatively nominal, we saw positive advantages to society in doing what we could in our own limited way to try to improve the economic lot of minorities, and, in the process, benefit society and increase our own market opportunities.[34]

Brunswick Corporation's Association with the Sioux Indian tribe also reflected its sense of corporate responsibility to minorities. When Brunswick elected to assist the Devil's Lake

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[32] Brower and Little, "White Help," p. 5.

[33] Ibid., p. 16.

[34] "Corporate Minority Enterprise Involvement," p. 8.

Sioux Manufacturing Corporation, it was determined to make a profit. Brunswick management emphasized the profit point to everyone involved with the Sioux corporation, and enthusiasm was generated among the tribe and work force. In addition to the profit, Brunswick also hoped to produce social benefits. As a result of Brunswick's efforts, there was a decline by nearly two-thirds of the Sioux Indian families from Devil's Lake on welfare.[35]

Miller Brewing Company is another corporation which demonstrated its corporate social responsibility to minority business enterprise. This feeling of responsibility was exemplified by the willingness to (1) utilize minority contractors; (2) make deposits in minority-owned banks; and (3) procure goods and services from minorities. The Office of Minority Business Enterprise gave Miller Brewing a national award for its participation in minority business activity.[36]

RCA Corporation's minority purchasing program utilized the goods and services of more than sixty minority businesses. RCA viewed their minority purchasing program as something more than a legal obligation. RCA's minority purchasing program became "a response to demands for equality of opportunity for minorities in every sphere of national life."[37]

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[35]Watson and Rowe, "A Company Seeks Profits," p. 10.

[36]"Major Brewer Helps Contractors Get a Start," Access, September/October 1977, p. 12.

[37]"We Could Be Your Best Customer," Access, January/February 1975, p. 10.

To assist RCA in finding suppliers and to demonstrate the commitment of RCA to minorities, an advertising promotion outlining RCA's commitment to purchasing from minority vendors was developed. The promotion enabled RCA to emphasize its commitment to equal opportunity.

> We were at the point where it just wasn't enough to say you are an equal opportunity employer--we wanted a campaign that demonstrated that we interpret the spirit of that pledge to go far beyond employment practices.[38]

The current chairman of the National Minority Purchasing Council and Chief Executive Officer of Borden, Inc., Augustine Marusi, recognizes the need for business to be socially responsible. His remarks reflect such a philosophy:

> Every business person in this room knows that enforcement procedures by the government are costly and inhibiting. But, if private industry really cherishes its relative freedom, it cannot be passive regarding social issues. Industry must demonstrate conclusively . . . by its performance--that it is functioning fairly and effectively in the public interest, as well as in its own interest--without government constraint.
>
> Industry need not be regulated by government to expand its purchases of goods and services from minority corporations. It is doing so voluntarily and effectively. Industry does not need to be regulated by the government to be accountable. It will collect the data and report to the public and government.[39]

Corporations such as Standard Oil of Indiana, RCA, Brunswick, and Miller Brewing appear to be making efforts to become more socially responsive. One of the areas which illustrates such efforts is that of minority purchasing.

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[38] "Bridging the Confidence Gap," Access, January/February 1975, p. 10.

[39] Augustine R. Marusi, "The Test for Private Initiative," Public Relations Journal, February 1977, pp. 14-19.

Minority Purchasing Programs

Minority purchasing programs as previously defined are aimed at increasing the volume of goods and services purchased by corporations from minority-owned businesses through the development and use of such businesses.

> Most of the nation's major (corporations) have established minority purchasing programs, conducted at the corporate level by managers with genuine enthusiasm for what they're doing. Others appear to be going through the motions with love in their hearts but with dragging feet.[40]

The majority of the literature found in this category described activities and successes of those corporations which already have minority purchasing programs.

The National Association of Purchasing Management (NAPM) adopted a formal policy on minority businesses in 1970. The policy stated that members of the NAPM "actively search out minority group small businesses and provide them with guidance and help in establishing themselves as viable, competitive business organizations."[41]

NAPM also worked closely with the Office of Minority Business Enterprise (OMBE). The result of the cooperative efforts was the organization of the National Minority Purchasing Council (NMPC). The NAPM and NMPC developed several suggestions for the development of minority suppliers:

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[40] A. Leopold and D. Graham, "Minority Vendors Make Modest Gains," Electronic News, July 26, 1976, p. 56.

[41] Frank J. Winters, "Business--Put It In Black and White," National Purchasing Review, September 1976, p. 3.

> . . . visiting supplier plants; offering to place the minority suppliers on the bidders' lists for used equipment; suggesting sources of supply for products and services; suggesting equipment that might improve the minority suppliers' products; arranging suppliers' visits to purchasers' plants; planning trade shows for minority suppliers to exhibit products and services; developing educational courses to acquaint minority suppliers on best ways to approach purchasing managers; as well as emphasizing good purchasing practices and procedures. . . .[42]

The NMPC tackled some of the problems encountered in the establishment of a minority purchasing program--namely, locating minority suppliers and identifying their capabilities and encouraging top management of nonminority corporations to implement minority purchasing programs.

In order to overcome the problem of locating minority suppliers, the NMPC designed a system to provide purchasing personnel with immediate access to qualified minority sources. This information service is the "Vendor Information Service" and was first available to users in December 1975. Once top management commitment was obtained, it was necessary to familiarize buyers about purchasing from minority vendors. The NMPC developed a buyer assistance program and distributed it to over one hundred corporations by December 1975.[43]

Since 1970, annual minority vendor dollar expenditures and total number of minority vendors utilized by major corporations have increased rapidly. IBM had at one time a list of ten minority suppliers, and by the end of 1977 it had over three hundred. "Dow

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[42] Ibid.

[43] Frank J. Winters, "Affirmative Action," <u>National Purchasing Review</u>, November 1976, p. 22.

Chemical went from nearly zero buying from minority firms in 1973 to a target of $9.25 million (in 1977)."[44] Raytheon developed what it called a "very active program" in which it tripled the amount purchased from minority vendors and quadrupled the number of minority suppliers over a three-year period. Lockheed purchased nearly $5.4 million worth of goods and services from 232 minority businesses in 1975.[45] The growth in purchases by NMPC member corporations increased from $86 million in 1972 to $1.8 billion in 1978.[46]

Proponents of minority purchasing also argue that there are several benefits for society as a result of minority purchasing programs:

> It provides a greater degree of competition in the economy.
>
> It redistributes resources and contributes to minority business development while strengthening the free enterprise system.
>
> It provides an effective mechanism for making the transition between exclusion, limited participation and competitive equality of minority vendors.[47]

Despite these positive aspects and increased emphasis by the NAPM, NMPC, and major corporations, very little was found in the

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[44] John R. Halbrooks, "Corporate Programs Begin to Pay Off," Purchasing, September 27, 1977, p. 24.

[45] Leopold and Graham, "Minority Vendors Make Modest Gains," p. 56.

[46] A. Marusi, remarks made during conference "Developing and Maintaining a Successful Minority Purchasing Program," Atlanta, Georgia, March 1979.

[47] Thaddeus H. Spratlen, "The Impact of Affirmative Action Purchasing," Journal of Purchasing and Materials Management, Spring 1978, p. 8.

literature review which described ways to implement a minority vendor program or which identified key elements necessary to guarantee success of a program once implemented. Two organizations, the National Minority Purchasing Council and Chicago United, do, though, have publications which serve as key guides to establishing minority purchasing programs. They are Purchasing Power: How Corporations Can Locate and Utilize Qualified Minority-Owned Professional Services and Vendors and A Practical Guide to Starting or Improving a Minority Purchasing Program. Both publications identify elements which their publishers feel are necessary to develop effective minority purchasing programs. These elements are:

I. Commitment

   A. Minority vendor policy statement containing the nature of the program goals.

   B. Chief executive officer is clearly identified as a supporter of the minority vendor policy and minority vendor program.

   C. Line management commitment is obtained by the CEO and certain dollar goals are established for the program.

   D. The organization demonstrates its involvement in such a program through affiliation with associations whose purpose is to further minority business.

II. Operationalizing

   A. Appointment of a Minority Purchasing Coordinator who guides, directs, and monitors the program.

   B. Determining potential of minority purchases--what can be purchased from minority suppliers.

   C. Training programs--orientation and awareness programs for buyers.

   D. Development of a data base of minority suppliers.

E. Motivation of the buyer.

1. Formally established quantifiable goals.

2. Overall performance appraisal partly based on minority vendor goal achievement.

3. Team approach--other line departments have minority goals.

F. Promotion of innovative purchasing techniques.

1. Screen-in minority suppliers rather than screen-out.

2. Outreach--whereby purchasing takes initiative by contacting the supplier.

3. Working with sources which are qualifiable--with certain technical assistance they can become qualified sources.

G. Goal-oriented emphasis.

1. Minority purchasing goals included in the goals at the buyer level.

2. Minority purchasing goals reviewed by minority purchasing coordinator.

3. Minority purchasing goals reviewed by top line management.

4. Minority purchasing goals reviewed by senior management.

5. Minority purchasing goals disseminated to each division and are visible corporate wide.

III. Monitoring

A. Regular time interval reporting.

B. Report analysis.

1. Auditing quotations for evidence of effort to include minority vendors.

2. Cost reductions realized versus price differential paid above the lowest quoted price on all commodities that are purchased from minority vendors.

3. Assisting purchasing personnel and other departments which have not been able to meet minority purchasing goals.

C. Continuing involvement by CEO.

1. Review program progress quarterly.

2. Insure the program is an integral part of management responsibility by assigning adequate weight in performance appraisals.

D. Accountability and recognition.

1. Goal chart of minority purchases prominently displayed.

2. Recognition of outstanding achievement.[48]

Summary

The review of the literature resulted in isolating a set of factors which were thought to guide minority purchasing efforts within corporations. These factors were:

1. A corporate policy statement about minority purchasing

2. Chief executive support for minority purchasing programs

3. Corporate minority purchasing goals

4. Buyer minority purchasing goals

5. An individual responsible for coordinating the minority purchasing program

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[48]Outline summarizes A Practical Guide to Starting or Improving a Minority Purchasing Program (Chicago: Chicago United, 1975) and Purchasing Power: How Corporations Can Locate and Utilize Qualified Minority-Owned Professional Services and Vendors (New York: National Minority Purchasing Council, 1978).

6. Payment of a price differential to develop minority vendors
7. Inclusion of minority vendor goal achievement in buyer performance appraisal
8. Identification of minority vendors
9. Development of minority vendors by providing managerial and technical assistance
10. Frequency of reports of minority purchasing program results

This was accomplished primarily by a systematic review of the literature concerning minority businesses. A major source of information about minority businesses was found within various government publications. Important areas of literature which affected minority purchasing programs were reviewed. These areas included:

Loans and Capital Requirements Assistance: The major sources of capital available to minority businesses outside the normal banking system are MESBIC's and minority-owned banks. Several major corporations established MESBIC's and provided funds to black banks through direct deposits.

Training and Development Assistance: Many training assistance programs are available to minority businesses. These programs provided managerial, marketing, accounting, and technical training. Programs are run by various OMBE-funded organizations such as the Business Development Organizations, by MESBIC's, and by private corporations' efforts.

Corporate Social Responsibility: A research survey conducted by Brower and Little, as well as various articles, indicated that corporate executives recognize the need for being more socially responsible. Efforts to meet this responsibility include minority purchasing programs. Mr. Augustine Marusi, Chief Executive Officer of Borden, Inc. and President of the National Minority Purchasing Council, felt such efforts must be made if private industry was to maintain its relative freedom from government intervention.

Minority Purchasing Programs: Very little was written specifically addressing this area. Many articles concerned the successful efforts of large corporations to purchase from minority vendors and the growth of such programs in terms of dollars spent with minority vendors. Two publications, A Practical Guide to Starting or Improving a Minority Purchasing Program and Purchasing Power: How Corporations Can Locate and Utilize Qualified Minority-Owned Professional Services and Vendors, were found which identified elements the publishers felt necessary for effective minority purchasing programs. These two publications provided considerable information used in questionnaire development.

CHAPTER IV

METHODOLOGY

This chapter presents the research methodology. Included is a discussion of development of the mail questionnaire, pilot testing the questionnaire, research sample, and data analysis.

Development of the Mail Questionnaire

A mail questionnaire was used to collect information about the research sample.[1] Mail questionnaire survey methodology was chosen since the sample population was widely dispersed geographically and a broad response was desired. This methodology also enabled the researcher to stay within the available financial budget.

Various information sources were used to develop the questionnaire, including:

1. Review of the literature concerning minority purchasing programs including literature from the National Minority Purchasing Council, Regional Minority Purchasing Councils, the National Association of Purchasing Management, and

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[1]A copy of this questionnaire is shown in Appendix A.

Chicago United.[2] The two most frequently used publications in the development of the questionnaire were Purchasing Power: How Corporations Can Locate and Utilize Qualified Minority-Owned Professional Services and Vendors and A Practical Guide to Starting or Improving a Minority Purchasing Program.

2. Feedback obtained from an initial questionnaire which was administered to participants of the 1978 Michigan State University Purchasing and Materials Management Seminar.

3. Input provided by the dissertation committee members.

4. Personal conversations held with leading corporate purchasing executives, the Executive Director of the National Minority Purchasing Council, and the Executive Directors of several Regional Minority Purchasing Councils.

Based on these information sources, a questionnaire was developed to (1) determine policies and procedures used by corporations in establishing and operating minority purchasing programs; (2) provide information for comparisons of purchasing problems between minority and nonminority vendors; (3) identify geographic and demographic factors which characterized minority purchasing programs; and (4) provide data to determine those variables which best explain minority purchasing activity.

The first series of questions asked about policies and practices used in minority purchasing programs to obtain information

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[2]See Chapter III for further details.

about (1) corporate goals for minority purchases; (2) buyer goals for minority purchases; (3) existence of policy statements about minority purchasing; (4) techniques used to locate minority vendors; (5) techniques used to develop minority vendors; (6) job responsibilities of the minority purchasing coordinator; and (7) management personnel who review minority purchasing activity. Selected questions in this series are:

> "Does your corporation have a policy statement with regard to minority purchasing programs?" (Question 3, Appendix A)

> "Does your corporation set minority purchasing goals?" (Question 4, Appendix A)

> "How successful are the following techniques in locating minority vendors?" (Question 11, Appendix A)

The second series of questions asked respondents to indicate the extent of various purchasing problems encountered when conducting business with minority and nonminority vendors. An example question in this series is:

> "Supplier problems are often encountered in purchasing. Indicate the extent of these problems for your minority and nonminority suppliers." (Question 14, Appendix A)

The third series of questions addressed the demographic and geographic factors which characterized minority purchasing programs. Examples of the questions in this third series are:

> "What is the approximate percentage of minority purchases by minority group?" (Question 22, Appendix A)

> "In what states do you have purchasing locations operating minority vendor programs?" (Question 24, Appendix A)

Pilot Testing the Questionnaire

Much time was spent on refining the questionnaire to obtain clarity, conciseness, and proper question sequencing in order to solicit the data required. A draft questionnaire was first administered to eight purchasing executives who were directly responsible for operating their corporations' minority purchasing programs. These corporations were selected on the basis of their high degree of activity in minority purchasing, geographic dispersion, diversity in terms of major product lines, and agreement to cooperate in the research effort. Corporations who participated were in the automotive, electronics, aerospace, forest products, oil, and consumer goods industries. All of the corporations that participated in the pilot test were in the top Fortune 500 industrial listing.

Each respondent was contacted prior to the pilot test mailing and was briefed on the research objectives. Respondents were then mailed the questionnaire with a cover letter explaining the purpose of the pilot test.[3]

All replies were returned within two weeks of the mailing, and each respondent was telephoned for his or her opinion of the clarity and conciseness of each question, as well as suggested additions or deletions. Analysis of the pilot test questionnaire revealed a need to modify two questions for clarity.

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[3]A copy of the cover letter is shown in Appendix B.

Research Sample

The research sample consisted of minority purchasing coordinators in manufacturing corporations having minority purchasing programs. The sample was limited to manufacturing corporations for several reasons: (1) their involvement in the area of minority purchasing; (2) their familiarity and knowledge of Michigan State University through purchasing seminars and previous research efforts; and (3) the number of personal contacts available. The latter two reasons were thought to have a favorable impact upon questionnaire response rate.

A manufacturing corporation was defined using the definition of a Fortune industrial: "a company which derives more than fifty percent of its revenue from manufacturing or mining."[4]

Identification of corporations to be part of the research sample was made with the assistance of executive representatives from the National and Regional Minority Purchasing Councils, from the National Association of Purchasing Management and from mention of organization in the literature with highly active minority purchasing programs. A letter was sent to each of the thirty-five Regional Minority Purchasing Councils requesting a membership roster stating corporation name, address, and key contact. Thirty-one of the thirty-five Regional Minority Purchasing Councils provided membership rosters. Additional names were obtained through the Corporate Guide for

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[4]"Notes to the Fortune Directory," Fortune, May 8, 1978, p. 260.

Minority Vendors[5] which lists nonminority corporations which are involved in minority purchasing efforts.

An analysis of these selected corporations was undertaken to: (1) verify the status of the corporation as a manufacturing corporation; (2) eliminate subsidiaries or divisions of the same corporation; and (3) obtain correct addresses for corporate headquarters. The analysis was performed by checking individual corporation names in either Fortune 500 and Fortune Second 500 largest industrials, Standard and Poor's Corporate Directory, Dun and Bradstreet's Million Dollar Directory, or Dun and Bradstreet's Middle Market Directory. Many corporations in nonmanufacturing areas were eliminated--such as airlines, large retailers, and utilities.

A total of 504 corporations were mailed questionnaires. Questionnaires were sent directly to the minority purchasing program coordinator at corporate headquarters. Each corporation received only one questionnaire in order to obtain information about minority purchasing from a corporate standpoint. The mail questionnaire packet contained a personalized cover letter stating the importance of the research and the National Association of Purchasing Management and National Minority Purchasing Council's support for the research; the questionnaire; a return-addressed stamped envelope; and a card for requesting research results.[6]

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[5]National Business League, Corporate Guide for Minority Vendors (Washington, D.C.: National Business League, 1977).

[6]Copies of the cover letter and Minority Purchasing Research Result Request form are shown in Appendix A.

The return envelopes were coded into six regions through the use of six different postage stamps. These six regions, areas within each region, and the number of questionnaires sent to each region are shown in Table 4.1. Individual corporation identities were unknown unless provided by the respondent. Eighty-nine corporations did identify themselves.

A 36 percent (182 out of 504 questionnaires) response rate was obtained from the initial mailing. Regional analysis of the returns revealed lower response rates in the Southeast, Southwest, and Far West. A second mailing was made to these regions. Corporations which had responded and had identified themselves in the first mailing were not sent a follow-up questionnaire. The second mailing contained a follow-up cover letter,[7] a copy of the original cover letter, the mail questionnaire, and return envelope. A total of 122 questionnaires were sent in the second mailing, to the same individuals to whom the initial mailings were directed. Eleven additional questionnaires were received from the second mailing. This brought the total response rate to 38 percent. The total response rate by region is found in Table 4.2.

Data Analysis

Data analyses were conducted based on 190 usable responses from the corporations queried. Three of those returned questionnaires were unanswered.

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[7]A copy of the follow-up cover letter is shown in Appendix C.

TABLE 4.1

REGIONS RECEIVING MAIL QUESTIONNAIRES, AREA, AND NUMBER OF QUESTIONNAIRES SENT

Region	Areas	Number of Questionnaires Sent
New York City[a]	Greater New York City Suburban New Jersey Suburban Connecticut	85
East	New York (excluding New York City) Connecticut, Pennsylvania, Maine, New Hampshire, Delaware, Maryland	122
Chicago[a]	Chicago and Suburbs	38
Midwest	Ohio, Michigan, Kentucky, Iowa, Missouri, Nebraska, Indiana, Wisconsin, Illinois (excluding Chicago & suburbs)	127
Southeast	Georgia, North Carolina, Florida, Tennessee, Louisiana	41
Southwest	Oklahoma, Texas, Arizona, New Mexico	35
Far West	California, Colorado, Idaho, Washington, Oregon	56
Total		504

[a]New York City and Chicago were chosen as separate regions due to the large number of corporate headquarters in those cities and due to the large size of their Regional Minority Purchasing Councils.

TABLE 4.2

TOTAL RESPONSE RATE BY REGION

Region	Total Number of Questionnaires Sent	Total Number of Questionnaires Returned	Percentage of Response Rate
New York City	85	30	35%
East	122	45	37%
Southeast	41	11	27%
Southwest	35	14	40%
Chicago	38	20	53%
Midwest	127	49	39%
Far West	56	21	38%
Returned Unanswered		3	
Total	504	193	38%

The data from each questionnaire was keypunched onto computer cards. The Statistical Package for Social Sciences (SPSS-6000 Version 7.0) was used for all of the statistical analyses. Data were analyzed in the following sequence:

1. Developing a profile of the research sample using various descriptive statistics.

2. Analyzing the dependent variables to determine which variables best represented minority purchasing activity.

3. Testing research hypotheses to determine which independent variables best explained minority purchasing activity.

Research Sample Profile

The dependent and independent variables were first analyzed in terms of descriptive statistics. The descriptive statistics used were mean, median, range, frequency count, and percentage.

Dependent Variables--Minority Purchasing Activity Measures

Four questions in the minority purchasing questionnaire were included for purposes of measuring the extent of minority purchasing activity by the respondents' corporations. These questions were:

> "How successful does your corporation feel the minority vendor program is?" (Question 17, Appendix A) Hereinafter termed "self-perceived success."
>
> "What approximate percentage of total purchases for 1978, 1977, and 1976 were from minority vendors?" (Question 18, Appendix A) Hereinafter termed "percentage of annual dollar purchases from minority vendors."
>
> "What were your approximate total dollar purchases for 1978, 1977, and 1976 from minority vendors?" (Question 19, Appendix A) Hereinafter termed "annual minority vendor dollar expenditures."
>
> "From how many minority vendors were purchases made in 1978, 1977, and 1976?" (Question 20, Appendix A) Hereinafter termed "total number of minority vendors."

The four questions listed above represented the major dependent variables chosen for the research. Two options were considered by the researcher with regard to choosing the activity measures. One option was to develop year-to-year change indices on the percentage of annual dollar purchases from minority vendors, annual minority vendor dollar expenditures, and total number of minority vendors. The second option was to use raw data as reported by the respondents.

Year-to-Year Change Indices. The change measures were evaluated in terms of the relative percentage change between the years 1978, 1977, and 1976. This resulted in three different change indices for each dependent variable: 1978 divided by 1977; 1978 divided by 1976; and 1977 divided by 1976. Percentage change was measured in terms of percentage of annual dollar purchases from minority vendors, annual minority vendor dollar expenditures, and total number of minority vendors.[8]

Sixty-one of the 193 respondents provided data for all three minority purchasing activity measures for the three years. Ninety-two respondents provided data for the years 1978 and 1977 for the three minority purchasing activity measures.

Data for each of the three minority purchasing activity change indices (1978/1977) were then ranked from high to low and split into quintiles.[9] For example, on total number of minority vendors, a respondent who purchased from six minority vendors in 1977 and from twenty-four minority vendors in 1978 would have a change of 4.00 (24/6 for 1978/1977). The 4.00 was one of the higher change scores, placing it in the top 20 percent of the rankings and giving it an assigned score of "5" (the lowest quintile would have a score of "1"). Continuing this example, if annual dollar purchases from minority vendors was scored a "4," these scores would be added together for a total score of "12." The range of the individual minority purchasing activity change indices ranged from "1" to "5," and the total of all three minority purchasing activity change indices ranged from "3" to "15."

T-tests were conducted using the combined scores (range of "3" to "15") and the three individual quintile scores (range of "1"

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[8]An example of a change index calculation is shown in Appendix D.

[9]Statistical significance levels of T-tests are shown in Appendix D.

to "5") for each minority purchasing activity measure. On the combined scores, those respondents with lower scores ("3" to "8") were compared with those respondents with higher scores ("10" to "15") for their responses on the independent variables. As an example, the existence of a corporate goal for minority purchasing ("1" = yes, "0" = no) averaged .7609 for respondents with higher scores ("10" to "15") and .7826 for respondents with lower scores ("3" to "8"). In this example, the t-test indicated the means were not significantly different. In addition, the individual minority purchasing activity measures were tested. Respondents in the lower two quintiles ("1" and "2") were compared with respondents in the higher quintiles ("4" and "5") for their responses on the independent variables. T-test analyses revealed that year of program initiation was a confounding factor in the data. Those respondents having lower percentage changes in minority purchasing activity measures started programs prior to 1974, and respondents having higher percentage changes started programs in the 1975 to 1979 period.

These analyses were further substantiated by correlation analyses which found all change indices significantly related to the year of program initiation. For example, higher percentage changes in number of minority vendors from 1977 to 1978 was related to newly established programs ($r = .29$, $p \leq .001$).

In order to control for the effect of year of program initiation, the sample was split into "older programs" (those established prior to 1975) and "newer programs" (those established between 1975 to 1979). T-tests were run with independent variables and this partially controlled for the effect of year of program initiation.[10] This approach, however, resulted in a reduction of sample size by splitting the sample of ninety-two into groups of sixty-one and thirty-one.

The disadvantages in using change indices in the research were:

1. Major focus of the research was to determine those variables which best explained minority purchasing activity, not program growth over time.

2. Restriction of the sample size which could be used in the analysis (n = 92 or n = 61).

3. If difference scores were used in lieu of percentage changes, those corporations having programs established in earlier years would have shown greater gains.

4. Considerable research shows problems with difference scores as opposed to using true scores. "Where true scores for individuals are desired, multiple regression procedures . . . make use of more information. . . ."[11]

The major use of change indices was to compare percentage gains in minority purchasing activity between newer and older minority purchasing programs.

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[10]Statistical significance levels of T-tests are shown in Appendix D.

[11]Lee J. Cronbach and Lita Furby, "How Should We Measure 'Change'--Or Should We?" Psychological Bulletin 74 (July 1970): 80.

Reported Raw Data. Correlation analyses were first used to determine the interrelationships among the minority purchasing activity measures (see Table 4.3). A number of relationships were found:

1. Percentage of annual dollar purchases in 1978 was highly correlated with percentage of annual dollar purchases in 1977 and 1976. This was also true for annual minority vendor dollar expenditures and total number of minority vendors.

2. Total minority vendor dollar expenditures and total number of minority vendors were highly correlated.

3. Self-perceived success had a higher correlation with total minority vendor dollar expenditures and with total number of minority vendors than it did with percentage of purchases from minority vendors.

The use of raw data better matched the research objectives of determining those variables which best explained minority purchasing activity. Several other advantages of using the raw data included: (1) increased sample size for analysis; (2) corporation size and program initiation year could be treated as independent variables; (3) data did not have to be arbitrarily segmented or split for analysis; and (4) high year-to-year correlations within each of the three objective performance activity measures enabled the use of 1978 figures for the three variables.

Table 4.4 lists the strengths and weaknesses of each minority purchasing activity measure. Percentage of annual dollar purchases from minority vendors exhibited a lack of variance in

TABLE 4.3

CORRELATION MATRIX OF MINORITY PURCHASING ACTIVITY MEASURES

	Self-Perceived Success	Percentage of Annual Dollar Purchases From Minority Vendors			Annual Minority Dollar Expenditures			Total Number of Minority Vendors		
		1978	1977	1976	1978	1977	1976	1978	1977	1976
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1)		.14	.09	.13	.24*	.39*	.37*	.41*	.35*	.36*
(2)			.94*	.63*	.06	-.09	-.12	-.05	-.05	-.11
(3)				.79*	-.05	-.02	-.03	-.02	.00	-.05
(4)					.03	.06	.04	.15	.18	.12
(5)						.57*	.49*	.67*	.43*	.71*
(6)							.97*	.83*	.75*	.73*
(7)								.83	.76*	.81*
(8)									.86*	.93*
(9)										.97
(10)										

*Significant at $p \leq .05$.

TABLE 4.4

STRENGTHS AND WEAKNESSES OF MINORITY PURCHASING ACTIVITY MEASURES

Strengths	Weaknesses
Self-Perceived Success	
Large sample size (186 out of 190 responded to the question).	Personal opinion from one individual.
Reflects overall program status from corporate view.	The question assumed some degree of success in minority purchasing programs. (The lowest choice was "little success.")
Person responsible and knowledgeable about the minority purchasing program answered the questionnaire.	
Percentage of Annual Dollar Purchases from Minority Vendors	
Comparable measurement regardless of corporation size.	Percentage of purchases was influenced by the degree of technology within the industry and products purchased by the corporation.
	Lack of variance in responses was due to the questionnaire response categories which did not allow for finer discrimination in reporting data.

TABLE 4.4--Continued

Annual Minority Dollar Expenditure	
Strengths	Weaknesses
The most frequent method used by respondents in the research sample to set corporate and buyer minority purchasing goals.	Large corporations spend more dollars in total purchases with minority vendors than do smaller corporations.
National Minority Purchasing Council's goals are based on total dollars.	
Federal Government's goals are based on total dollars.	
National Minority Purchasing Council's Guide on establishing minority purchasing programs stress "dollar goals are set and adherred to."	

Total Number of Minority Vendors	
Strengths	Weaknesses
Total number of minority vendors is not inflated by purchasing more from an individual minority vendor.	Total number of minority vendors was influenced by corporation size.

TABLE 4.4--Continued

Change Indices	
Strengths	Weaknesses
Focuses on program growth over time period in three categories: percentage of total purchases from minority vendors, total number of minority vendors, and total dollars spent with minority vendors.	Emphasis of the research was to identify minority purchasing activity and not to identify program growth.
Controls for the factor of corporate size.	Determining which change index to use: (a) Using difference scores--Those having programs for longer time periods showed larger increases. (b) Percentage change basis--Those with newer programs showed largest increases.
	Reduction of sample size.
	Confounding of error.

the received responses. This lack of variance was due to the questionnaire response categories which did not allow for finer discrimination in reporting data. Percentage of annual dollar purchases from minority vendors was reported in the analysis subject to the aforementioned limitation.

Statistical Techniques

The data on the questionnaire was a combination of bivariate scales and Likert-type rating scales. Previous research has shown that these scales closely approximate equal interval scales and allow the use of interval scale analysis.

> Suffice it to say that the types of statistics that are strictly appropriate to interval and ratio data scales are often employed with ordinal data--and the results appear to be useful.' This pragmatic sanction presumably rests on the fact that many of the scales built on such operations as psychological tests may approximate equal-interval scales, even though no very satisfactory operation may exist for assuring equality of the intervals.[12]

The major statistical analysis used was correlation analysis and multiple regression. T-tests and analysis of variance were also used. Multiple regression analysis was chosen due to the large number of independent variables and is a "method of analyzing the contributions of two or more independent variables to one dependent variable."[13] Of the multivariate methods, with the possible exception of factor analysis, it was perhaps the most useful and flexible.

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[12] S. S. Stevens, "Ratio Scales of Opinion," Handbook of Measurement and Assessment in Behavioral Sciences (Chicago: Addison Wesley Publishing Company, 1968), p. 173.

[13] Fred N. Kerlinger, Foundations of Behavioral Research (Chicago: Holt, Rinehart and Winston, Inc., 1973), p. 150.

"It can handle any number and kind of independent variables, continuous and categorical, though practical considerations usually restrict the number of variables."[14]

"Since sampling is being used, the decision to accept or reject the null hypotheses cannot be made with absolute certainty--the decision must be based on probabilities."[15] Therefore, the statistical significance level for testing the hypotheses was established at .05 or less. This was because "it has become convention in social science to accept statistically significant relationships which have a probability of occurring by chance 5% of the time or less."[16]

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[14]Ibid.

[15]Norman H. Nie, et al., Statistical Package for the Social Sciences (2d ed.; New York: McGraw-Hill, 1970), p. 268.

[16]Ibid.

CHAPTER V

RESEARCH SAMPLE PROFILE AND DISCUSSION

This chapter describes the research sample and discusses the descriptive analyses.

Descriptive Data

Questionnaires were sent to minority purchasing coordinators at corporate headquarters of 504 manufacturing corporations. Three hundred ninety-one of the 504 were categorized as Fortune 1000 corporations. One hundred and ninety usable or partly usable responses were returned. Eighty-three of the eighty-nine respondents who identified themselves on the returned questionnaires were Fortune 1000 corporations.

All information which was collected from the questionnaires was used in the analyses. Sample size, therefore, varied depending on the analysis performed. In reporting the data, each of the analysis indicates the appropriate sample size using the format (N = ___).

The research population was identified as those corporations which had minority purchasing programs. Minority purchasing programs in these corporations (N = 170) were formally established between 1960 and 1979 as indicated in Figure 5.1. The average age of the minority purchasing program in the sample was between four and five years as of 1979.

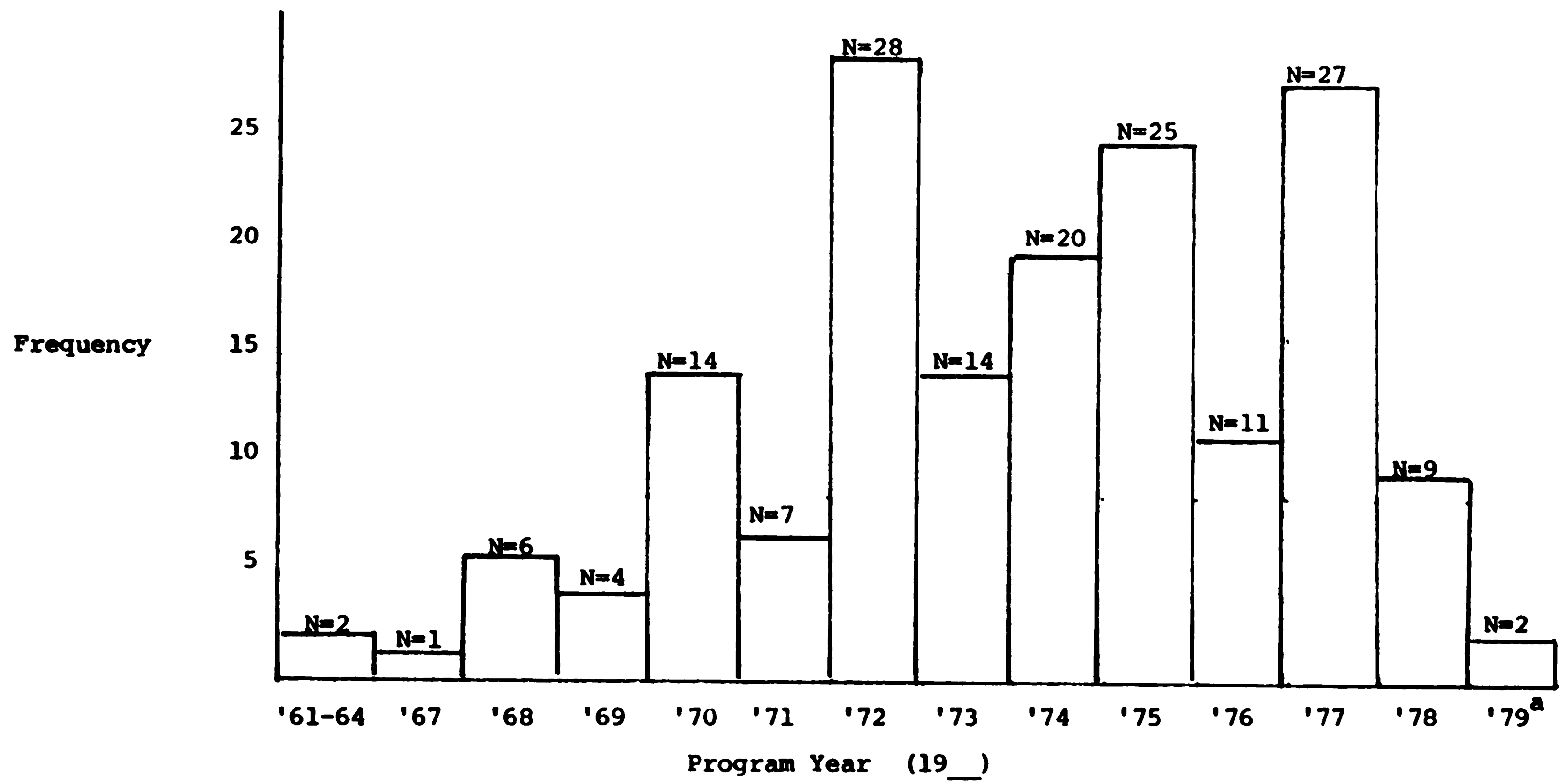

Fig. 5.1.--Year of Program Establishment

[a]Data collected during the first quarter of 1979--comparisons to other years is inappropriate.

Data from the questionnaire is further discussed in each of the seven following categories:

Internal Purchasing Practices.--Includes policies and procedures found in minority purchasing programs. Examples of these internal purchasing practices were a minority vendor policy statement and corporate and buyer goals for minority purchases. Also included in this category was the amount of support the Chief Executive Officer gave the minority purchasing program and the extent of purchasing centralization and/or decentralization.

Demographic and Geographic Data.--Includes information about different minority groups from which purchases were made, product categories of purchases, and states in which purchasing locations operated minority purchasing programs.

Program Coordinator Responsibilities.--Includes discussion of the job responsibilities performed by the coordinator of the minority purchasing program and the frequency of performance of those responsibilities. Examples of job responsibilities were monitoring purchases made from minority vendors and providing assistance to minority vendors.

Minority Vendor Sourcing.--Includes techniques corporations used to locate minority vendors. Examples of locating techniques were buyer-initiated contacts with minority vendors and attending minority trade fairs.

Development of Minority Vendors.--Includes techniques corporations used to increase the number of dollars spent with minority vendors. Examples of development techniques were providing technical assistance to minority vendors and breaking large purchases into smaller quantities.

Differences in Problems Between Minority and Nonminority Suppliers.--Includes discussion of problem differences between minority and nonminority suppliers. Examples of problems compared were consistently high prices and lack of qualified engineering, sales, and management personnel.

Minority Purchasing Activity Measures.--Includes discussion of the minority purchasing activity measures. These measures were: (1) annual minority vendor dollar expenditures; (2) percentage of annual dollar purchases from minority vendors; (3) total number of minority vendors; and (4) respondent's self-perception of minority purchasing program success.

Internal Purchasing Practices

Figure 5.2 and Table 5.1 report questionnaire responses about various internal purchasing practices. Eighty-seven percent (N = 188) of the respondents had an individual responsible for coordinating a minority purchasing program; 80 percent (N = 190) had a minority vendor policy statement; and 66 percent (N = 190) set corporate goals for minority vendor purchases. Individuals with responsibility for coordinating the minority purchasing program most often held the title of Minority Vendor Coordinator, Minority Business Officer, Director of Purchasing, or Purchasing Manager. Forty-eight percent (N = 188) of the respondents included minority purchasing activity

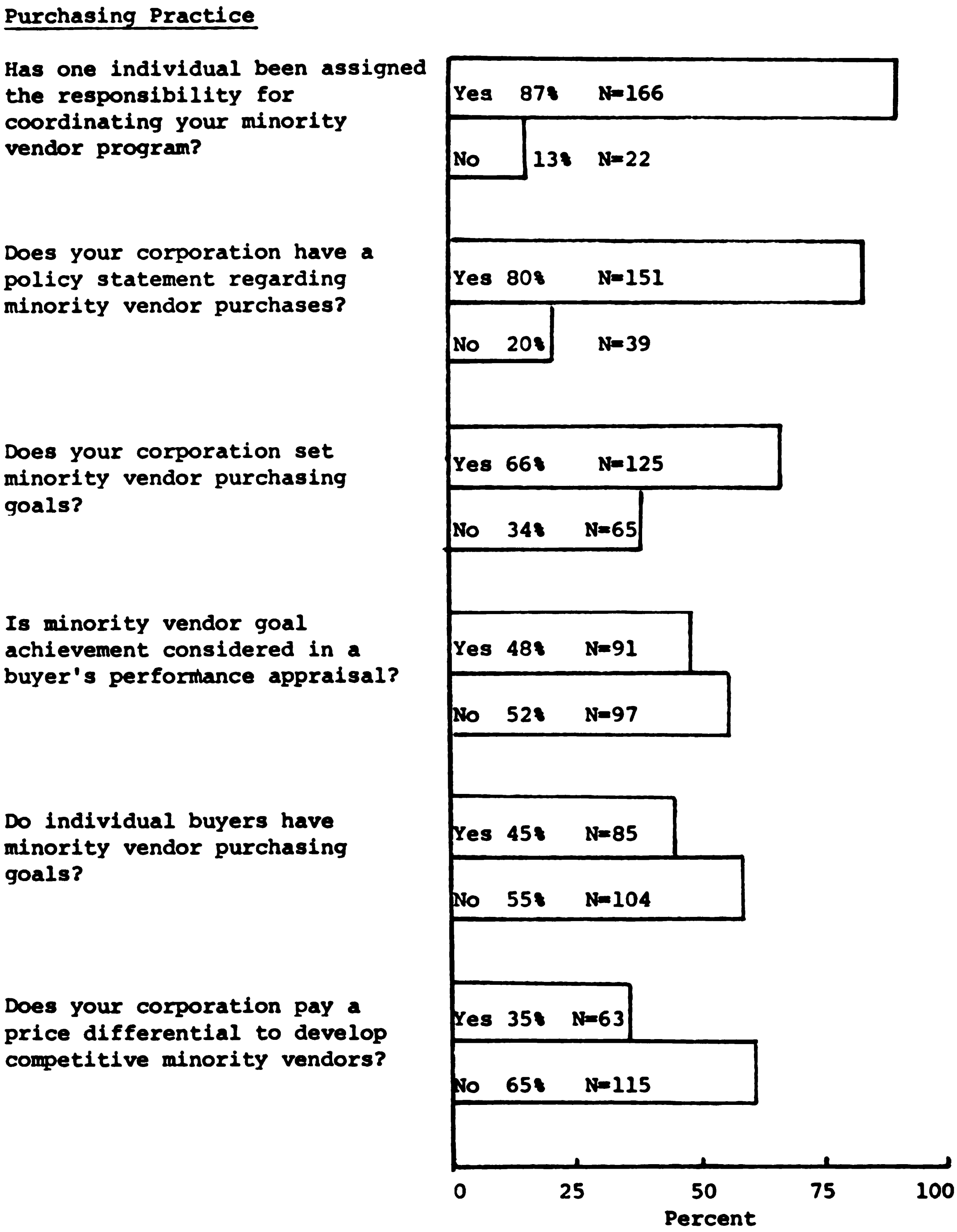

Fig. 5.2.--Internal Purchasing Practices
--Ranking by Percent Used

TABLE 5.1

INTERNAL PURCHASING PRACTICES

	Purchasing Structure						
	Total N	Highly Decentral-ized	Decentral-ized	Centralized/ Decentral-ized	Centralized	Highly Centralized	
N	188	36	44	45	55	8	
%		19	24	24	29	4	

	Percentage of Purchasing Personnel Receiving In-House Training about Minority Vendors						
	Total N	0%	1-25%	26-50%	51-75%	76-99%	100%
N	189	42	51	16	25	22	33
%		22	27	8	13	12	18

	Percentage of Other Functional Personnel Receiving In-House Training about Minority Vendors						
	Total N	0%	1-25%	26-50%	51-75%	76-99%	100%
N	165	82	68	10	5	0	0
%		50	41	6	3	0	0

	Support from Chief Executive Officer					
	Total N	None	Little	Some	Considerable	Complete
N	186	14	29	49	54	40
%		7	16	26	29	22

	Price Differential Paid to Develop Minority Vendors						
	Total N	Amount Varies	0-5%	5-10%	10-20%	Fixed Percentage	
						5%	10%
N	52	9	4	8	4	11	16
%		17	8	15	8	21	31

in their buyer performance appraisals. Forty-five percent (N = 189) had minority purchasing goals at the buyer level.

Thirty-five percent (N = 178) were willing to pay a price differential to develop minority vendors. The percentage amount of this price differential above the lowest bid ranged from 2 percent to 20 percent over a time period of two months to two years. A 5 to 10 percent differential was the amount most frequently paid above the lowest bid price. By adding respondents who indicated willingness to pay 5 percent and those willing to pay 10 percent and those in the 5 to 10 percent range, 67 percent (N = 52) of the respondents were in the 5 to 10 percent range. In some cases, respondents did not indicate a time period but stated "the time period varies," "indefinite time periods," "varies with the purchase," or "the buyer determined the appropriate time period." Most frequently mentioned price differentials were in the 5 to 10 percent range for a time period of three to six months.

The majority of the corporations in the sample had trained 50 percent of their buyers about purchasing from minority vendors. The percentage which received training was much lower for non-purchasing personnel. However, 50 percent of the sample (N = 165) had exposed some nonpurchasing personnel to training sessions on purchasing from minority vendors.

When asked how much support their Chief Executive Officer gave to the minority purchasing program, 51 percent (N = 186) of the respondents felt that the program received considerable or complete support.

The internal minority purchasing practices at most corporations were those which were visible both within and outside the corporation. They included: having a policy statement on minority vendors; having a person assigned the responsibility for coordinating a minority purchasing program; and having corporate goals for minority purchasing. Less than 50 percent of the respondents had goals at the buyer level for minority purchases, included minority purchasing activity in their buyer performance appraisals, and were willing to pay price differentials to develop minority vendors.

Demographic and Geographic Data

Minority vendor coordinators in the sample were asked, "In which states do you have purchasing locations operating minority purchasing programs?" and "Of these states, indicate the predominant minority group from which purchases are made." As shown in Table 5.2, minority purchasing programs were conducted in all states except Nevada. The states mentioned most frequently were California, Illinois, New York, Ohio, Pennsylvania, and Texas.

In terms of minority group members, business was most likely to be conducted with black minority vendors. Across all states, respondents indicated they did business with Blacks most frequently, followed by Hispanic and Indian businesses. Regional differences by minority group were as follows: (1) Hispanic businesses were heavily concentrated in California and Texas; Indian businesses were dominant in Oklahoma, North and South Dakota, Montana, and Wyoming; Asian businesses were dominant in Hawaii and strong in California; and Eskimo businesses were centered in Alaska.

TABLE 5.2

FREQUENCY OF MINORITY PURCHASING PROGRAMS BY STATE

State	Frequency	State	Frequency
California	123	Virginia	17
Illinois	75	Kansas	16
Texas	72	Washington	16
New York	65	Arkansas	15
Pennsylvania	60	Iowa	15
Ohio	56	Arizona	10
New Jersey	51	Mississippi	10
Massachusetts	44	Delaware	9
Georgia	37	Idaho	8
Indiana	37	New Hampshire	8
North Carolina	33	North Dakota	8
Alabama	32	West Virginia	8
Florida	31	Oregon	7
Louisiana	31	Rhode Island	7
Connecticut	26	Alaska	6
Michigan	25	New Mexico	6
Oklahoma	25	Nebraska	5
Missouri	24	Hawaii	4
Minnesota	23	Utah	4
South Carolina	23	Vermont	4
Tennessee	22	Montana	3
Maryland	21	Wyoming	3
Colorado	20	Maine	2
Kentucky	18	South Dakota	2
Wisconsin	18	Nevada	0

Sixty-six percent of each minority purchase dollar was spent with Black minority businesses as shown in Figure 5.3. Other minority groups received the following share of the minority purchase dollar: Hispanic businesses, 18 percent; Indian businesses, 7 percent; Asian businesses, 6 percent; Eskimo businesses, 1 percent; and "Other" businesses, 2 percent. The "Other" category was mainly comprised of physically or mentally handicapped. Indian businesses were mentioned twice as often as Asian businesses, yet both groups received approximately the same percentage of minority dollar expenditures. This indicated larger dollar expenditures per vendor with Asian businesses.

Product categories in which purchases were made showed the commodity areas in which corporations spend their dollars and the types of businesses where minority vendors are found. Figure 5.4 shows that minority business was primarily service oriented. Maintenance, Repair, and Operating Supplies, Janitorial Services, and Office Supplies constituted 40 percent of the minority purchase dollar by product category. Direct product purchases composed 29 percent of the total purchase dollar. Other categories received the following percentages of the purchase dollar: Construction, 6 percent; Traffic/Warehousing, 5 percent; Advertising/Artwork, 4 percent; Capital Equipment, 4 percent; and "Other," 12 percent. The "Other" category included scrap dealers and travel agencies.

Analysis of the demographic data indicated (1) a higher frequency of Black minority vendors; (2) that most minority businesses supplied service-oriented products; and (3) minority vendor

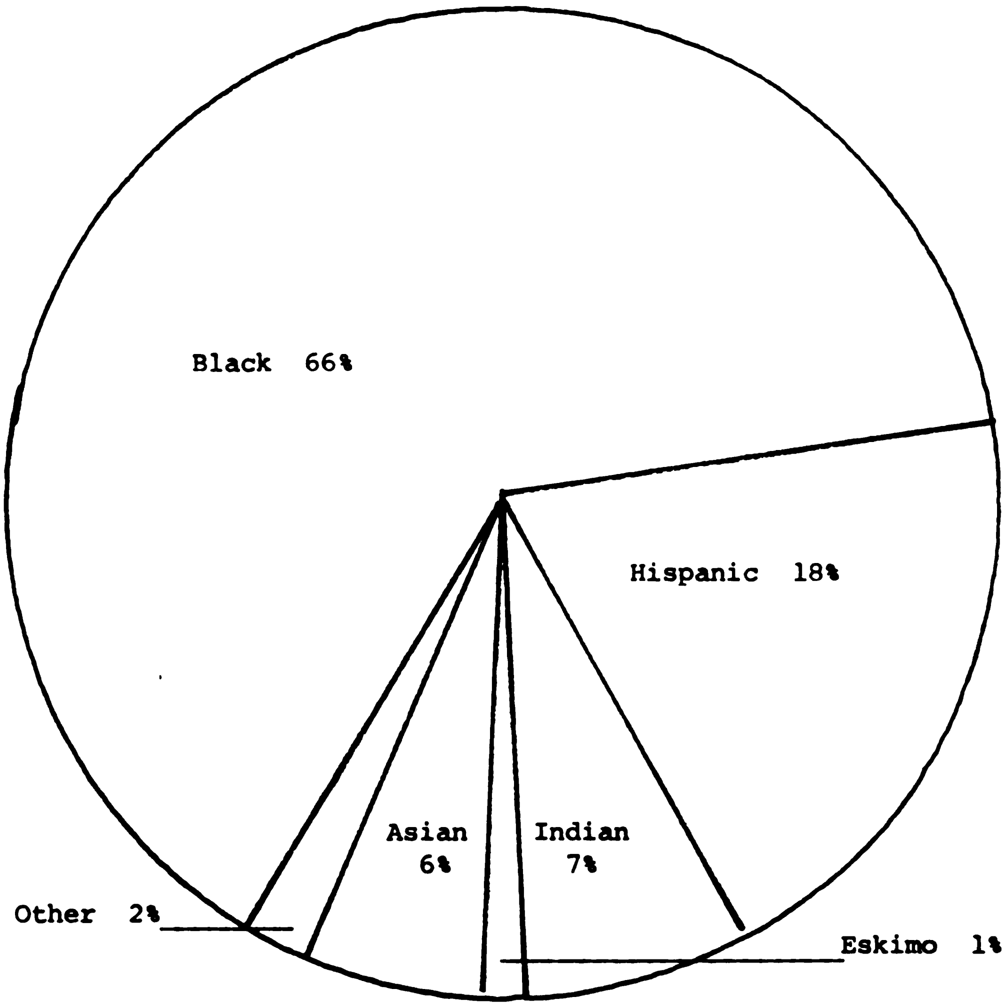

Fig. 5.3.--Percent of Minority Purchase Dollar
by Minority Group for 1978

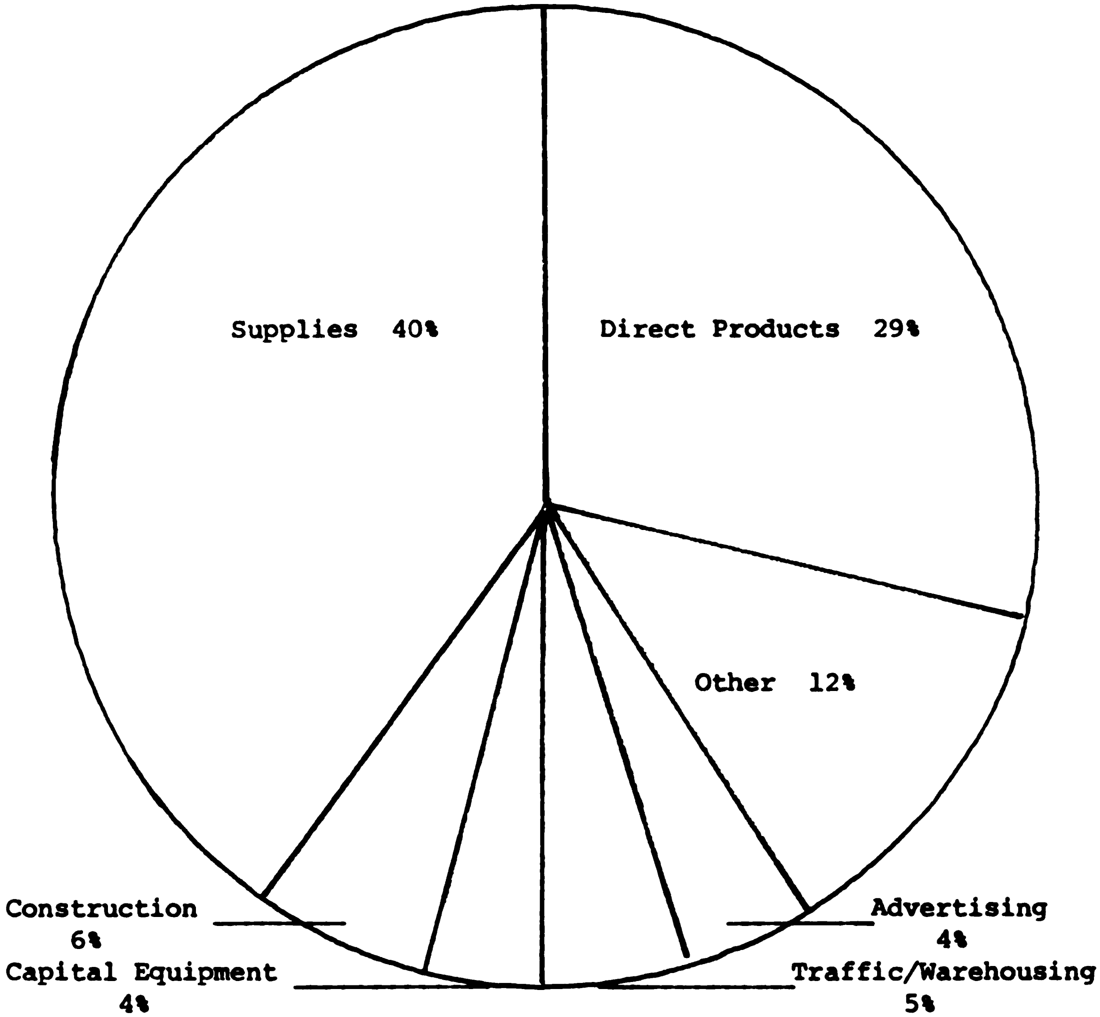

Fig. 5.4.--Percent of Minority Purchase Dollar
by Product Category for 1978

programs were conducted most frequently in the states of California, Illinois, New York, Ohio, Pennsylvania, and Texas.

Program Coordinator Responsibilities

Respondents were asked, "How many times per year does this individual or the staff perform the following functions?" A list of job responsibilities was provided with a yearly frequency of performance scale which ranged from "not performed" to "over fifty times per year." The first part of this analysis involved determining which of the job responsibilities were performed by the coordinator. The second part of the analysis concerned the number of times per year the coordinator performed the various job responsibilities.

The four job responsibilities which received most frequent mention were: (1) acting as a central data source in providing information about minority vendors; (2) monitoring purchases made from minority vendors; (3) identifying new minority vendors; and (4) identifying purchased items which had potential for minority vendor sourcing. The two responsibilities mentioned least frequently were: (1) conducting in-house training and education sessions about minority vendors and (2) providing managerial and financial assistance to minority vendors. Figure 5.5 shows the responsibilities of the program coordinators.

Figure 5.6 shows the yearly frequency with which these responsibilities were performed by the respondents. The average number of times per year these responsibilities were performed varied from over twenty-five times per year when identifying minority vendors

Responsibility

(1) Acts as a central data source for information about minority vendors.

(2) Monitors purchases made from minority vendors.

(3) Identifies new minority vendors for purchasing departments.

(4) Idenitifies purchased items which have potential for minority vendor sourcing.

(5) Provides assistance to purchasing personnel in solving minority vendor problems.

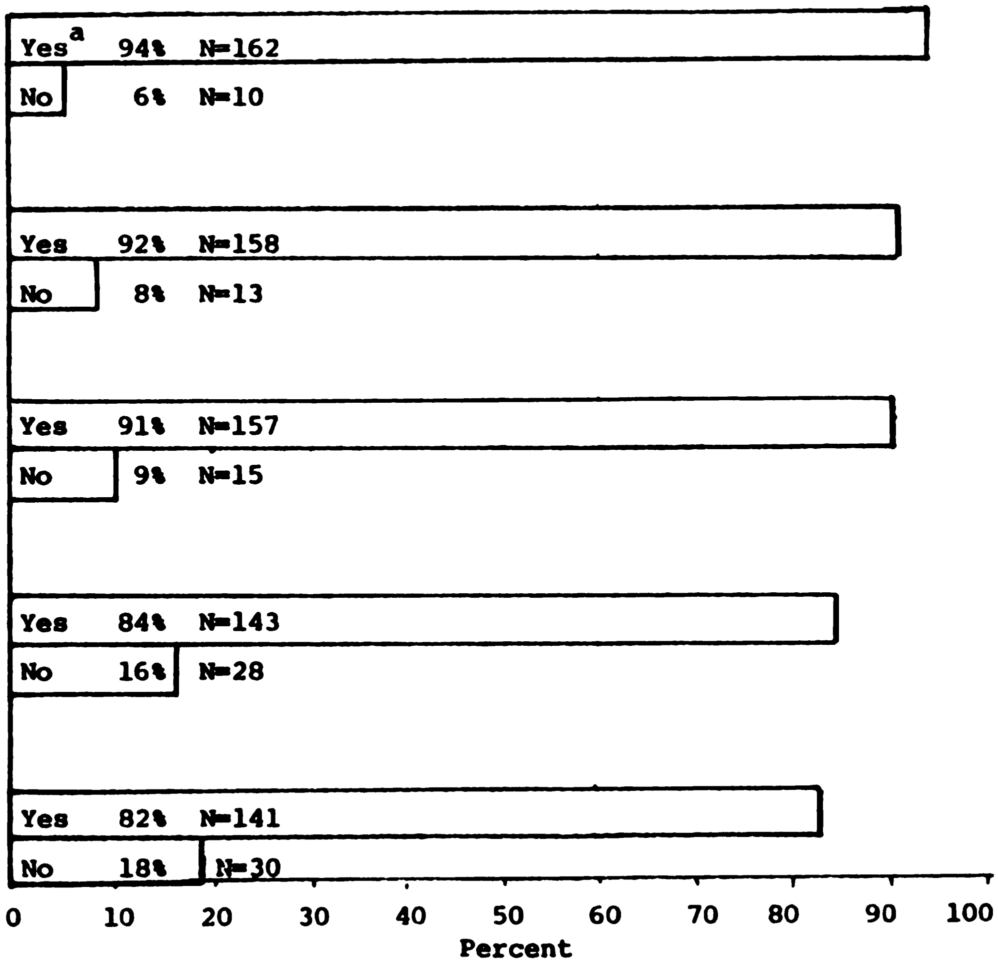

Fig. 5.5.--Responsibilities of Minority Program Coordinator --Ranking by Percent Performed

Responsibility

(6) Identifies minority vendors for other departments which commit corporate funds.

(7) Participates in or provides input for setting minority vendor purchasing goals.

(8) Conducts in-house education and training sessions about minority vendors.

(9) Provides assistance to minority vendors

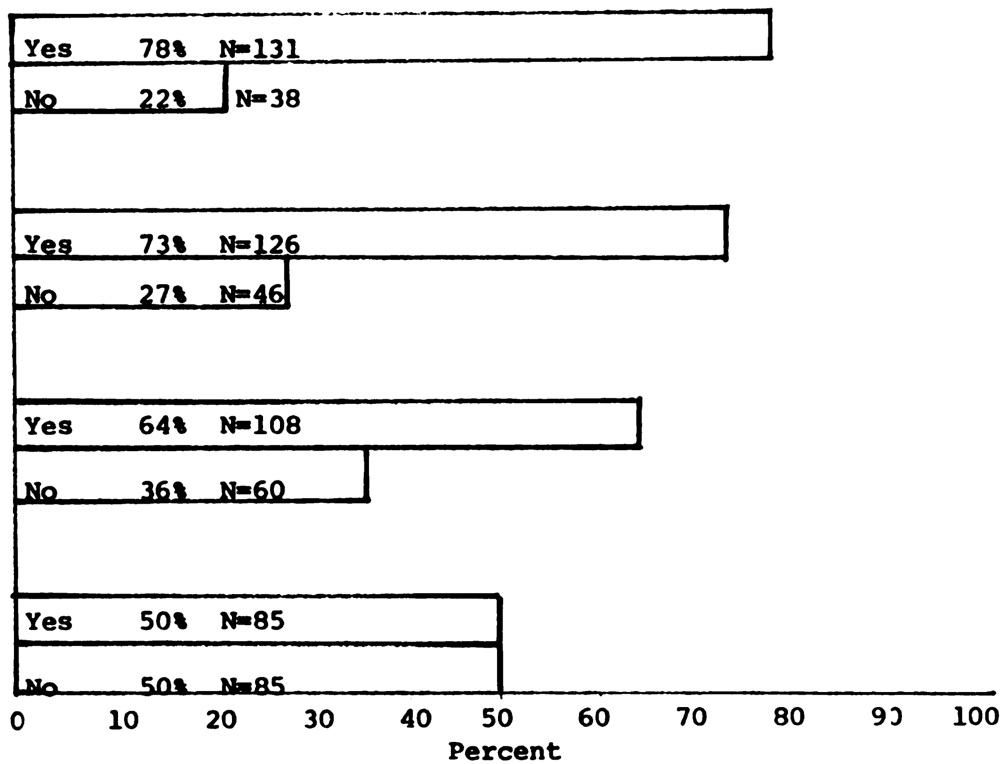

Fig. 5.5.--Continued

[a]"Yes"--indicates responsibility is performed; "No"--indicates responsibility is not performed.

Responsibility

(1) Identifies new minority vendors for purchasing departments.

(2) Acts as a central data source for information about minority vendors.

(3) Identifies purchased items which have potential for minority vendor sourcing.

(4) Monitors purchases made from minority vendors.

(5) Provides assistance to purchasing personnel in solving minority vendor problems.

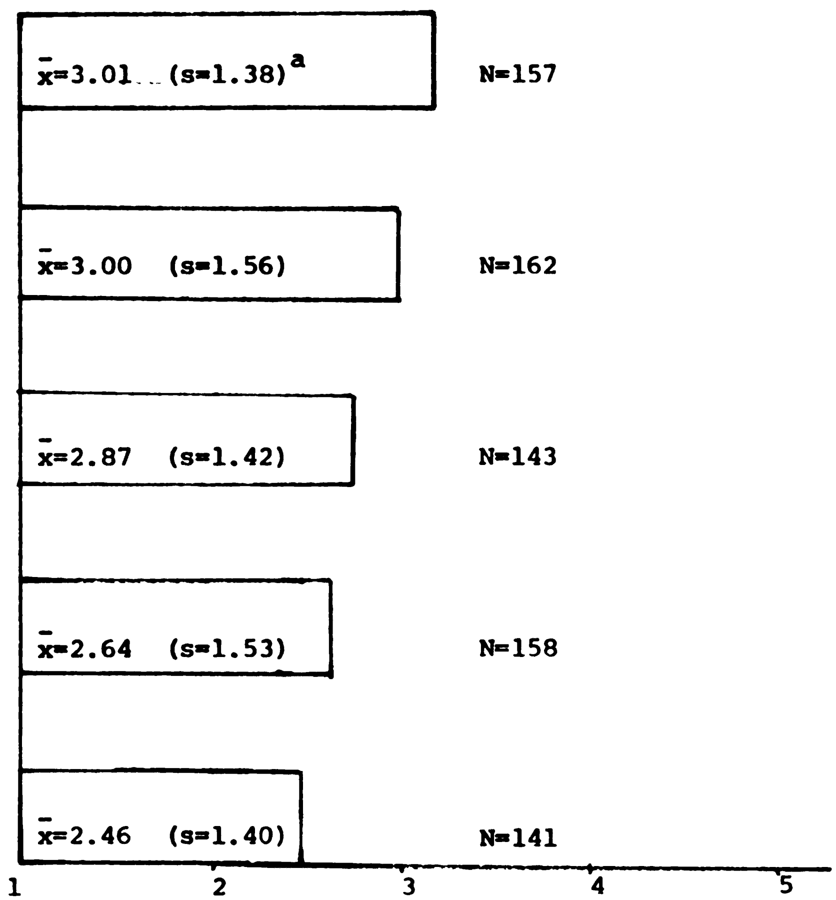

Fig. 5.6.--Mean Ranking of Frequency per Year for Job Responsibilities Performance

<u>Responsibility</u>

(6) Identifies minority vendors for other departments which commit corporate funds.

(7) Provides assistance to minority vendors.

(8) Participates in or provides input for setting minority vendor purchasing goals.

(9) Conducts in-house education and training sessions about minority vendors.

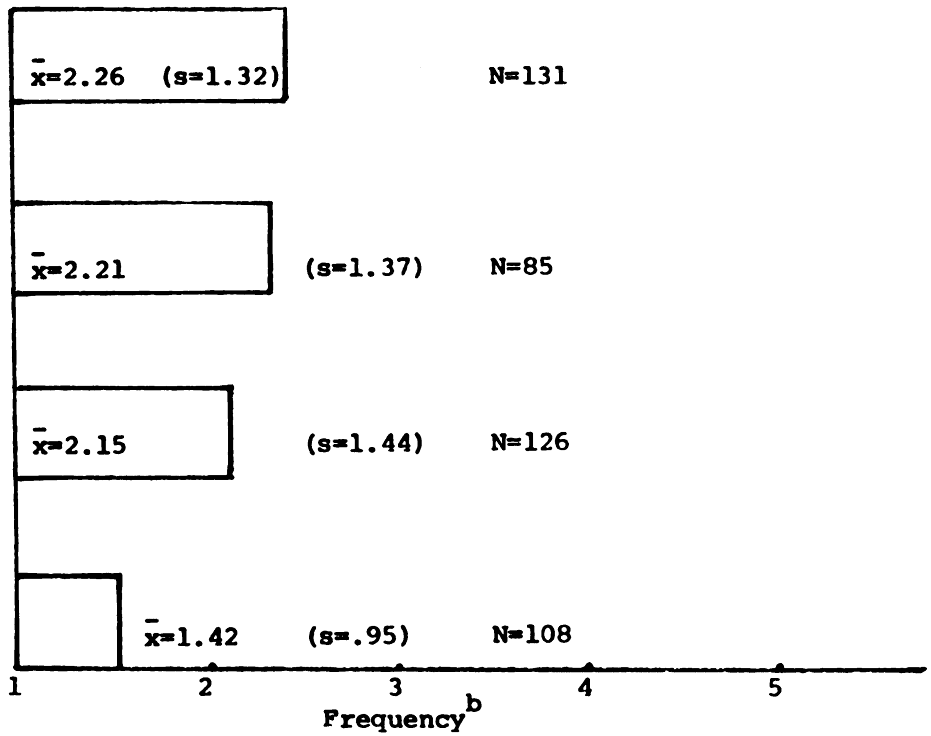

Fig. 5.6.--Continued

[a]"$\bar{x}$" indicates mean score; "s" indicates standard deviation.

[b]Frequency per year--"1"=1-5 times; "2"=6-10 times; "3"=11-25 times; "4"=26-50 times; "5"=over 50 times.

to approximately five to seven times per year for conducting in-house training sessions about minority vendors.

A further analysis was done comparing mean, median, and mode analyses. This analysis produced similar results.

Minority Vendor Sourcing

In order to determine the techniques used to locate minority vendors, the question was asked, "How successful are the following techniques in locating minority vendors?" A list of techniques was provided and a five-point scale which ranged from "no success" ('1') to "a great deal of success ('5') was used. The analyses involved determining whether or not techniques were used and determining which of the techniques used were considered most successful.

The methods most frequently used to locate potential minority vendors included:

1. Buyer-initiated contacts (96 percent, N = 187).
2. External directories which list minority vendors (93 percent, N = 186). Examples of such directories included "Try Us" and the Vendor Information Service Directory of the National Minority Purchasing Council.
3. Attending minority trade fairs (92 percent, N = 190).
4. Membership in either the National Minority Purchasing Council or one of the Regional Minority Purchasing Councils (89 percent, N = 188).

The least frequently mentioned method used to locate potential minority vendors was advertising in minority publications such as

Black Enterprise or Black Times. Thirty-five percent (N = 187) of the respondents used this technique. Techniques used to locate minority vendors and the percentage of use are found in Figure 5.7.

Of the sourcing techniques used by the respondents, those which respondents perceived to be most successful were (1) external directories; (2) membership in the National or Regional Minority Purchasing Councils; (3) internally developed corporate directories; and (4) buyer-initiated contracts with minority vendors. Figure 5.8 shows the mean perceived success score of the techniques used to locate minority vendors.

Joint analysis of the techniques used and the perceived degree of success resulted in the following findings:

1. Internally developed directories ranked seventh in terms of use, yet such directories ranked third in terms of success. It appeared that internally developed directories could be of great assistance to a corporation's purchasing department.

2. Membership in the National Association of Purchasing Management (NAPM) ranked fifth in terms of use, but ranked eighth in terms of the degree of success in assisting members to locate minority vendors.

3. Buyer-initiated contacts with minority vendors were used most often, but the technique ranked fourth in terms of perceived success.

4. Advertising for sources in minority publications was the least used technique and was also perceived by respondents to be the least successful technique.

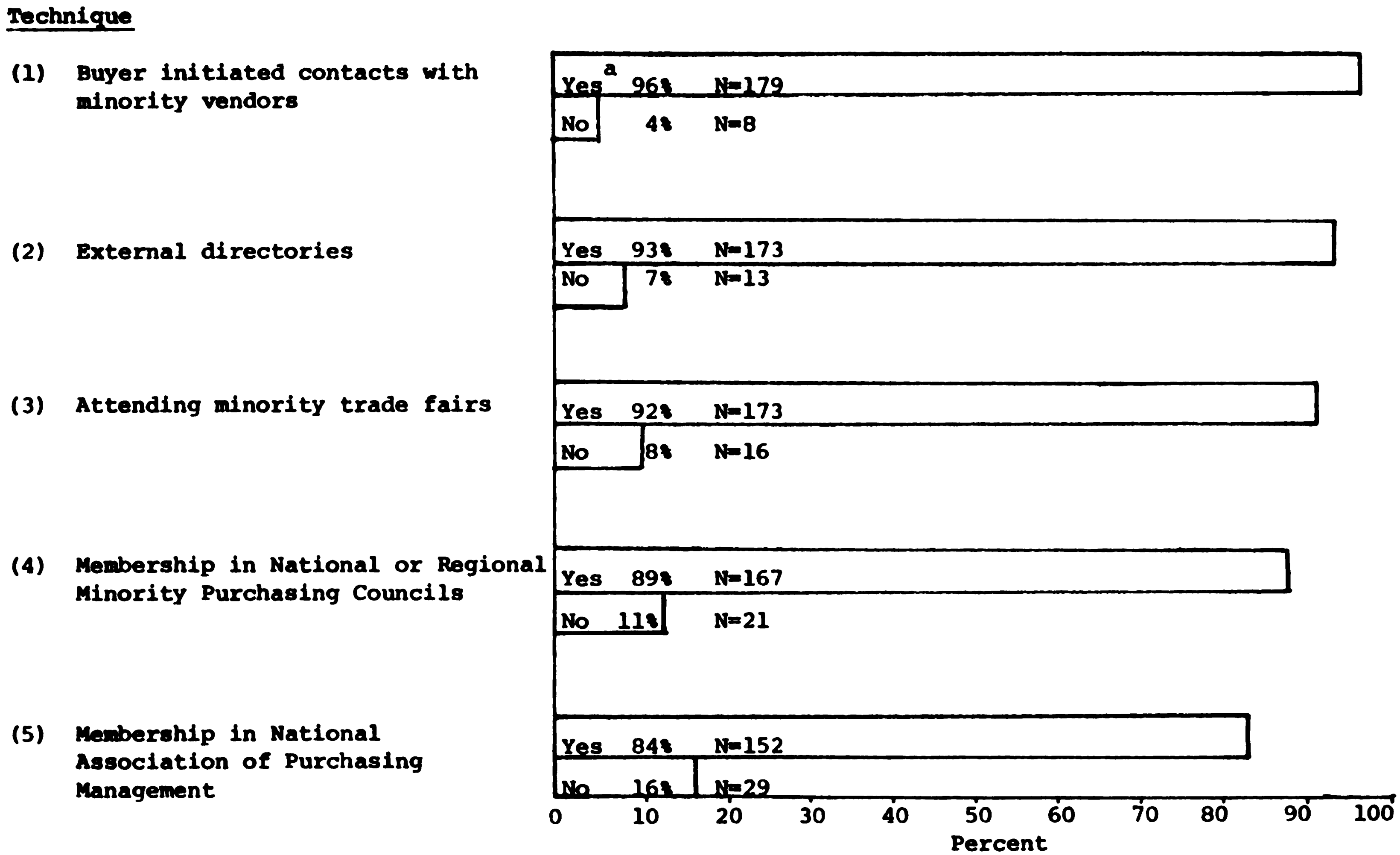

Fig. 5.7.--Techniques for Locating Minority Vendors --Ranking by Percent Used

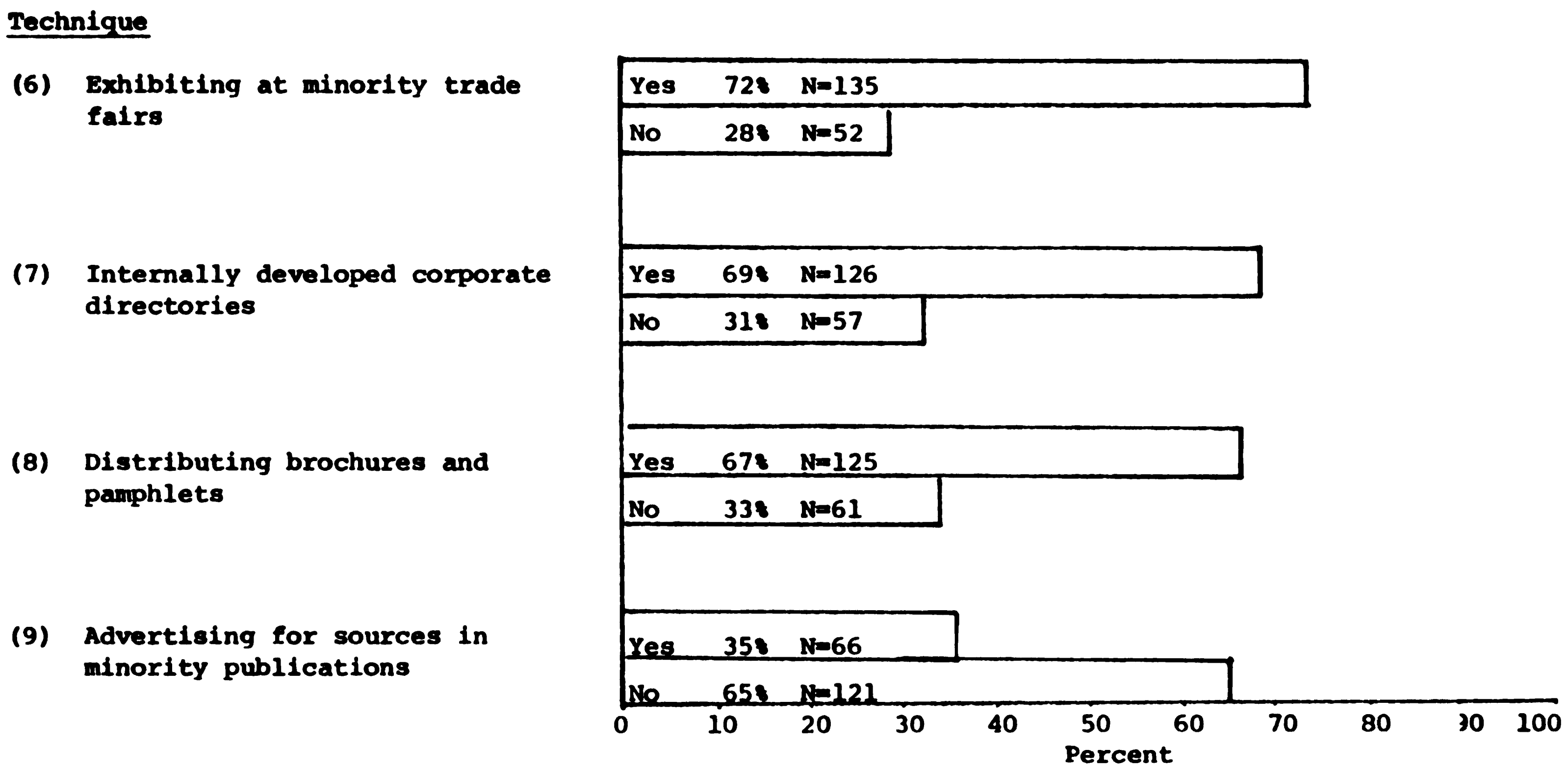

Fig. 5.7.--Continued

[a]"Yes" indicates technique was used; "No" indicates techniques was not used.

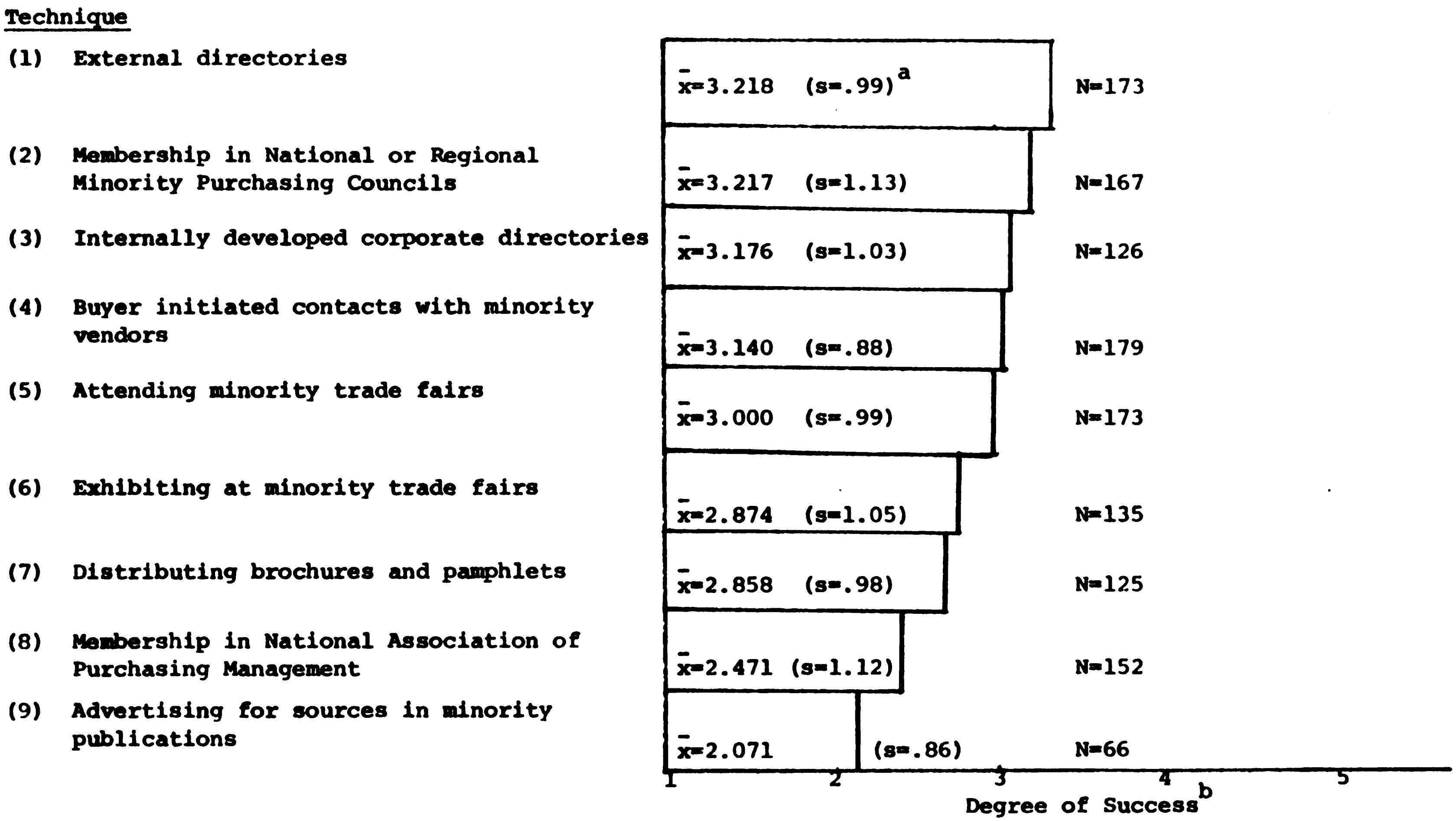

Fig. 5.8.--Mean Ranking of Perceived Success for Techniques Used to Locate Minority Vendors

[a]"$\bar{x}$" indicates mean score; "s" indicates standard deviation.

[b]Degree of success--"1"=no success; "2"=little success; "3"=some success; "4"=considerable success; "5"=a great deal of success.

Development of Minority Vendors

In order to assess the development techniques used in minority purchasing programs, the question was asked, "How successful have the following techniques been in increasing the number of and/or the dollar amount of purchases from minority vendors?" A list of techniques was provided. The analysis involved determining whether or not techniques were used and determining which of the techniques used were considered most successful.

The techniques most frequently used in the development of minority vendors included:

1. Providing technical assistance to minority vendors, including quality control and engineering assistance (74 percent, N = 179).
2. Breaking larger purchases into smaller quantities (69 percent, N = 180).
3. Allowing longer lead times on purchased items (69 percent, N = 178).
4. Providing longer vendor quotation times (67 percent, N = 184).

Those techniques used less frequently included:

1. Helping minority vendors obtain funds from Government loan agencies (34 percent, N = 180).
2. Providing direct financial aid (34 percent, N = 179).
3. Providing financial aid through company-run Minority Enterprise Small Business Investment Companies (MESBICs) (28 percent, N = 179).

Techniques used to develop minority vendors and the percentage of use are found in Figure 5.9.

Development techniques used by the respondents which were perceived to be most successful included: (1) providing technical assistance to minority vendors; (2) breaking up larger purchases into smaller units or quantities; and (3) helping minority vendors develop effective purchasing practices. Development techniques which were perceived to be less successful included: (1) providing financial aid through company-run MESBICs; (2) helping minority vendors obtain funds from Government loan agencies; and (3) providing direct financial aid to minority vendors. Figure 5.10 shows the perceived mean success of the various techniques used to develop minority vendors. The highest degree of success was found in providing technical assistance, which averaged 2.7 (a "3" rating indicated "some degree of success").

Joint analysis of the techniques used and the perceived degree of success resulted in the following findings:

1. Providing technical assistance and breaking up larger purchases into smaller quantities were rated highest both in terms of use and perceived success.

2. Providing direct financial aid, helping minority vendors obtain funds from Government loan agencies, and providing financial aid through company-run MESBICs were lowest rated in terms of use and perceived success.

Technique

(1) Providing technical assistant

(2) Breaking purchases into smaller quantities

(3) Allowing longer lead times

(4) Providing longer vendor quotation times

(5) Helping minority vendors secure raw materials

(6) Providing special payment terms

(7) Awarding long term contracts

(8) Providing management assistance

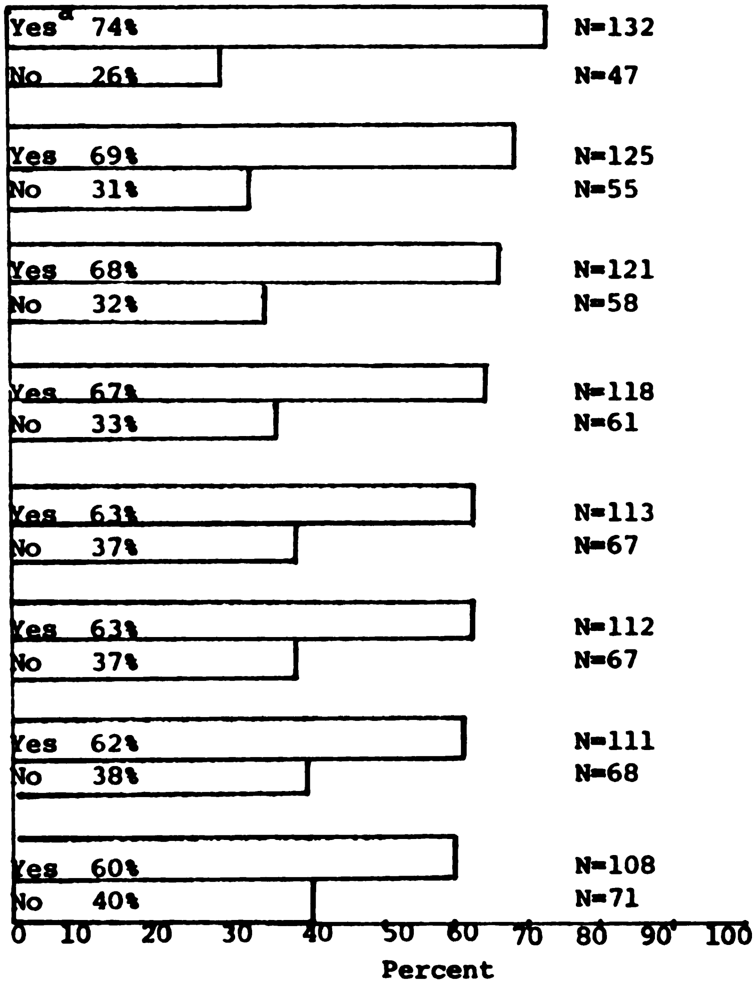

Fig. 5.9.--Techniques for Developing Minority Vendors --Ranking by Percent Used

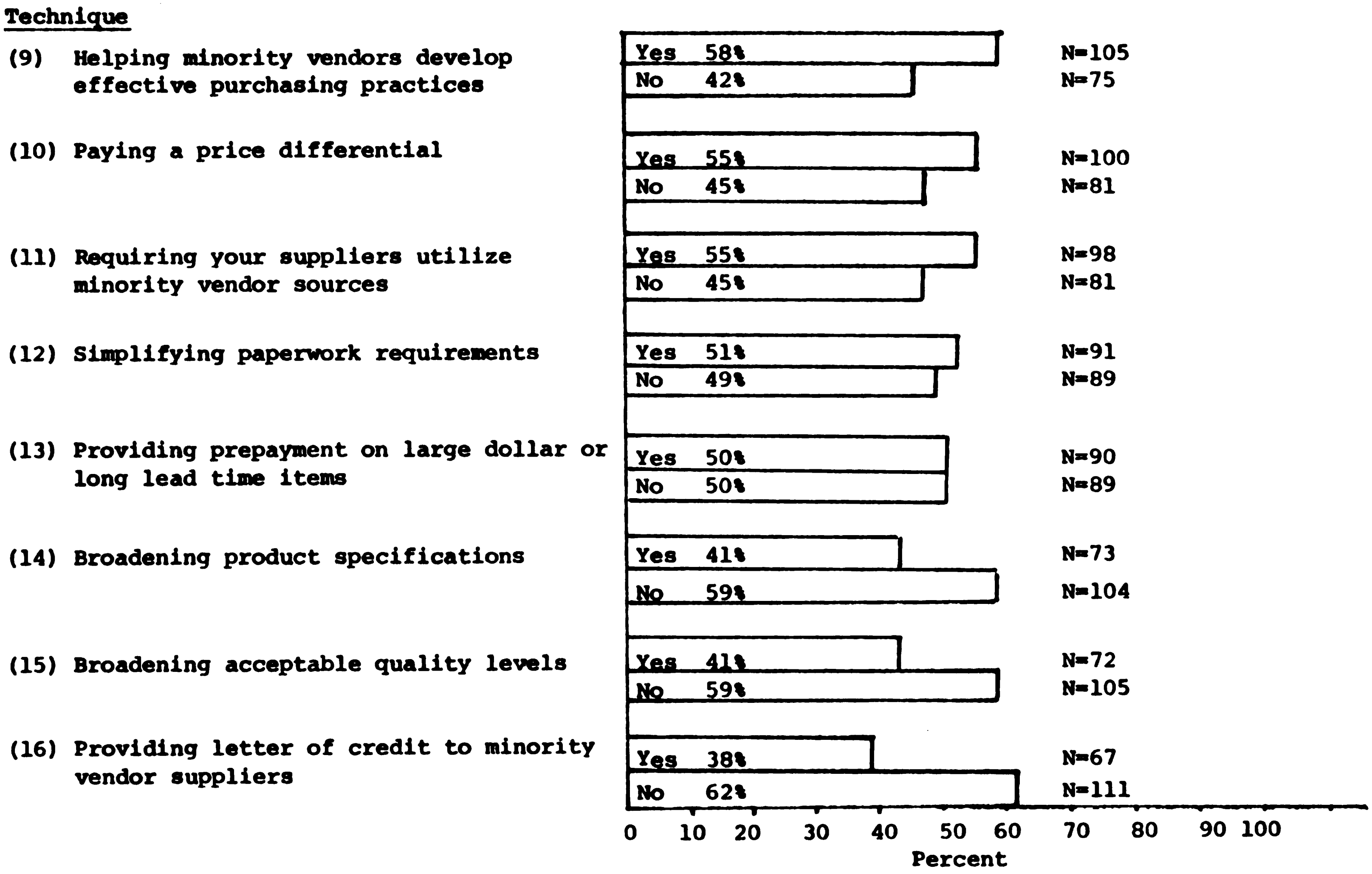

Fig. 5.9.--Continued

Technique

(17) Helping minority vendor obtain funds from government loan agencies

(18) Providing direct financial aid

(19) Providing financial aid through company-run Minority Enterprise Small Business Investment Corporation

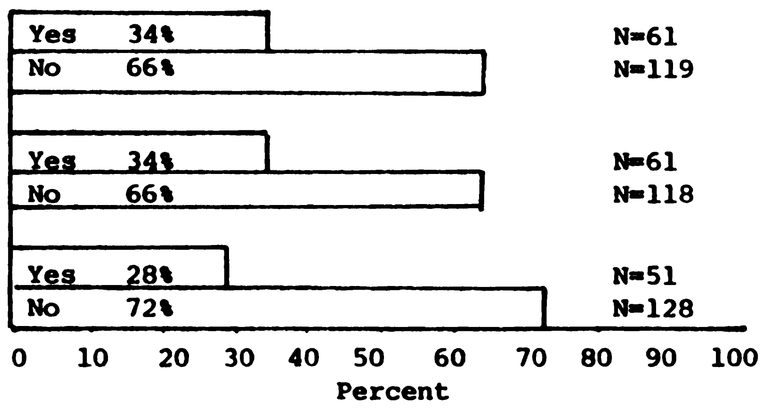

Fig. 5.9.--Continued

[a]"Yes" indicates technique was used; "No" indicates technique was not used.

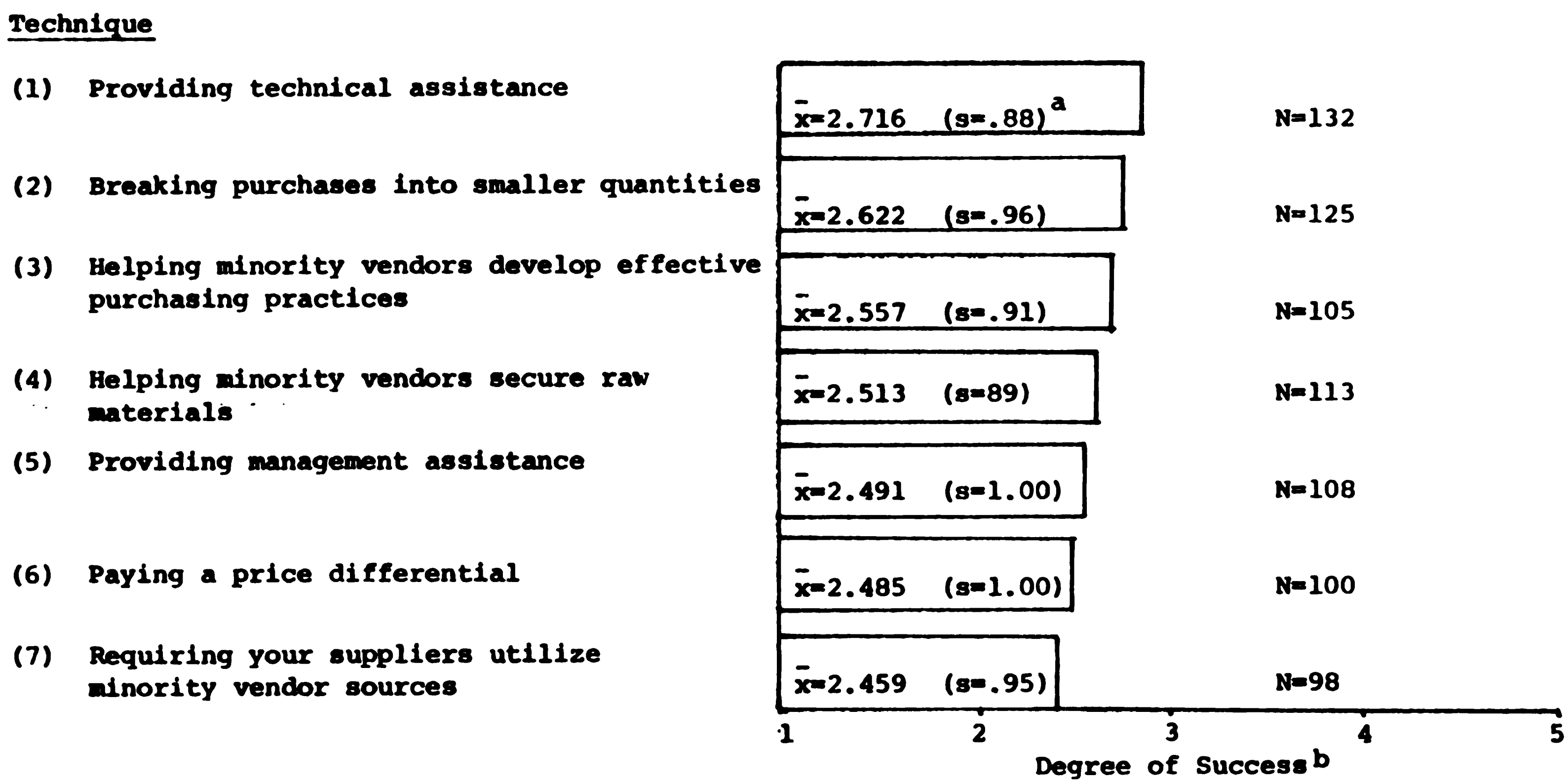

Fig. 5.10.--Mean Ranking of Perceived Success for Techniques Used to Develop Minority Vendors

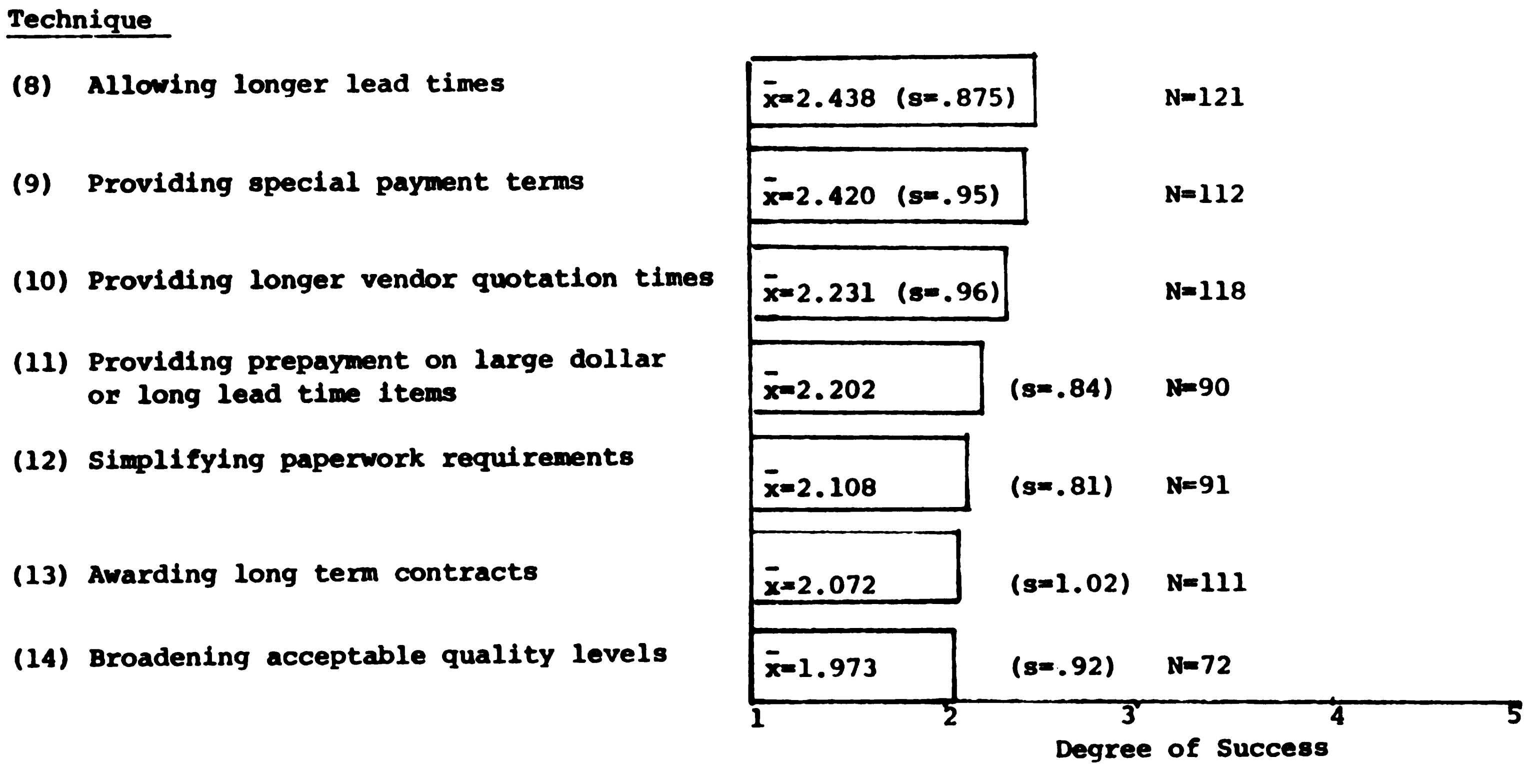

Fig. 5.10.--Continued

Technique

(15) Providing letter of credit to minority vendor suppliers

(16) Broadening product specifications

(17) Providing direct financial aid

(18) Helping minority vendors obtain funds from government loan agencies

(19) Providing financial aid through company-run Minority Enterprise Small Business Investment Companies

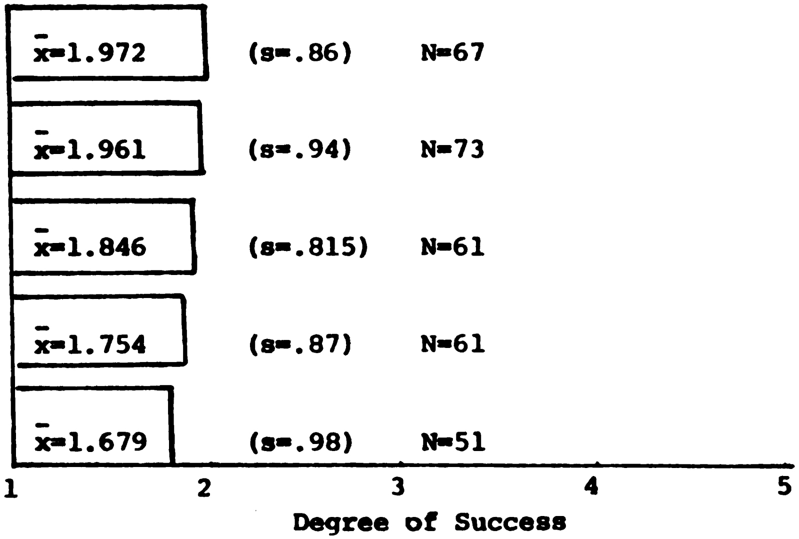

Fig. 5.10.--Continued

[a]"$\bar{x}$" indicates mean score; "s" indicates standard deviation.

[b]Degree of success--"1"=no success; "2"=little success; "3"=some success; "4"= considerable success; "5"=a great deal of success.

3. Helping minority vendors secure raw materials and helping minority vendors develop effective purchasing practices ranked fifth and ninth in terms of use, but fourth and third in terms of perceived success when utilized. One possible explanation of this was the expertise which purchasing personnel possessed in these areas.

4. Paying a price differential ranked tenth in terms of use (55 percent, N = 181), but fifth in terms of perceived success when utilized. This differed from an earlier question which asked, "Does your corporation pay a price differential to develop competitive minority vendors?" which received a 35 percent (N = 63) affirmative response. One possible explanation of this difference was that the corporation did not have an explicit policy to pay a price differential, but individual buyers may have done so to develop minority vendors.

Differences in Problems Between Minority and Nonminority Suppliers

Problems encountered when purchasing from minority vendors were contrasted with those problems encountered when purchasing from nonminority vendors. The respondents were provided with seventeen purchasing problems and were asked to rate each problem on a scale ranging from "1"--"not a problem" to "2"--"a moderate problem" to "3"--"a significant problem" for both their minority and nonminority vendors.

The highest perceived problems experienced when purchasing from minority vendors included:

1. Lack of minority vendors supplying purchased items.
2. Lack of minority vendors at or near operating locations.
3. Insufficient technological expertise.
4. Lack of qualified engineering personnel.
5. Lack of qualified sales personnel.
6. Consistently high prices.

The lowest perceived problems experienced when purchasing from minority vendors included:

1. Low quality and high rates of rejected material.
2. Inability to understand purchase specifications.
3. Lack of compliance with purchasing procedures.
4. Failure to submit samples.

Ranking problems in terms of perceived differences when purchasing from minority and nonminority vendors showed that the areas of greatest difference were (1) lack of qualified engineering personnel; (2) lack of qualified sales personnel; and (3) insufficient technological expertise. The smallest differences between minority and nonminority vendors were present in (1) lack of compliance with purchasing procedures; (2) the failure to deliver on time; and (3) the failure to submit samples. Tables 5.3 and 5.4 list the perceived ratings for problems experienced when purchasing from minority and nonminority vendors and their difference.

The perceived problems experienced when purchasing from minority vendors were all greater (from "moderate" to "significant") that those experienced when purchasing from nonminority vendors

TABLE 5.3

RANKING OF PROBLEMS WHEN PURCHASING FROM MINORITY & NONMINORITY VENDORS

Problem	Extent of Minority Problem	Extent of Nonminority Problem	Difference	Rank by Difference in Score	Number of Cases
Lack of qualified engineering personnel	2.34	1.29	1.05	1	133
Lack of qualified management personnel	2.11	1.28	.83	5	141
Lack of qualified sales personnel	2.27	1.26	1.01	2	145
Insufficient technological expertise	2.33	1.36	.97	3	152
Consistently high prices	2.20	1.48	.72	6	147
Insufficient production capacity	2.18	1.32	.86	4	151
Failure to respond to phone calls	2.06	1.36	.70	7	154
Failure to meet bid deadlines	2.04	1.53	.51	8	152
Failure to deliver on time	2.00	1.67	.33	13	151
Long lead time required to correct quality problems	1.87	1.44	.43	10	137
Low quality/high rejection rate	1.80	1.36	.44	9	143
Inability to understand purchase specifications	1.80	1.37	.43	10	158
Lack of compliance with purchasing procedures	1.59	1.22	.37	12	143
Failure to submit samples	1.57	1.27	.30	14	137

Scale: "3" = significant problem for minority or nonminority vendors;
"2" = moderate problem for minority or nonminority vendors; and
"1" = no problem for minority or nonminority vendors.

TABLE 5.4

RANKING OF PROBLEMS UNIQUE TO MINORITY VENDORS

Problem	Extent of Minority Problem	Extent of Nonminority Problem	Difference	Rank by Difference in Score	Number of Cases
Lack of minority vendors supplying purchased items	2.72	N/A[a]	N/A		135
Lack of minority vendors at or near operating locations	2.51	N/A	N/A		133
Minority serving as a front	1.92	N/A	N/A		114

[a]N/A indicates that problem does not pertain to nonminority vendors.

Scale: "3" = significant problem for minority or nonminority vendors;
"2" = moderate problem for minority or nonminority vendors; and
"1" = no problem for minority or nonminority vendors.

(from "no problem" to "moderate"). Respondents were asked to indicate how they had overcome the various problems. Problems and solutions suggested by the respondents to overcoming them were:

Problem: Lack of qualified personnel--engineering, managerial, or sales.
Solutions: Management training at Business Development Organizations.
Supplying in-company expertise in engineering, manufacturing, and sales to help minority vendors.
Conducting sales seminars for minority vendors.

Problem: Insufficient technological expertise.
Solutions: Provide technical assistance by loaning an engineer or by personal on-site visits with technical staff.
Restrict buying to nontechnical items.
Utilize college and university technical personnel and courses.

Problem: Consistently high prices.
Solutions: Try to find out what is causing the difference in price.
Review the minority vendor's operation and lend managerial, accounting, and engineering assistance.
Pay a price differential.

Problem: Insufficient production capacity.
Solutions: Train minority vendors in planning and scheduling.
Assist in locating capital equipment for expansion.
Provide information about capital availability for expansion through MESBICs, SBA, or RMPCs.
Orders awarded within minority vendor's capabilities.

Problem: Failure to respond to phone calls.
Solutions: The buyer calls back as many times as is necessary to get an answer on the first order. On subsequent business, the vendor must call back within a reasonable time period.
Don't consider a minority vendor seriously until a responsible return call pattern is established.
Stress the importance of returning the phone calls.
Perseverance in continuing to call until contact is made.

Problem: Failure to meet bid deadlines.
Solutions: Educate minority vendors on the need for submitting on time quotes.
Communicate and follow-up.
Extend bid deadlines.

Problem: Minority serving as a front for nonminority businesses.
Solutions: Validation through the National Minority Purchasing Council, Regional Minority Purchasing Council, and Small Business Administration.
Publicize fronted businesses to other Council members.

In each response category, problems experienced when purchasing from minority suppliers were rated higher than those problems experienced with nonminority suppliers. The greatest differences between minority and nonminority vendors were (1) lack of qualified engineering personnel; (2) lack of qualified sales personnel; and (3) insufficient technological expertise.

Minority Purchasing Activity Measures

Minority purchasing activity measures were: (1) annual minority vendor dollar expenditures; (2) percentage of annual dollar purchases from minority vendors; (3) total number of minority vendors; and (4) respondent's self-perception of minority purchasing program success. A summary of annual minority vendor dollar expenditures per corporation, percentage of annual dollar purchases from minority vendors per corporation, and total number of minority vendors per corporation are shown in Figures 5.11, 5.12, and 5.13. A further breakdown of the minority purchasing activity measures is provided in Appendix F.

During the years 1976, 1977, and 1978 corporations increased their percentage of annual dollar purchases from minority vendors, total number of minority vendors, and annual minority vendor dollar expenditures. Key findings were:

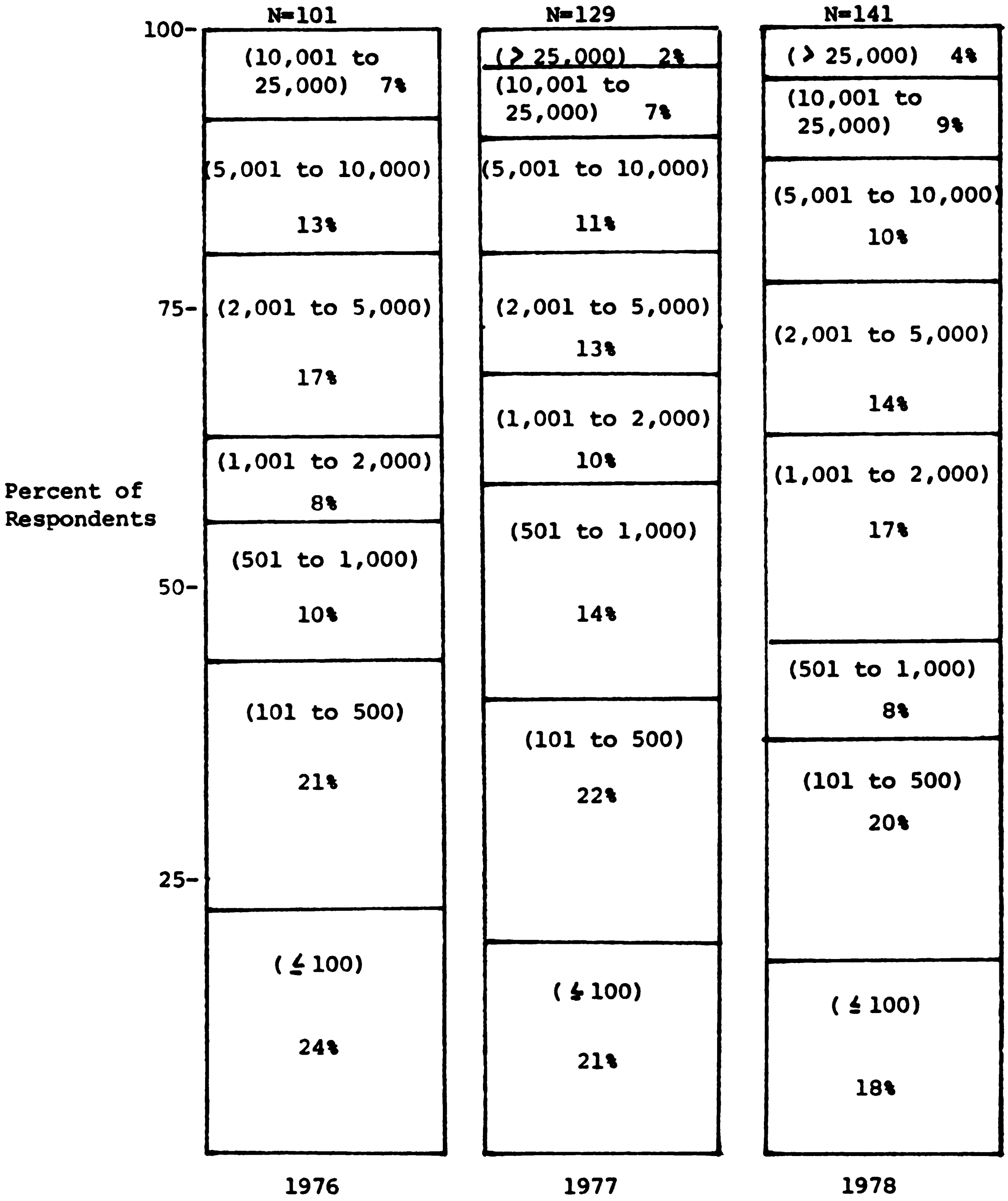

Fig. 5.11.--Annual Minority Vendor Dollar Expenditures per Corporation (Dollars in Thousands)

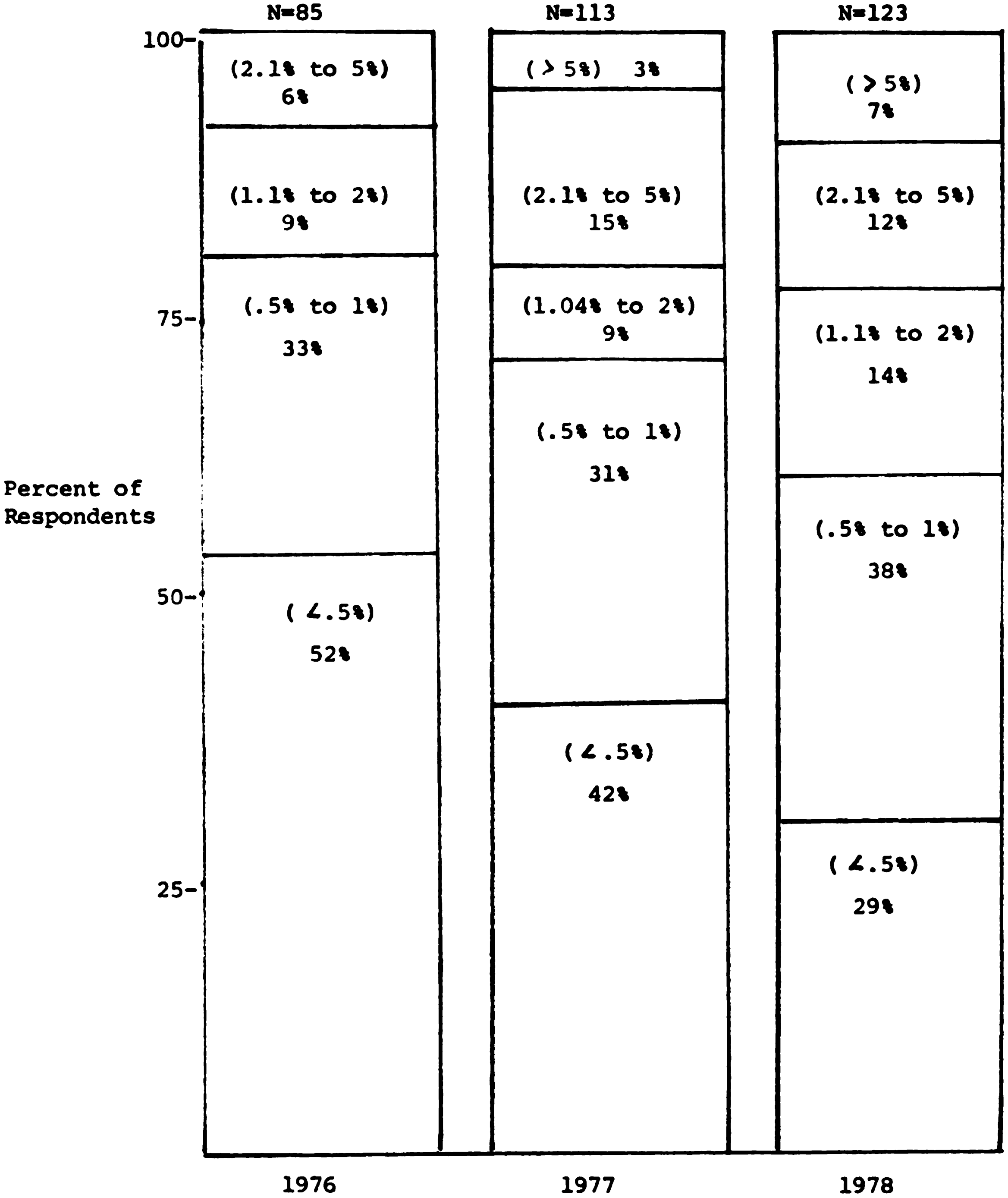

Fig. 5.12.--Percent of Annual Dollar Purchases from Minority Vendors per Corporation

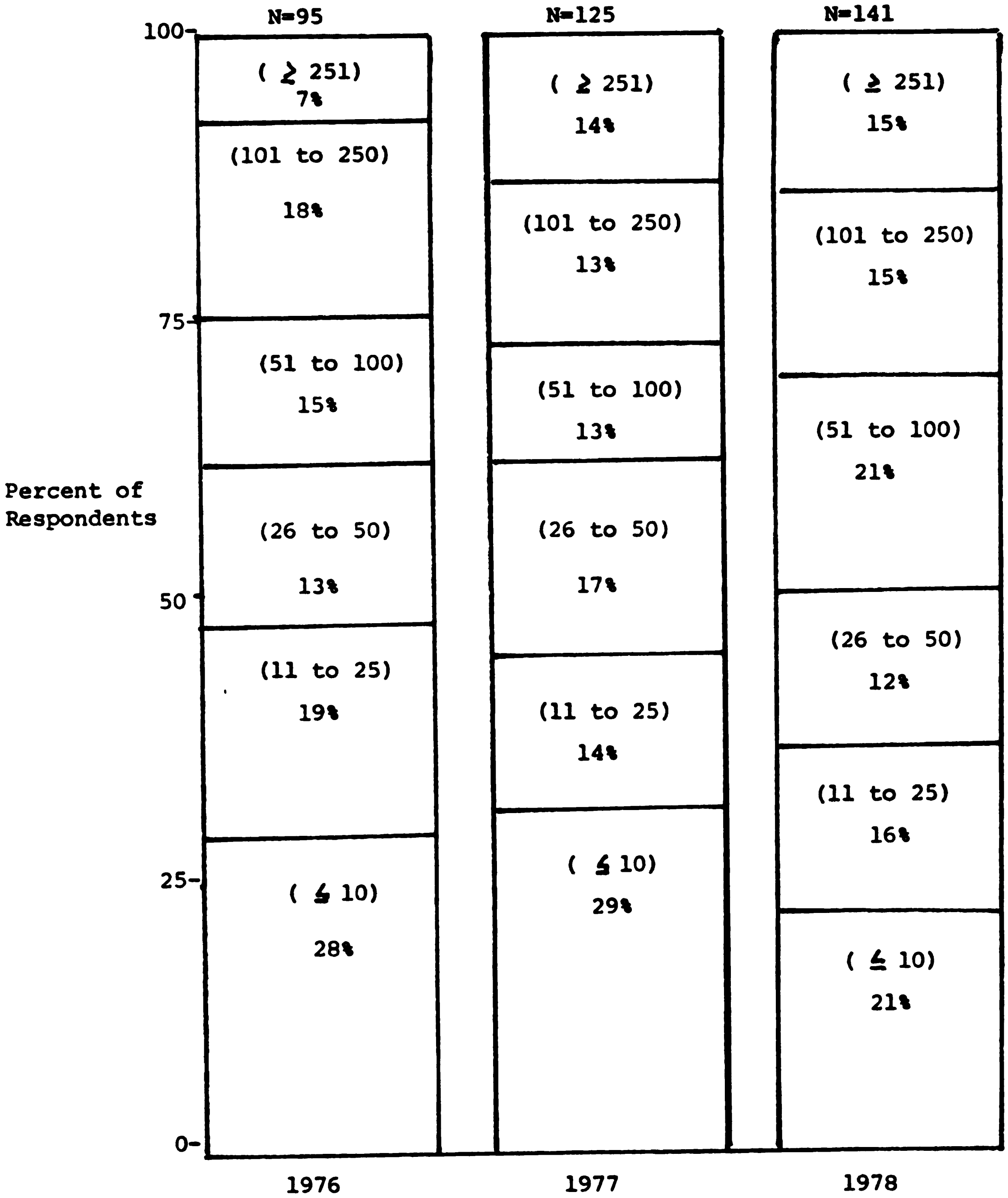

Fig. 5.13.--Total Number of Minority Vendors Per Corporation

Problem: Failure to deliver on time.
Solutions: More timely follow-up to insure progress is on schedule.
Emphasize importance of on-time delivery and give vendors a "second chance" to improve.
Monitor delivery closely and attempt to assist in solving the problem.
Vendor evaluation every three months.

Problem: Long lead time required to correct quality problems.
Solutions: Not a problem if you don't overload the vendor.
Anticipate such delays and order accordingly.
Go to a second source of supply to cover for longer lead times.

Problem: Low quality/high rate of rejected material.
Solutions: Quality assurance check of vendor's plant and explanation of quality level required.
Provide technical assistance to help solve the problem.
Reject material and have work redone.
Drop supplier from bidders' list.

Problem: Inability to understand purchase specifications.
Solutions: Review in depth prior to placing an order to insure specifications are understood.
Review specifications to make sure they are clear and easy to read.

Problem: Lack of compliance with purchasing procedures.
Solutions: Communication between buyer and vendor.
Simplify procedures on first few orders.
Follow-up on paperwork problems and educate vendors on importance.

Problem: Failure to submit samples.
Solutions: Pay for samples.
Inspect vendor's plant.
Interview with other customers.

Problem: Lack of minority vendors supplying purchasing items and lack of minority vendors at or near operating locations.
Solutions: Continued search and suggested development of minority vendors.
Go further geographically in the search for minority vendors.
Advise MESBIC's of new kinds of businesses that minority owners should establish.
Help establish minority vendors.

1. In 1976, 48 percent of the respondents spent one-half of 1 percent or more of their total annual dollar purchases with minority vendors. By 1978, 71 percent of the respondents had spent one-half of 1 percent or more of their total annual purchases with minority vendors. In addition, 7 percent of the respondents had spent over 5 percent of their total annual purchases with minority vendors.

2. In 1976 no respondent exceeded $25 million in purchases from minority vendors. By 1978, 4 percent of the respondents had spent over $25 million in purchases from minority vendors.

3. The number of respondents which had more than 251 minority vendors increased from 7 percent in 1976 to 15 percent in 1978.

4. These trends were also reflected in the higher means and medians for each of the activity measures. The median corporation's annual minority vendor dollar expenditures increased 77 percent ($706,000 to $1,250,000) from 1976 to 1978. The median total number of minority vendors increased 73 percent (31 to 55) in the comparable time period.

Summary

The internal minority purchasing practices at most corporations included: (1) having a policy statement on minority vendors; (2) having a person assigned the responsibility for coordinating a minority purchasing program; and (3) having corporate goals for minority purchasing. Less frequently used internal purchasing practices were: (1) minority purchasing goals at the buyer level; (2) in-house training of purchasing personnel and other functional personnel in conducting business with minority vendors; and (3) paying a price differential to minority vendors.

Analysis of the demographic data indicated that there was a higher frequency of Black minority vendors and that most minority businesses supplied service-oriented products. The analysis also indicated that minority vendor programs were conducted most frequently in the states of California, Illinois, New York, Ohio, Pennsylvania, and Texas.

The major responsibilities of the minority vendor coordinator were to (1) act as a central data source in providing information about minority vendors; (2) identify new minority vendors; and (3) monitor purchases made from minority vendors.

Techniques used most successfully in locating minority vendors included: (1) external directories; (2) membership in the National or Regional Minority Purchasing Councils; (3) buyer-initiated contacts with minority vendors; and (4) internally developed corporate directories.

Providing technical assistance and breaking up larger purchases into smaller quantities were the most used and most successful techniques to develop minority vendors. A price differential to develop additional minority vendors was paid by 55 percent (N = 181) of the sample.

The perceived problems experienced when purchasing from minority vendors were all greater than those experienced when purchasing from nonminority vendors. Greatest problem differences between minority and nonminority vendors were lack of qualified engineering and sales personnel and lack of technological expertise.

Minority purchasing activity measures in terms of annual minority vendor dollar expenditures, percentage of annual dollar purchases from minority vendors, and total number of minority vendors increased in every category from 1976 to 1978.

CHAPTER VI

RESULTS AND DISCUSSION

This chapter presents and discusses the results of the hypotheses tests developed for the following major classifications:

1. Internal Purchasing Practices
2. Corporation Size and Year of Program Initiation
3. Geographic Data
4. Program Coordinator Responsibilities
5. Minority Vendor Sourcing
6. Development of Minority Vendors
7. Differences in Problems Between Minority and Non-minority Vendors

Minority purchasing activity measures used to test the hypotheses were (1) self-perceived success; (2) annual minority vendor dollar expenditures for 1978; (3) total number of minority vendors in 1978; and (4) the percentage of annual dollar purchases from minority vendors in 1978.[1] The hypotheses sought to determine which independent variables were most closely associated with each of the four minority purchasing activity measures.

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[1]The reasons for selecting these minority purchasing activity measures were discussed in Chapter IV.

Each discussion of the research results is preceded by the statement of the null hypothesis tested and type of statistical analyses used. Correlational analyses, T-tests, and multiple regression analyses were the major statistical procedures employed in the hypotheses testing.[2]

Multiple regression analyses were performed on Hypotheses 1, 2, 3, 6, 8, and 10. The first three hypotheses dealt with internal minority purchasing practices, year of program initiation, and size of the corporation. Hypotheses 6, 8, and 10 were concerned with annual frequency with which job responsibilities were performed by minority vendor coordinators and perceived success experienced with techniques used to locate and develop minority vendors.

Multiple regression analyses were performed using pairwise deletion to maximize the total sample size. Pairwise deletion may influence validity upon reproducing results unless samples are quite similar. It does not, however, bias the multiple correlation coefficients. Results of the tests were also analyzed using listwise deletion, and results similar to those for pairwise deletion were obtained (see Table 6.4). Using pairwise deletion makes reporting of sample size impractical since every independent and dependent variable pair could contain a different sample size.

Due to the impracticality and low meaningfulness of reporting individual n's, they are not shown in the multiple regression tables.

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[2]Reasons for selecting these statistical techniques were discussed in Chapter IV.

What is shown in each of the tables is the overall multiple correlation coefficient (r^2) and significance level (p).

Internal Purchasing Practices

Hypothesis 1:

There is no relationship between minority purchasing activity and the existence of the following purchasing policies, procedures, and techniques:
- --a corporate policy statement about minority purchasing
- --chief executive support for minority purchasing programs
- --corporate minority purchasing goals
- --buyer minority purchasing goals
- --an individual responsible for coordinating the minority purchasing program
- --payment of a price differential to develop minority vendors
- --inclusion of minority vendor goal achievement in buyer performance appraisal
- --identification of minority vendors
- --development of minority vendors
- --frequency of reports of minority purchasing program results.

A multiple regression analysis was performed using the ten variables listed in the null hypothesis. The results of the multiple regression are shown in Table 6.1. This table also illustrates the multiple regression values for the ten internal purchasing practices, corporate size, and year of program initiation to facilitate comparisons. Self-perceived success, $r^2 = .431$ ($p \leq .001$), and total number of minority vendors, $r^2 = .236$ ($p \leq .05$), were significantly related to the minority purchasing activity measures. Annual minority vendor dollar expenditures and percentage of annual purchases from minority vendors were not significantly related to the minority purchasing activity measures.

In order to determine which of the internal purchasing practices had stronger relationships with the activity measures,

TABLE 6.1

MULTIPLE REGRESSION ANALYSIS OF INTERNAL PURCHASING PRACTICES AND MINORITY PURCHASING ACTIVITY MEASURES

Minority Purchasing Activity Measures		Ten Internal Purchasing Practices	Ten Internal Purchasing Practices, Corporate Size, Program Year
Self-perceived success	r^2 [a]	.431	.486
	p [b]	(.001)	(.001)
Percentage of annual dollar purchases from minority vendors	r^2	.051	.102
	p	(.828)	(.949)
Annual minority vendor dollar expenditures	r^2	.081	.369
	p	(.388)	(.007)
Total number of minority vendors	r^2	.236	.562
	p	(.050)	(.001)

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

a sub-hypothesis was tested for each practice. Statistical analyses were done using correlation analyses. The results of these analyses are shown in Table 6.2.

Self-perceived success had the strongest relationship with the internal purchasing practices with a median correlation of $r = .36$ and significant correlations ($p \leq .05$) with nine independent variables. Total number of minority vendors had significant correlations ($p \leq .05$) with nine independent variables and a median correlation of $r = .17$. Annual minority vendor dollar expenditures and the percentage of annual dollar purchases from minority vendors had median correlations of .07 and .005 respectively.

Each internal purchasing practice was then analyzed with the minority purchasing activity measures in terms of (1) those having the highest median correlations with all four minority purchasing activity measures and (2) those having a larger number of correlations with significance at the .05 level or better. In terms of the above analysis, those four variables most closely associated with the minority purchasing activity measures were:

1. Consideration of minority purchasing achievement in performance appraisal.

2. The degree of chief executive support for the minority purchasing program.

3. Policy statement regarding purchases from minority vendors.

4. Minority purchasing goals set at corporate level.

TABLE 6.2

CORRELATION ANALYSES OF SUB-HYPOTHESES AND MINORITY PURCHASING ACTIVITY MEASURES

Sub-Hypothesis		Self-Perceived Success	Percentage of Annual Dollar Purchases	Annual Minority Vendor Dollar Expenditures	Total Number of Minority Vendors
H_o: Goals set at the corporate level have no relationship to minority purchasing activity	r[a]	.49	-.03	.13	.24
	p[b]	.001	.376	.068	.002
	N[c]	186	123	141	141
	S[d]/R[e]	R	S	S	R
H_o: Goals set at the buyer level have no relationship to minority purchasing activity	r	.36	.08	-.006	.17
	p	.001	.188	.472	.025
	N	186	123	141	141
	S/R	R	S	S	R
H_o: Frequency of monitoring program performance has no relationship to minority purchasing activity	r	.04	-.06	.07	.14
	p	.318	.248	.274	.050
	N	183	122	138	139
	S/R	S	S	S	R
H_o: Consideration of minority purchasing achievement in buyer's performance appraisal has no relationship to minority purchasing activity	r	.39	-.01	.15	.22
	p	.001	.446	.040	.005
	N	184	122	140	140
	S/R	R	S	S	R

TABLE 6.2--Continued

Sub-Hypothesis		Self-Perceived Success	Percentage of Annual Dollar Purchases	Annual Minority Vendor Dollar Expenditures	Total Number of Minority Vendors
H_o: Administration of in-house training sessions about minority vendors for purchasing departments has no relationship to minority purchasing activity	r	.36	.03	.03	.15
	p	.001	.386	.360	.034
	N	185	122	140	140
	S/R	R	S	S	R
H_o: Administration of in-house training sessions about minority vendors for other departments has no relationship to minority purchasing activity	r	.38	-.06	.06	.18
	p	.001	.268	.259	.019
	N	162	109	126	128
	S/R	R	S	S	R
H_o: Price differentials paid to develop minority vendors has no relationship to minority purchasing activity	r	.23	-.13	-.03	.04
	p	.001	.074	.353	.312
	N	174	117	132	132
	S/R	R	S	S	S
H_o: The existence of a written policy statement has no relationship to minority purchasing activity	r	.50	.04	.11	.22
	p	.001	.338	.104	.004
	N	186	123	141	141
	S/R	R	S	S	R

TABLE 6.2--Continued

Sub-Hypothesis		Self-Perceived Success	Percentage of Annual Dollar Purchases	Annual Minority Vendor Dollar Expenditures	Total Number of Minority Vendors
H_o: The assignment of program responsibility to one individual has no relationship to minority purchasing activity	r	.24	.005	.07	.17
	p	.001	.476	.212	.025
	N	185	122	140	140
	S/R	R	S	S	R
H_o: The degree of Chief Executive support has no relationship to minority purchasing activity	r	.50	.03	.21	.29
	p	.001	.380	.006	.001
	N	185	122	141	141
	S/R	R	S	R	R
H_o: The percentage of sales to the Federal Government has no relationship to minority purchasing activity	r	.10	.13	.07	.09
	p	.110	.099	.210	.154
	N	144	104	118	119
	S/R	S	S	S	S
Median correlations	r	.36	.005	.07	.17
	S/R	2/9	11/0	9/2	2/9

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

[d] S = hypothesis supported.

[e] R = hypothesis rejected.

Discussion: The hypothesis was supported in terms of percentage of annual dollar purchases from minority vendors and annual minority vendor dollar expenditures. It was rejected in terms of self-perceived success and total number of minority vendors. The ten variables listed in Hypothesis 1 consisted of those purchasing practices which were frequently discussed in the literature as necessary for active and successful minority purchasing programs.[3]

Self-perceived success had the strongest relationship with the internal purchasing practices. It appears this resulted from (1) those respondents who had more internal purchasing practices in operation viewed their programs as being more successful and (2) the possible influence of the published literature which suggests that program success is contingent on use of the aforementioned internal purchasing practices. However, the existence of policies and procedures alone may not be sufficient to explain minority purchasing activity unless the program received support from top management and results were made part of the performance appraisal process. This was verified by analyses which showed top management commitment to a minority purchasing program and consideration of minority purchasing achievement in buyer performance appraisals having the highest positive relationship to minority purchasing activity measures.

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[3]Chicago United, A Practical Guide to Starting or Improving a Minority Purchasing Program (Chicago: Chicago United, 1975), p. 2.

Hypothesis 2:

There is no relationship between minority purchasing activity and the ten independent variables (listed in the previous hypothesis) and year of program initiation and corporate size.

The major reason for testing this hypothesis was to determine the impact of corporate size and year of program initiation in conjunction with the ten independent variables. Corporate size was not directly addressed by the questionnaire. However, total 1978 sales of the eighty-nine corporations who identified themselves on the questionnaire was used as a surrogate measure for size.

Multiple regressions were performed using the ten independent variables, year of program initiation, and corporate size and the minority purchasing activity measures of self-perceived success, annual minority vendor dollar expenditures for 1978, total number of minority vendors for 1978, and percentage of annual dollar purchases from minority vendors in 1978. The results of the multiple regression analyses are shown in Table 6.1 and were significant for all activity measures except percentage of annual dollar purchases from minority vendors.

Discussion: The null hypothesis was rejected for self-perceived success, annual minority vendor dollar expenditures, and total number of minority vendors. It was supported in terms of percentage of annual dollar purchases from minority vendors.

The effect of year of program initiation and corporate size was greatest for annual minority vendor dollar expenditures and total number of minority vendors. The reported r^2 increased from .081

($p \leq .388$) to .369 ($p \leq .007$) for annual minority vendor dollar expenditures and from .236 ($p \leq .05$) to .562 ($p \leq .001$) for the total number of minority vendors. As expected, these were the two minority purchasing activity measures most closely associated with corporation size. In addition, larger corporations started their minority purchasing programs earlier. The addition of corporation size and year of program initiation did not appreciably change the multiple regression coefficients for self-perceived success.

Corporation Size and Year of Program Initiation

Hypothesis 3:

> There is no relationship between minority purchasing activity and corporation size and year of program initiation.

The analysis was done in two ways. First, correlation analyses for each variable and the activity measures were performed. Secondly, a multiple regression using year of program initiation and corporation size as independent variables was performed. The results of the correlation analyses are shown in Table 6.3. Correlations between the activity measures and corporation size and year of program initiation were all significant ($p \leq .05$) except for percentage of annual dollar purchases from minority vendors. The multiple regression analyses using pairwise and listwise deletions are shown in Table 6.4.

Discussion: The null hypothesis was rejected in terms of self-perceived success, annual minority vendor dollar expenditures, and total number of minority vendors. It was supported in terms of

TABLE 6.3

CORRELATION ANALYSES BETWEEN CORPORATION SIZE AND YEAR OF PROGRAM INITIATION AND MINORITY PURCHASING ACTIVITY MEASURES

Minority Purchasing Activity Measures		Corporation Size	Year of Program Initiation
Self-perceived success	r[a]	.34	.38
	p[b]	.001	.001
	N[c]	88	166
Percentage of annual dollar purchases from minority vendors	r	-.22	.01
	p	.049	.475
	N	57	113
Annual minority vendor dollar expenditures	r	.53	.24
	p	.001	.003
	N	68	131
Total number of minority vendors	r	.68	.39
	p	.001	.001
	N	64	130

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

TABLE 6.4

MULTIPLE REGRESSION ANALYSES OF CORPORATION SIZE AND YEAR OF PROGRAM INITIATION WITH MINORITY PURCHASING ACTIVITY MEASURES

Minority Purchasing Activity Measures		Corporation Size & Year of Program Initiation (Pairwise)	Corporation Size & Year of Program Initiation (Listwise)
Self-perceived success	r^2 [a]	.21	.13
	p [b]	.001	.005
Percentage of annual dollar purchases from minority vendors	r^2	.05	.06
	p	.237	.211
Annual minority vendor dollar expenditures	r^2	.29	.33
	p	.001	.001
Total number of minority vendors	r^2	.50	.49
	p	.001	.001

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

percentage of annual dollar purchases from minority vendors. Corporate size and year of program initiation were positively related to all minority purchasing activity measures except percentage of annual dollar purchases from minority vendors. The hypothesized results were supported using both pairwise and listwise multiple regression analyses. Major findings with regards to the issue of corporate size were that (1) larger corporations spent more dollars with minority vendors and had more minority vendors than did smaller corporations and (2) larger corporations spent a lower percentage of their total annual purchase dollars with minority vendors. Possible explanations of these findings were as follows:

1. Self-perceived success was highly related to corporation size. Larger corporations had been involved with minority purchasing for a longer period of time and received more publicity for their efforts in the area of minority vendor purchasing. As a result, coordinators had a higher self-perception of success.

2. Total number of minority vendors and annual minority vendor dollar expenditures were highly related to corporation size. Typically, the larger the corporation (1) the more dollars spent for purchases and (2) those items which could be purchased from minority vendors amounted to larger dollar expenditures corporate wide. For example, purchasing gloves or other supply and service items could amount to a large purchase expenditure in larger corporations.

3. Percentage of annual dollar purchases from minority vendors is inversely related to corporation size. The larger corporations spent lower percentages of their purchase dollar with minority vendors. Possible explanations of this include: (1) in many cases larger corporations are constrained by the minority vendor's limited capacity and (2) many large dollar purchases are made from other large industrial concerns due to large capital investments necessary to provide economies of operation--such as steel and chemical industries.

Year of program initiation had lower correlations with the activity measures than did corporation size; however, year of program initiation was significantly ($p \leq .05$) related to the minority purchasing activity measures in all cases except percentage of annual dollar purchases from minority vendors. This indicated that the earlier a program was established: (1) respondents perceived their programs as more successful; (2) annual minority vendor dollar expenditures were greater; and (3) total number of minority vendors were higher.

It appears that many of the activities involved with minority purchasing require time to establish, implement, and monitor. Some examples of these time-related activities are: (1) training buyers about minority purchasing; (2) time involved in locating minority vendors; and (3) assisting minority vendors to become qualified suppliers. Patience appears necessary due to the time required to establish active minority purchasing program practices.

Corporation size and year of program initiation were also highly related with many of the other independent variables. For this reason, the relationship of these two variables were analyzed in conjunction with each of the following research hypotheses, and results are reported in the following discussion sections for each hypothesis.

Geographic Data

Hypothesis 4:

> There is no relationship between minority purchasing activity and the number of states in which a corporation operates minority purchasing programs.

Each corporation was assigned a numerical score for the total number of states in which it had purchasing locations with minority purchasing programs. For example, a corporation with minority purchasing programs in three states would receive a score of "3"; a corporation with minority programs in fifty states would receive a score of "50." This score was then correlated with each minority purchasing activity measure. Tables 6.5 and 6.6 show the results of these correlation analyses. Correlations were significant ($p \leq .05$) for all minority purchasing activity measures except annual minority vendor dollar expenditures.

Discussion: The null hypothesis was supported in terms of annual minority vendor dollar expenditures and was rejected for percentage of annual dollar purchases from minority vendors, total number of minority vendors, and self-perceived success. Those corporations operating minority purchasing programs in more states

TABLE 6.5

CORRELATION ANALYSES BETWEEN NUMBER OF STATES IN WHICH CORPORATIONS HAVE MINORITY PURCHASING PROGRAMS AND MINORITY PURCHASING ACTIVITY MEASURES

Minority Purchasing Activity Measures		Correlation Results of Total Number of States in which Corporations Have Minority Purchasing Programs
Self-perceived success	r^a	.20
	p^b	.003
	N^c	186
Percentage of annual dollar purchases from minority vendors	r	-.17
	p	.029
	N	123
Annual minority vendor dollar expenditures	r	.04
	p	.308
	N	141
Total number of minority vendors	r	.31
	p	.001
	N	141

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

TABLE 6.6

CORRELATION ANALYSES BETWEEN NUMBER OF STATES IN WHICH CORPORATIONS HAVE MINORITY PURCHASING PROGRAMS AND CORPORATE SIZE AND YEAR OF PROGRAM INITIATION

Independent Variables		Correlation Results of Total Number of States in which Corporations Have Minority Purchasing Programs
Size of corporation	r^a	.39
	p^b	.001
	N^c	89
Year of program initiation	r	.13
	p	.044
	N	169

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

perceived themselves as more successful, spent a smaller percentage of their total purchase dollars with minority vendors, and had more minority vendors. As previously mentioned, no difference was found between annual minority vendor dollar expenditures and the number of states which had purchasing locations operating minority purchasing programs. One possible explanation was: (1) the questionnaire did not collect data on the number of minority purchasing programs each corporation had within a particular state and (2) a corporation which had many purchasing locations operating minority purchasing programs in a few states could show large minority vendor dollar expenditures. For example, a large industrial manufacturer headquartered in Detroit with all of its divisions in Michigan, Ohio, and Indiana would only receive a score of "3."

Corporation size and year of program initiation were related to the number of states in which purchasing departments conducted minority purchasing programs. Those corporations which operated minority purchasing programs in more states were larger and had established their minority purchasing programs earlier.

Program Coordinator Responsibilities

Hypothesis 5:

There is no relationship between minority purchasing activity and the number of different responsibilities performed by the minority purchasing coordinator. These responsibilities include:

- --conducting in-house training sessions about minority vendors
- --acting as a central data source in providing information about minority vendors
- --identifying minority vendors for purchasing departments
- --identifying minority vendors for other departments

--identifying purchased items which have potential for minority vendor sourcing
--providing assistance to purchasing personnel in solving minority vendor problems
--providing assistance to minority vendors
--participating in setting minority purchasing goals
--monitoring purchases made from minority vendors.

In order to measure the job responsibilities performed, each corporation was assigned a numerical score for the total number of functions performed by the coordinator. For example, a minority purchasing coordinator who had indicated the performance of four job responsibilities would have received a score of "4." The score was then correlated with each activity measure. The analyses resulted in correlations of .29 ($p \leq .001$, $N = 160$) for self-perceived success and .17 ($p \leq .025$, $N = 127$) for total number of minority vendors. Lower relationships were found between the annual minority vendor dollar expenditures, $r = -.06$ ($p \leq .24$, $N = 129$), and the percentage of annual dollar purchases from minority vendors, $r = -.09$ ($p \leq .17$, $N = 108$).

Discussion: The null hypothesis was rejected in terms of self-perceived success and the total number of minority vendors. It was supported for annual minority vendor dollar expenditures and percentage of annual purchases from minority vendors. It appeared that minority purchasing program coordinators performing many functions perceived themselves as putting effort into a successful program. However, this may not result in spending more dollars with minority vendors.

In addition, the earlier the year of program initiation, the larger the number of job responsibilities performed by the minority purchasing program coordinator, $r = .24$ ($p \leq .001$, $N = 150$). Corporation size was found to be unrelated to the number of job responsibilities performed by the minority purchasing program coordinator.

Hypothesis 6:

There is no relationship between minority purchasing activity and the annual frequency with which responsibilities (as listed in the previous hypothesis) were performed by the minority purchasing coordinator.

The analyses were performed by (1) correlating the annual frequency with which responsibilities were performed and the minority purchasing activity measures and (2) multiple regressions using the annual frequency with which responsibilities were performed.

Correlations were analyzed to determine which variables had the strongest relationships with the minority purchasing activity measures. Table 6.7 shows the results of these analyses. A multiple regression was also performed with the annual frequency of performance for all nine job responsibilities and is shown in Table 6.8. Annual minority vendor dollar expenditures had a r^2 value of .459 ($p \leq .013$) while the other activity measures had r^2 values of less than .25. A multiple regression analysis was then performed using the three independent variables which accounted for most of the variation in the minority purchasing activity measures.

The three job responsibilities were (1) conducting in-house training sessions about minority vendors; (2) providing assistance to minority vendors; and (3) providing assistance to purchasing personnel

TABLE 6.7

CORRELATION ANALYSES OF FREQUENCY IN PERFORMING JOB RESPONSIBILITIES AND MINORITY PURCHASING ACTIVITY MEASURES

Responsibilities		Self-Perceived Success	Percentage of Annual Purchases from Minority Vendors	Annual Minority Dollar Expenditures	Total Number of Minority Vendors
Conducts in-house training sessions	r[a]	.21*	.28*	.37*	.40*
Provides information about minority vendors	r	.32*	.04	.02	.35*
Identifies purchases items for minority vendors	r	.30*	.08	.14*	.18*
Identifies new minority vendors for purchasing departments	r	.40*	-.01	-.03	.25*
Identifies new minority vendors for other departments	r	.25*	.04	.02	.18*
Provides assistance in solving minority vendor problems	r	.36*	.14*	.28*	.31*
Provides assistance to minority vendors	r	.36*	.27*	.38*	.32*
Participates in setting minority vendor purchase goals	r	.26*	-.01	.01	.20*
Monitors purchases made from minority vendors	r	.25*	.21*	.00	.21*
Median	r	.30*	.08	.02	.25*

[a]r = correlation coefficient.

*significant, $p \leq .05$.

TABLE 6.8

MULTIPLE REGRESSION ANALYSES OF FREQUENCY IN PERFORMANCE OF JOB RESPONSIBILITIES

Minority Purchasing Activity Measures		Nine Job Responsibilities	Three Job Responsibilities[c]
Self-perceived success	r^2[a]	.22	.170
	p[b]	.082	.007
Percentage of annual dollar purchases from minority vendors	r^2	.22	.14
	p	.139	.080
Annual minority vendor dollar expenditures	r^2	.459	.191
	p	.013	.003
Total number of minority vendors	r^2	.23	.198
	p	.061	.003

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

[c] Three job responsibilities were: conducting in-house training session about minority vendors; providing assistance to minority vendors; and providing assistance to purchasing personnel in solving minority vendor problems.

in solving minority vendor problems. The multiple regression results using only these three independent variables is also shown in Table 6.8. The reported multiple regression coefficients between these three job responsibilities and the minority purchasing activity measures were: (1) self-perceived success, $r^2 = .170$ ($p \leq .007$); (2) annual minority vendor dollar expenditures, $r^2 = .191$ ($p \leq .003$); and (3) total number of minority vendors, $r^2 = .198$ ($p \leq .003$).

Discussion: The null hypothesis was supported except in the case of annual minority vendor dollar expenditures. The three independent variables which accounted for most of the variance in the nine job responsibilities were:

1. Conducting in-house education and training sessions about minority vendors.
2. Providing assistance to minority vendors (managerial, financial, technical, etc.).
3. Providing assistance to purchasing personnel in solving minority vendor problems.

The three responsibilities which were most highly related to the minority purchasing activity measures were lower rated (ninth, fifth, and seventh respectively) in terms of frequency of performance across the entire sample. It appears that these responsibilities are much more problem-solving (assistance) type responsibilities than the primarily administrative responsibilities which were ranked higher in the overall sample. A possible explanation is that minority program coordinators at corporations having active programs assume a more aggressive role in solving problems associated with minority vendors.

Minority Vendor Sourcing

Hypothesis 7:

There is no relationship between minority purchasing activity and the number of sourcing techniques used to locate minority vendors. These sourcing techniques are:

--buyer-initiated contacts with minority vendors
--advertising for sources in minority publications
--distributing brochures describing products purchases
--attending minority trade fairs
--exhibiting at minority trade fairs
--external directories
--membership in NMPC or RMPC
--membership in NAPM
--internally developed corporate directories.

In order to measure sourcing techniques used, each corporation was assigned a total numerical score for the number of techniques which it used. For example, a minority purchasing coordinator who used buyer-initiated contacts and external directories to locate minority vendors would receive a score of "2." This score was then correlated with each dependent variable resulting in correlations of $r = .42$ ($p \leq .001$, $N = 174$) for self-perceived success; $r = .22$ ($p \leq .006$, $N = 133$) for total number of minority vendors; $r = .06$ ($p \leq .24$, $N = 134$) for annual minority vendor dollar expenditures; and $r = -.05$ ($p \leq .29$, $N = 117$) for percentage of annual dollar purchases from minority vendors.

Discussion: The null hypothesis was rejected in terms of total number of minority vendors and self-perceived success. It was supported in terms of annual minority vendor dollar expenditures and percentage of annual dollar purchases from minority vendors. One explanation for this was that the use of multiple sourcing techniques did assist a corporation in locating more minority vendors.

The year of program initiation and corporation size were both related to the number of sourcing techniques used. The earlier the year of program initiation, $r = .04$ ($p \leq .001$, $N = 157$), and the larger the corporation, $r = .24$ ($p \leq .016$, $N = 82$), there are more sourcing techniques which are used. Larger corporations having more resources can usually develop more of these sourcing techniques.

Hypothesis 8:

There is no relationship between minority purchasing activity and perceived success in using the sourcing techniques (as listed in the previous hypothesis).

The analysis was performed in two stages. First, calculations were made which averaged the success score[4] for each corporation across all techniques. For example, a respondent who indicated using three techniques with perceived success scores of 2, 3, and 4 received an average success score of "3." These averages were correlated with the activity measures. Secondly, multiple regressions were performed using the perceived degree of success on the sourcing techniques as independent variables.

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[4]Each respondent indicated a perceived degree of success for each technique on the questionnaire. The degrees were "no success" (1), "little success" (2), "some success" (3), "considerable success" (4), "a great deal of success" (5).

The relationship between average perceived success and minority purchasing activity produced significant relationships with (1) self-perceived success, $r = .37$ ($p \leq .001$, $N = 186$) and (2) total number of minority vendors, $r = .17$ ($p \leq .024$, $N = 141$). Relationships with the other minority purchasing activity measures were lower. Percentage of annual dollar purchases from minority vendors had a correlation coefficient of .03 ($p \leq .36$, $N = 123$), and total minority vendor dollar expenditures had a correlation coefficient of .05 ($p \leq .27$, $N = 141$).

The results of the multiple regression analysis with the nine sourcing techniques are shown in Table 6.9. Only self-perceived success was significant at the .05 level or better.

The four sourcing techniques which explained most of the variation in the activity measures were selected and analyzed using multiple regression analysis. These four key sourcing techniques were:

1. Buyer-initiated contacts with minority vendors.
2. Internally developed corporate directories.
3. Advertisement for sources in minority publications.
4. Distribution of brochures and pamphlets to minority vendors describing products purchased.

The results of the multiple regression analysis using these four sourcing techniques are shown in Table 6.9. Both self-perceived success and total number of minority vendors were significantly related to the minority purchasing activity measures.

TABLE 6.9

MULTIPLE REGRESSION ANALYSES OF PERCEIVED SUCCESS WITH SOURCING TECHNIQUES

Minority Purchasing Activity Measures		Nine Sourcing Techniques	Four Sourcing Techniques[c]
Self-perceived success	r^2[a]	.373	.317
	p[b]	.005	.000
Percentage of annual dollar purchases from minority vendors	r^2	.154	.076
	p	.663	.104
Annual minority vendor dollar expenditures	r^2	.135	.095
	p	.632	.075
Total number of minority vendors	r^2	.212	.129
	p	.241	.029

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

[c] Four sourcing techniques are: buyer-initiated contacts with minority vendors; internally developed corporate directories; advertisement for sources in minority publications; and distribution of brochures and pamphlets to minority vendors describing products purchased.

Discussion: The null hypothesis was rejected in terms of self-perceived success but was supported in terms of annual minority vendor dollar expenditures, total number of minority vendors, and percentage of annual dollar purchases from minority vendors.

In terms of perceived success, those sourcing techniques which were most closely associated with greater minority purchasing activity were:

1. Buyer-initiated contacts with minority vendors.

2. Internally developed corporate directories.

3. Advertisement for sources in minority publications.

4. Distribution of brochures and pamphlets to minority vendors describing products purchased.

The relationship between minority purchasing activity and advertising for minority vendors in minority publications and distributing brochures and pamphlets to minority vendors describing purchased products was surprising in view of the fact that when analyzing the entire sample, they were ranked quite low in respondent perception of their successfulness and degree of use.

Advertising in minority publications appears to be a method which those corporations active in minority purchasing successfully utilize in attracting potential minority vendors. Additionally, the focus of the sourcing techniques explaining most of the variance were those over which the corporation had direct control and input. External directories, associations, and trade fairs may provide a good starting base for sourcing; however, those corporations experiencing greater minority purchasing activity relied on successful use of the internal techniques such as internally developed directories, advertising in minority publications, and brochures and pamphlets tailored to their specific corporation.

Year of program initiation and corporate size were found to be related to the average success score. Those corporations having initiated their minority purchasing programs earlier, r = .25 ($p \leq .001$, N = 169), and larger corporations, r = .32 ($p \leq .001$, N = 89), perceived greater success when using sourcing techniques.

Development of Minority Vendors

Hypothesis 9:

There is no relationship between minority purchasing activity and the number of supplier development techniques used to develop minority vendors. These supplier development techniques are:

--broadening product specifications
--breaking up large purchases into smaller quantities
--requiring that your suppliers utilize minority vendors
--simplifying paperwork requirements
--awarding long-term contracts
--providing longer vendor quotation times
--providing special payment terms
--providing technical assistance
--providing management assistance
--providing direct financial aid
--providing financial aid through company run MESBICs
--providing prepayment on large dollar or long lead time items
--providing letter of credit to minority vendor's suppliers
--helping minority vendors obtain funds from government loan agencies
--helping minority vendors develop effective purchasing practices
--helping minority vendors secure raw materials
--paying a price differential
--allowing longer lead times
--broadening acceptable quality levels.

In order to measure development techniques used, each corporation was assigned a total score for the number of different development techniques used. For example, a minority purchasing coordinator who provided technical assistance, direct financial aid, and longer quotation times received a score of "3." This score was then correlated with each minority purchasing activity measure and resulted in correlations of $r = .32$ ($p \leq .001$, $N = 166$) for self-perceived success; $r = .08$ ($p \leq .183$, $N = 130$) for total number of minority vendors; $r = -.01$ ($p \leq .465$, $N = 115$) for annual minority vendor dollar expenditures; and $r = -.01$ ($p \leq .474$, $N = 130$) for percentage of annual dollar purchases from minority vendors.

Discussion: The null hypothesis was supported for all minority purchasing activity measures except self-perceived success. Performing a greater number of development techniques had no relationship to program activity in terms of annual minority vendor dollar expenditures, total number of minority vendors, or percentage of annual dollar purchases from minority vendors. Performing a greater number of development techniques did influence how successful a minority purchasing program was perceived to be but did not influence the annual minority vendor dollar expenditures or total number of minority vendors. It appears that all corporations used several of the techniques.

Year of program initiation was found related to the number of sourcing techniques used. Those corporations having older programs had used more supplier development techniques, $r = .26$ ($p \leq .001$, $N = 150$). Larger corporations did not use a greater number of sourcing techniques than did smaller corporations, r = -.07 ($p \leq .275$, N = 80). The more experience a corporation had in minority purchasing, the more development techniques it used. Both large and small corporations used the same number of development techniques.

Hypothesis 10:

There is no relationship between minority purchasing activity and perceived success in using supplier development techniques (as listed in the previous hypothesis) with minority vendors.

The analysis was performed in two stages. First, the average success score[5] for each corporation was calculated. For example, a respondent who indicated using three sourcing techniques with perceived success of 2, 3, and 4 received an average success score of "3." These average scores were then correlated with the activity measures. Secondly, multiple regression analyses were performed using the degree of perceived success in using development techniques as independent variables.

The relationship between average perceived success and minority purchasing activity produced significant relationships with self-perceived success, r = .27 ($p \leq .001$, N = 160). Nonsignificant relationships were r = .14 ($p \leq .058$, N = 128) for total number of minority vendors; r = -.06 ($p \leq .264$, N = 112) for percentage of annual dollar purchases from minority vendors; and r = .01 ($p \leq .443$, N = 131) for annual minority vendor dollar expenditures.

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[5]Each respondent indicated a perceived degree of success for each sourcing technique used on the questionnaire. The degrees were "no success" (1), "little success" (2), "some success" (3), "considerable success" (4), "a great deal of success" (5).

The results of the multiple regression are shown in Table 6.10. All minority purchasing activity measures were significant except self-perceived success and percentage of annual dollar purchases from minority vendors.

The six development techniques which explained most of the variation in the activity measures were selected and analyzed using multiple regression analyses. These six key development techniques were:

1. Broadening product specifications.
2. Providing special payment terms.
3. Providing financial aid through company-run Minority Enterprise Small Business Investment Companies.
4. Helping minority vendors obtain funds from government loan agencies.
5. Helping minority vendors develop effective purchasing practices.
6. Paying a price differential.

Multiple regression analyses performed with these six development techniques resulted in significant findings for all activity measures except percentage of annual dollar purchases from minority vendors. Table 6.10 shows the results of this analysis.

Discussion: The null hypothesis was rejected for annual minority vendor dollar expenditures and total number of minority vendors. It was supported for self-perceived success and percentage of annual dollar purchases from minority vendors. In terms of

TABLE 6.10

MULTIPLE REGRESSION ANALYSES OF PERCEIVED SUCCESS WITH MINORITY VENDOR DEVELOPMENT TECHNIQUES

Minority Purchasing Activity Measures		Nineteen Development Techniques	Six Development Techniques[c]
Self-perceived success	r^2[a]	.519	.43
	p[b]	.582	.010
Percentage of annual purchases from minority vendors	r^2	.509	.20
	p	.615	.074
Annual minority vendor dollar expenditures	r^2	1.00	.602
	p	.000	.000
Total number of minority vendors	r^2	1.00	.54
	p	.000	.000

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

[c] Six development techniques are: broadening product specifications; providing special payment terms; providing financial aid through company-run MESBIC's; helping minority vendors obtain funds from government loan agencies; helping minority vendors develop effective purchasing practices; and paying a price differential.

perceived success, four of the six development techniques most highly related to the minority purchasing activity measures involved providing financial assistance. These were:

1. Providing special payment terms.
2. Providing financial aid through company-run Minority Enterprise Small Business Investment Companies.
3. Helping minority vendors obtain funds from government loan agencies.
4. Paying a price differential.

For the entire sample, financial assistance provided by MESBICs and corporate assistance in obtaining funds from government agencies were the two lowest ranked development techniques in terms of self-perceived success. Fifty-one of the respondents used MESBICs and the overall perceived success rating was 1.679 ("1"--no success; "2"--little success; "3"--some success; "4"--considerable success; and "5"--a great deal of success). Helping minority vendors obtain funds from government loan agencies had an overall rating of 1.754 (N = 61). These two types of financial assistance were highly related, however, to the minority purchasing activity measures. It appears that some provision of financial assistance either directed towards providing capital, starting or expanding a business, or in terms of price relief through the payment of a price differential or favorable payment terms is necessary in continuing to increase the number of minority vendors and annual minority vendor dollar expenditures.

The strong relationship of development techniques and annual minority vendor dollar expenditures and total number of minority vendors supports the reasoning that it is quite important to utilize supplier development techniques for sustaining an active minority purchasing program. It appears that purchasing personnel should be advised to become familiar in utilizing various development techniques with minority vendors.

Year of program initiation and corporate size were also found to be related to the average success score. Those corporations having initiated minority purchasing programs earlier, $r = -.15$ ($p \leq .033$, $N = 149$), and those corporations which were larger in size, $r = .21$ ($p \leq .031$, $N = 81$), perceived greater success when using development techniques.

Differences in Problems Between Minority and Nonminority Suppliers

Hypothesis 11:

There is no perceived difference in purchasing problems between a corporation's minority and nonminority suppliers. These problems include:

--inability to understand purchase order specifications
--insufficient technological expertise
--insufficient production capacity
--failure to meet bid deadlines
--failure to respond to phone calls
--failure to submit samples
--failure to deliver on time
--low quality/high rate of rejected material
--long lead time required to correct quality problems
--consistently high prices
--lack of minority vendors at or near operating locations
--lack of minority vendors supplying purchased items
--lack of compliance with purchasing procedures
--lack of qualified management personnel
--lack of qualified sales personnel
--lack of qualified engineering personnel
--minority serving as front for nonminority business.

A paired T-test was performed for each problem area (as listed in Hypothesis 11) across all respondents in order to test the hypothesis. For example, "Failure to submit samples" had a mean of 1.57 as a problem with minority suppliers and a mean of 1.27 as a problem with nonminority suppliers. The difference in these two means was .30 and this was significant at $p \leq .001$. A paired T-test allowed comparison of respondents across both minority and nonminority suppliers. The mean responses for purchasing problems encountered with minority vendors were greater than those encountered with nonminority vendors on all problem areas. Overall results of the T-tests indicated that problem differences were statistically significant in all cases, $p \leq .001$. Table 6.11 shows these results.

Discussion: The null hypothesis was rejected. Problem areas were perceived to be significantly greater for minority vendors. Higher ranked problem differences were in the areas of (1) lack of qualified engineering personnel; (2) lack of qualified sales personnel; (3) insufficient technological expertise; and (4) insufficient production capacity. Lower ranked problem differences were in the areas of (1) lack of compliance with purchasing procedures; (2) failure to deliver on time; and (3) failure to submit samples. It appears that since minority businesses are mostly small businesses, newly established, and do not have a history of experienced management personnel, they experience problems in sales, engineering, and management and lack capital necessary for expansion which limits capacity.

TABLE 6.11

RANKING OF MEAN DIFFERENCES IN PROBLEMS BETWEEN MINORITY AND NONMINORITY SUPPLIERS

Problem Areas	Number of Cases	Mean Differences in Problems Between Minority and Nonminority Suppliers	Significance Level[a]
Lack of qualified engineering personnel	133	1.05	.001
Lack of qualified sales personnel	145	1.01	.001
Insufficient technological expertise	152	.97	.001
Insufficient production capacity	151	.86	.001
Lack of qualified management personnel	141	.83	.001
Consistently high prices	147	.72	.001
Failure to respond to phone calls	154	.70	.001
Failure to meet bid deadlines	152	.51	.001
Low quality/high rejection rate	143	.44	.001
Long lead time on quality problems	137	.43	.001
Inability to understand purchasing specs	158	.43	.001
Lack of compliance with purchasing procedures	143	.37	.001
Failure to deliver on time	151	.33	.001
Failure to submit samples	137	.30	.001

[a]Statistical analysis used was paired T-test.

Hypothesis 12:

> There is no relationship between minority purchasing activity and those corporations perceiving greater problem differences between minority and nonminority vendors (problems listed in previous hypothesis).

In order to measure problem differences a numerical score was calculated by using the difference between each respondent's rating of minority and nonminority vendor problems. For minority vendors possible scores were "6"--significant problem for minority vendors; "5" moderate problem; and "4"--no problem. For nonminority vendors possible assigned numerical scores were "3"--significant problem for nonminority vendors; "2"--moderate problem; and "1"--no problem. The maximum and minimum calculated differences were "5" and "1" respectively. A score of "3" indicated that there was no difference in the problem for minority and nonminority vendors. For example, one respondent rated "Failure to deliver on time" as a "significant problem for minority vendors"--score"6"--and a "Moderate problem for nonminority vendors" (or a score of "2"). This yielded a problem difference of "4" for "Failure to deliver on time." These differences were then added across all problem areas and a total problem score was assigned each respondent. Only those respondents who indicated the extent of the problem for all problem areas were included in the analysis.

The three problems which were solely minority related--minority fronts, lack of minority vendors at or near the corporation's operating locations, and lack of minority vendors supplying items the corporation purchases--were deleted from the analysis. The remaining fourteen problems were totalled by corporation. These totals were then correlated with the activity measures. This resulted in a correlation of $r = .17$ ($p \leq .036$, $N = 106$) for self-perceived success. None of the other activity measures proved significant at the .05 level or better. Table 6.12 shows these correlations. In addition, an analysis of the individual problem differences revealed only two problem areas which had sufficiently high correlations to be statistically significant on two or more of the activity measures. These were failure to meet bid deadlines and failure to respond to phone calls.

Discussion: The null hypothesis was rejected in the case of self-perceived success. Corporations which perceived their programs more successful saw greater problem differences for minority vendors as compared to nonminority vendors. Explanation for this was not found in the data. One possible explanation was that corporations which perceived their programs to be successful were more aware of problems in conducting business with minority vendors. In addition, they have dealt with the problems for a longer period of time. Year of program initiation, $r = .10$ ($p \leq .15$, $N = 95$), and corporate size, $r = .11$ ($p \leq .12$, $N = 51$), were not highly related to the perception of problem differences.

Additional Results

These findings resulted from additional statistical analyses which were performed but which were not designed to test hypotheses.

TABLE 6.12

CORRELATION ANALYSES OF CALCULATED PROBLEM DIFFERENCES BETWEEN MINORITY AND NONMINORITY VENDORS AND MINORITY PURCHASING ACTIVITY MEASURES

Minority Purchasing Activity Measures		Results of Analysis On Calculated Problem Differences
Self-perceived success	r^a	.17
	p^b	.038
	N^c	106
Percentage of annual dollar purchases from minority vendors	r	.11
	p	.171
	N	76
Annual minority vendor dollar expenditures	r	.14
	p	.108
	N	81
Total number of minority vendors	r	.16
	p	.075
	N	83

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

Establishment of Minority Purchasing Goals

Sixty-six percent of the respondents (N = 190) set corporate goals for minority vendor purchasing. Forty-five percent of the respondents (N = 189) set minority purchasing goals at the buyer level. Correlation analyses revealed that if a minority purchasing goal was established at the corporate level, it was likely that the corporation also had set minority purchasing goals for its buyers, $r = .51$ ($p \leq .001$, N = 189). In addition, those corporations which had corporate and buyer minority purchasing goals were more likely to consider minority vendor goal achievement as part of the performance appraisal. Reported correlations between corporate and buyer minority purchasing goal setting and consideration of minority vendor goal achievement as part of performance appraisal were $r = .49$ ($p \leq .001$, N = 188).

Goals at both the corporate and buyer levels were most likely to be set in the following terms: (1) annual purchase dollars from minority vendors; (2) percentage increase over prior year's annual dollar purchases from minority vendors; and (3) number of new minority vendors developed. Goal setting measures at the corporate level and buyer level were significantly related and were reflected in the correlations shown in Table 6.13. Corporations which set corporate goals in terms of annual purchase dollars from minority vendors were also likely to set goals for buyers in terms of annual purchase dollar from minority vendors, $r = .79$ ($p \leq .001$, N = 57).

TABLE 6.13

METHOD OF ESTABLISHING MINORITY VENDOR GOALS AT CORPORATE AND BUYER LEVELS CORRELATION MATRIX

Terms for Corporate Goal Setting		Terms for Buyer Goals: Annual Purchase Dollars	Percentage Increase Over Prior Year's Purchase Dollars	Percentage of Annual Dollar Purchases from Minority Vendors	Percentage of Annual Dollar Purchases Minority Vendors Are Capable of Supplying	Number of New Minority Vendors Developed
Annual Purchase Dollars	r[a]	.79				
	p[b]	.001				
	N[c]	57				
Percentage Increase Over Prior Year's Purchase Dollars	r		.68			
	p		.001			
	N		21			
Percentage of Annual Dollar Purchases from Minority Vendors	r			.74		
	p			.001		
	N			21		
Percentage of Annual Dollar Purchases Minority Vendors Are Capable of Supplying	r				.85	
	p				.001	
	N				11	
Number of New Minority Vendors Developed	r					.69
	p					.001
	N					33

[a]r = correlation coefficient; [b]p = significance level; [c]N = sample size.

Sales to the Federal Government and Minority Purchasing

Higher percentages of sales to the Federal Government were related to several independent variables, although unrelated to the minority purchasing activity measures. The larger the percentage of sales to the Federal Government, the more likely it was that the minority purchasing programs (1) were established earlier; (2) had one individual responsible for coordinating the program; (3) had a minority vendor coordinator who was active in terms of annual frequency in performing job responsibilities; (4) had trained a greater percentage of purchasing and nonpurchasing personnel in doing business with minority vendors; and (5) had utilized supplier development techniques--such as, awarding long-term contracts, providing special payment terms, and providing technical assistance. Table 6.14 shows the significant correlations ($p \leq .05$) between percentage of sales to the Federal Government and the independent variables.

Year-to-Year Changes in the Minority Purchasing Activity Measures

Differences in growth between minority purchasing programs initiated during the 1960 to 1974 period (older programs) and those programs initiated during the 1975 to 1979 period (newer programs) were (1) both older and newer programs increased minority purchasing activity from 1976 to 1978 and (2) there are differences in percentage growth rates between newer and older minority purchasing programs as shown in Table 6.15.

TABLE 6.14

CORRELATION ANALYSIS OF PERCENTAGE OF SALES TO THE FEDERAL GOVERNMENT WITH INDEPENDENT VARIABLES

Independent Variables		Results of Analyses of Percentage of Sales to the Government
Purchasing program structure	r^a	.22
	p^b	.003
	N^c	145
Year of program initiation	r	-.17
	p	.025
	N	133
Minority vendor purchasing performance review by purchasing manager of unit	r	.17
	p	.026
	N	132
Minority vendor purchasing performance review by minority vendor coordinator	r	.21
	p	.007
	N	132
One individual responsible for coordinating program	r	.18
	p	.013
	N	145
Annual frequency which minority vendor coordinator provides information about minority vendors	r	.28
	p	.004
	N	126
Annual frequency which minority vendor coordinator identifies potential minority vendor purchased items	r	.22
	p	.006
	N	111
Annual frequency which minority vendor coordinator identifies new minority vendors	r	.23
	p	.007
	N	125
Annual frequency which minority vendor coordinator identifies new minority vendor for other departments	r	.28
	p	.001
	N	125
Annual frequency which minority vendor coordinator provides assistance to minority vendors	r	.26
	p	.003
	N	66

TABLE 6.14--Continued

Independent Variables		Results of Analyses of Percentage of Sales to the Government
Annual frequency which minority vendor coordinator participates in establishing minority vendor purchasing goals	r p N	.26 .018 100
Annual frequency which minority vendor coordinator monitors purchases from minority vendors	r p N	.20 .025 123
Annual frequency which minority vendor coordinator trains purchasing personnel about minority vendors	r p N	.41 .001 145
Annual frequency which minority vendor coordinator trains other functional personnel about minority vendors	r p N	.29 .001 129
Use of external directories to locate minority vendors	r p N	.15 .040 146
Use of membership in Regional or National Minority Purchasing Councils to locate minority vendors	r p N	.17 .022 145
Percentage of purchases from minority vendors of direct products	r p N	.24 .011 93
Awarding of long-term contracts to minority vendors	r p N	.21 .007 121
Providing longer vendor quotation times	r p N	.17 .023 140
Providing special payment terms to minority vendors	r p N	.21 .006 140
Providing technical assistance to minority vendors	r p N	.15 .037 140

TABLE 6.14--Continued

Independent Variables		Results of Analyses of Percentage of Sales to the Government
Helping minority vendors secure raw materials	r	.20
	p	.010
	N	141
Frequency of broadening product specifications	r	.38
	p	.001
	N	79
Frequency of providing financial aid through company-run Minority Enterprise Small Business Investment Companies	r	-.28
	p	.036
	N	41
Frequency of allowing longer lead times	r	-.19
	p	.036
	N	98
Frequency of broadening acceptable quality levels	r	-.26
	p	.021
	N	60
Willingness to pay price differential	r	-.16
	p	.034
	N	76

[a] r = correlation coefficient.

[b] p = significance level.

[c] N = sample size.

TABLE 6.15

AVERAGE CHANGE[a]
PERCENTAGE OF ANNUAL DOLLAR PURCHASES, ANNUAL MINORITY VENDOR DOLLAR EXPENDITURES, AND NUMBER OF MINORITY VENDORS

	Mean Changes	
	Programs Established 1960-1974	Programs Established 1975-1979
Percentage of annual dollar purchases from minority vendors (1978/1977)	1.60	2.01
Percentage of annual dollar purchases from minority vendors (1977/1976)	2.38	4.76
Annual minority vendor dollar expenditures (1978/1977)	1.71	2.32
Annual minority vendor dollar expenditures (1977/1976)	1.71	3.90
Total number of minority vendors (1978/1977)	1.43	1.90
Total number of minority vendors (1977/1976)	1.46	1.93

TABLE 6.15--Continued

	Median Changes	
	Programs Established 1960-1974	Programs Established 1975-1979
Percentage of annual dollar purchases from minority vendors (1978/1977)	1.33	1.75
Percentage of annual dollar purchases from minority vendors (1977/1976)	1.37	1.97
Annual minority vendor dollar expenditures (1978/1977)	1.30	1.68
Annual minority vendor dollar expenditures (1977/1976)	1.49	1.75
Total number of minority vendors (1978/1977)	1.27	1.53
Total number of minority vendors (1977/1976)	1.33	1.64

[a]Changes were calculated by dividing the figures for 1978 by the figures for 1977 and the figures for 1977 by the figures for 1976 for each: percentage of annual dollar purchases from minority vendors; annual minority vendor dollar expenditures; and total number of minority vendors.

Older minority purchasing programs saw average growth in annual minority vendor dollar expenditures from 1977 to 1978 increase 70 percent. Newer minority purchasing programs saw an average growth of 132 percent in 1978 over their 1977 figures. The median increase from 1977 to 1978 for older minority purchasing programs in terms of annual minority vendor dollar expenditures was 30 percent as compared to 68 percent for newer minority purchasing programs. The rate of percentage increase also slowed down as a minority purchasing program grew older. For example, in terms of annual minority vendor dollar expenditures, older programs showed a median increase of 49 percent from 1976 to 1977. This figure dropped to 30 percent when comparing 1977 to 1978.

CHAPTER VII

SUMMARY AND IMPLICATIONS

This chapter summarizes the results of the research, reviews the research findings, discusses the implications for practice, and addresses the need for future research.

Summary of the Research Results

Dependent Variables--Minority Purchasing Activity Measures

The objectives of this research were to determine those independent variables which best explained minority purchasing activity. Minority purchasing activity was defined in Chapter IV and included four activity measures. These measures were self-perceived success, percentage of annual dollar purchases from minority vendors, annual minority vendor dollar expenditures, and total number of minority vendors.

Independent Variables--Predictors of Minority Purchasing Activity

A priori hypotheses were tested utilizing the four aforementioned activity measures in conjunction with independent variables utilizing correlational analyses, multiple regressions, and t-tests in the statistical analyses. Hypotheses tests were conducted with the following sets of independent variables:

Internal purchasing practices consisting of the ten independent variables:

--a corporate policy statement about minority purchasing
--chief executive support for minority purchasing programs
--corporate minority purchasing goals
--buyer minority purchasing goals
--an individual responsible for coordinating the minority purchasing program
--payment of a price differential to develop minority vendors
--inclusion of minority vendor goal achievement in buyer performance appraisal
--identification of minority vendors
--development of minority vendors
--frequency of reports of minority purchasing program results.

Internal purchasing practices and year of program initiation and size of the corporation.

Year of program initiation and size of the corporation.

Geographic and demographic factors.

Job responsibilities of program coordinator and the frequency of their performance:

--conducting in-house training session about minority vendors
--acting as a central data source in providing information about minority vendors
--identifying minority vendors for purchasing departments
--identifying minority vendors for other departments
--identifying purchased items which have potential for minority vendor sourcing
--providing assistance to minority vendors
--providing assistance to purchasing personnel in solving minority vendor problems
--participating in setting minority purchasing goals
--monitoring purchases made from minority vendors.

Minority vendor sourcing techniques:

--buyer-initiated contacts with minority vendors
--advertising for sources in minority publications
--distributing brochures describing products purchases
--attending minority trade fairs
--exhibiting at minority trade fairs
--external directories
--membership in NMPC or RMPC
--membership in NAPM
--internally developed corporate directories.

Development techniques used with minority vendors:
- --broadening product specifications
- --breaking up large purchases into smaller quantities
- --requiring that your suppliers utilize minority vendors
- --simplifying paperwork requirements
- --awarding long-term contracts
- --providing longer vendor quotation times
- --providing special payment terms
- --providing technical assistance
- --providing management assistance
- --providing direct financial aid
- --providing financial aid through company run MESBICs
- --providing prepayment on large dollar or long lead time items
- --providing letter of credit to minority vendor's suppliers
- --helping minority vendors obtain funds from government loan agencies
- --helping minority vendors develop effective purchasing practices
- --helping minority vendors secure raw materials
- --paying a price differential
- --allowing longer lead times
- --broadening acceptable quality levels.

Differences in problems encountered when purchasing from minority and nonminority vendors:
- --inability to understand purchase order specifications
- --insufficient technological expertise
- --insufficient production capacity
- --failure to meet bid deadlines
- --failure to respond to phone calls
- --failure to submit samples
- --failure to deliver on time
- --low quality/high rate of rejected material
- --long lead time required to correct quality problems
- --consistently high prices
- --lack of minority vendors at or near operating locations
- --lack of minority vendors supplying purchased items
- --lack of compliance with purchasing procedures
- --lack of qualified management personnel
- --lack of qualified sales personnel
- --lack of qualified engineering personnel
- --minority serving as front for nonminority business.

Summary of the Hypotheses Tests

The purpose of the hypotheses tests was to determine which of the independent variables were highly related (statistical significance of $p \leq .05$) to the minority purchasing activity measures. A summary of the hypotheses testing is shown in Table 7.1. Results of the tests showed:

1. Self-perceived success resulted in more statistically significant relationships ($p \leq .05$) with the hypotheses than percentage of annual dollar purchases from minority vendors, annual minority vendor dollar expenditures, and total number of minority vendors. In nine out of eleven hypotheses tested, self-perceived success was significantly related to the independent variables. Respondents who had more internal purchasing practices in operation; had used more sourcing and development techniques; and had perceived higher success when using sourcing and development techniques perceived their programs as being more successful. It appears the more effort respondents perceived putting into a program in terms of use of techniques and policies, the higher the self-perceived success.

2. Total number of minority vendors was statistically significant ($p \leq .05$) in eight out of eleven hypotheses tested. This indicated that many of the internal purchasing practices, sourcing techniques, and development techniques do aid corporations in increasing the number of minority vendors from which they purchase.

TABLE 7.1

SUMMARY OF HYPOTHESIS TESTS UTILIZING MULTIPLE REGRESSION AND CORRELATIONAL ANALYSES

Independent Variables		Minority Purchasing Activity Measures--Dependent Variables				Total Number of Statistically Significant Relationship Between Dependent and Independent Variables ($p \leq .05$)
		Self-Perceived Success	Percentage of Annual Dollar Purchases from Minority Vendors	Annual Minority Vendor Dollar Expenditures	Total Number of Minority Vendors	
Internal purchasing practices	r^2[a] p[b]	.431 .001	.051 .828	.081 .388	.136 .050	2
Internal purchasing practices and size and year of program initiation	r^2 p	.369 .007	.102 .949	.369 .007	.562 .001	3
Corporate size and year of program initiation	r^2 p	.210 .001	.050 .237	.290 .001	.500 .001	3
Total number of states in which a corporation had minority purchasing programs	r[c] p	.200 .003	-.170 .029	.040 .308	.310 .001	3
Job responsibilities of program coordinator	r p	.290 .001	-.090 .171	-.060 .238	.170 .025	2
Annual frequency of performance of job responsibilities	r^2 p	.220 .082	.220 .139	.460 .001	.230 .061	1
Total number of sourcing techniques used per corporation	r p	.420 .001	-.050 .294	.060 .241	.220 .006	2
Perceived degree of success on sourcing techniques used (correlation analysis)	r p	.330 .016	.200 .142	.060 .373	.350 .019	2

TABLE 7.1--Continued

Independent Variables		Minority Purchasing Activity Measures--Dependent Variables: Self-Percieved Success	Percentage of Annual Dollar Purchases from Minority Vendors	Annual Minority Vendor Dollar Expenditures	Total Number of Minority Vendors	Total Number of Statistically Significant Relationship Between Dependent and Independent Variables ($p \leq .05$)
Perceived degree of success on sourcing techniques used (multiple regression analysis)	r^2 p	.373 .005	.150 .663	.135 .632	.212 .241	1
Average success per corporation	r p	.370 .001	.030 .362	.050 .269	.170 .024	2
Total number of development techniques used per corporation	r p	.320 .001	.010 .465	-.010 .474	.080 .183	1
Perceived degree of success on development techniques used (correlational analysis)	r p	.390 .027	-.240 .152	.260 .144	.380 .046	2
Perceived degree of success on development techniques used (multiple regression analysis)	r^2 p	.519 .582	.510 .615	1.000 .000	1.000 .000	2
Average success per corporation	r p	.270 .001	-.060 .264	.010 .443	.140 .058	1
Problem differences between minority and nonminority vendors	r p	.170 .036	.110 .171	.140 .108	.160 .075	1
Variables which best explain minority purchasing activity	r^2 p	.612 .001	.410 .093	.602 .001	.660 .010	3
Total number of significant relations ($p \leq .05$)		11	1	5	10	

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

[c] r = correlation coefficient.

3. Internal purchasing practices, corporation size, and year of program initiation (Hypothesis 2), corporate size and year of program initiation (Hypothesis 3), and number of states in which a corporation operates minority purchasing programs (Hypothesis 4) were statistically significant with three of the four minority purchasing activity measures. Hypothesis 2 and Hypothesis 3 were significant due to the strength of the variables--year of program initiation and corporation size. The results of Hypothesis 4 indicated that those corporations operating minority purchasing programs in a larger number of states spent less of a percent of their annual dollar purchases with minority vendors. It appears this result was influenced by corporation size since larger corporations spend a smaller percentage of their annual dollar purchases with minority vendors and also were found to operate minority purchasing programs in a greater number of states.

4. The annual frequency with which the minority purchasing coordinator performed his/her responsibilities was highly related ($p \leq .05$) to annual minority vendor dollar expenditures and less related ($p \leq .05$) to other minority purchasing activity measures. It appears that constant involvement by the coordinator in the program can make a difference in terms of annual minority vendor dollar expenditures. One could argue that a coordinator who spends the majority of his/her time on the minority purchasing program will realize increased annual minority vendor dollar expenditures.

Overall Findings and Conclusions

Overall findings were:

1. The majority of the corporations had increased the amount of their purchases from minority vendors in terms of number, dollar, and percentage of annual dollar purchases from 1976 to 1978. Median figures for the sample were:
   a. Percentage of annual dollar purchases from minority vendors increased from .33 percent in 1976 to 1.0 percent in 1978.*
   b. Annual minority vendor dollar expenditures increased from $706,000 in 1976 to $1,250,000 in 1978.*
   c. Total number of minority vendors increased from 31 in 1976 to 55 in 1978.*
2. Typically, a larger share of the purchase dollar was spent with Black minority vendors and was for supplies and services. Black minority vendors received 66 percent of the purchase dollar, and supplies and services accounted for 40 percent of minority spending by product category.
3. Problems encountered in purchasing from minority vendors which ranked highest were: (a) lack of minority vendors supplying purchased items; (b) lack of minority vendors at or near operating locations; (c) lack of qualified engineering personnel; and (d) insufficient technological expertise.
4. Internal purchasing practices found to have the highest positive correlations with all minority purchasing activity measures were: (a) consideration of minority purchasing

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*See Table E.1 for further discussion.

achievement in buyer performance appraisal; (b) chief executive support for the program; and (c) existence of a policy statement regarding purchases from minority vendors.

5. Corporate size and year of program initiation were highly related positively to all of the minority purchasing activity measures except percentage of annual dollar purchases from minority vendors. Larger corporations spent a greater amount of dollars with a larger number of minority vendors and had higher self-perceived success than did smaller corporations. Larger corporations spent a lower percentage of annual dollar purchases with minority vendors. One possible explanation was the limited capacity of minority vendors and need for large high volume suppliers.

6. The total number of states in which minority purchasing programs were operated was positively related to self-perceived success and inversely related to the percentage of annual dollar purchases from minority vendors. For example, those corporations which operated programs in a larger number of states rated their programs more successful than those corporations which operated programs in fewer states. Those corporations which operated minority purchasing programs in a greater number of states spent a smaller percentage of annual purchase dollars with minority vendors.

7. The job responsibilities of the program coordinator (in terms of frequency of performance) which had the highest positive relationships to the minority purchasing activity measures

were: (a) conducting in-house training and education sessions about minority vendors; (b) providing assistance to minority vendors; and (c) providing assistance to purchasing personnel in solving minority vendor problems.

8. Minority vendor sourcing techniques had the highest positive relationships with the minority purchasing activity measures included: (a) buyer-initiated contacts with minority vendors; (b) internally developed corporate directories; (c) advertising for sources in minority publications; and (d) distribution of brochures and pamphlets to minority vendors describing products purchased.

9. Minority vendor development techniques had the highest positive relationships with minority purchasing activity measures included: (a) broadening product specifications; (b) providing special payment terms; (c) providing financial aid through company-run Minority Enterprise Small Business Investment Companies; (d) helping minority vendors develop effective purchasing practices; and (e) paying a price differential.

10. Minority vendor development techniques which were perceived by respondents as being most successful were: (a) providing technical assistance; (b) breaking up large purchases into smaller quantities; (c) helping minority vendors develop effective purchasing practices; and (d) helping minority vendors secure raw material.

11. Self-perceived success, annual minority vendor dollar expenditures, and total number of minority vendors were reasonable measures of minority purchasing activity. Percentage of annual dollar purchases from minority vendors was not found to be a reasonable measure of minority purchasing activity for the following major reasons:

    a. Larger corporations' purchases are often constrained by minority vendors limited capacity.

    b. Larger corporations purchase many of their large dollar items from other nonminority corporations due to high capital investment necessary to provide for economies of operation--such as, steel and chemical industries.

    c. Many large corporations purchase highly technical items which few minority vendors are currently capable of producing. This limits the amount of highly technical purchases which a corporation could award to minority vendors.

12. Comparing problems encountered when purchasing from minority and nonminority vendors, respondents perceived greater problems when conducting business with minority vendors. Those corporations which reported a higher degree of self-perceived success perceived greater problem differences.

13. There were several independent variables found to be most highly related to minority purchasing activity measures. These variables are shown in Table 7.2. Findings were:

    a. Perceived success when using minority vendor development techniques which had the highest positive relationship

TABLE 7.2

MULTIPLE CORRELATION ANALYSES OF THE INDEPENDENT VARIABLES WHICH BEST EXPLAIN MINORITY PURCHASING ACTIVITY

Minority Purchasing Activity Measures	Independent Variables	
Self-perceived success	Policy statement	
	Perceived success in breaking up large purchases into smaller quantities	
	Perceived success in buyer-initiated contacts with minority vendors	
	Frequency of providing assistance to minority vendors	
	Amount of support given by the chief executive officer	
	Year of program initiation	
	Perceived success in internally developed corporate directories	
	Perceived success in awarding long-term contracts	
	Training other functional personnel on minority vendors	
	Minority purchasing goals at the buyer level	
	r^2 [a]	.612
	p[b]	.000
Percentage of annual dollar purchases from minority vendors	Perceived success in requiring corporate suppliers to utilize minority vendors	
	Frequency of providing in-house training sessions on minority vendors	
	Perceived success in providing letter of credit to minority vendor's suppliers	
	Corporate size	
	Frequency of providing assistance to minority vendors	
	Perceived success in membership in National Association of Purchasing Management	
	Perceived success in broadening acceptable quality levels	
	Paying a price premium	
	r^2	.410
	p	.093

TABLE 7.2--Continued

Minority Purchasing Activity Measures	Independent Variables	
Annual minority vendor dollar expenditures	Perceived success in broadening product specifications Perceived success in providing special payment terms Perceived success in providing financial aid through company-run MESBICs Perceived success in helping minority vendors obtain funds from government loan agencies Perceived success in helping minority vendors to develop effective purchasing practices Perceived success in paying a price differential	
	r^2	.602
	p	.001
Total number of minority vendors	Corporate size Frequency of conducting in-house training sessions about minority vendors Perceived success in broadening product specifications Year of program initiation Perceived success in requiring corporate suppliers to utilize minority vendors Perceived success in advertising for sources in minority publications Policy statement Perceived success in providing financial aid through company-run MESBICs Degree of chief executive support	
	r^2	.660
	p	.010

[a] r^2 = multiple regression coefficient.

[b] p = significance level.

to annual minority vendor dollar expenditures, total number of minority vendors, and percentage of annual dollar purchases from minority vendors and included: financial assistance through company-run MESBICs, requiring corporate suppliers to utilize minority vendors, and success in broadening product specifications.

b. Self-perceived success had a high positive relationship with internal purchasing practices. These included: corporate minority vendor policy statement, minority purchasing goals at the buyer level, and training of nonpurchasing personnel about conducting business with minority vendors.

c. Self-perceived success had a high positive relationship with several independent variables. These included: year of program initiation, having a corporate minority vendor policy statement, perceived success in developing an internal corporate directory of minority vendors, and perceived success in breaking up larger purchases into smaller quantities.

From the analyses many different variables affect the level of minority purchasing activity. Certain development techniques were positively related to all four minority purchasing activity measures. Perceived success in using these development techniques were particularly related to annual minority vendor dollar expenditures and total number of minority vendors. Corporate size was related to total number of minority vendors, annual minority vendor dollar expenditures, and percentage of annual dollar purchases from minority vendors.

Implications for Practice

Many of the results from this research effort are applicable to professional purchasers. This section discusses the more applicable findings. Findings are analyzed in two categories: (1) starting a minority purchasing program and (2) enhancing and strengthening an existing minority purchasing program.

Newer Minority Purchasing Programs

For those corporations starting minority purchasing programs, consideration should be given to adaptation of certain program elements which include: (1) establishment of a minority vendor policy statement; (2) establishment of corporate goals for minority purchases; (3) assignment of responsibility for coordinating the minority purchasing program to one individual; (4) attainment of support from the chief executive officer; (5) establishment of buyer goals for minority purchasing; (6) consideration of minority vendor goal achievement in buyer performance appraisal; and (7) operation of training session for purchasing and nonpurchasing personnel on conducting business with minority vendors.

Initially, the minority purchasing coordinator's main duties include: (1) acting as a central information source in providing information about minority vendors; (2) identifying new minority vendors for purchasing personnel; and (3) monitoring purchases made from minority vendors.

Locating minority vendors was done best by utilizing a combination of several techniques. These included:

1. Buyer-initiated contacts with minority vendors.

2. Obtaining external directories on minority vendors--such as The Vendor Information Service of the National Minority Purchasing Council.

3. Membership in the Regional or National Minority Purchasing Councils.

4. Development of an internal corporate directory of minority vendors from the utilization of any or all of the previous mentioned search techniques.

Once located, the minority vendor must be made aware of the corporation's purchase requirements. In certain cases, efforts beyond normal purchasing procedures could be undertaken. These efforts include: (1) providing technical and financial assistance to minority vendors; (2) allowing longer lead times on purchased items; and (3) providing minority vendors with longer quotation lead times.

Established Minority Purchasing Programs

For those corporations operating minority purchasing programs, maintenance of program growth in terms of increasing annual minority vendor dollar expenditures and total number of minority vendors is related to the ability to further develop minority vendors. This development may involve expanding the amount of business with existing vendors or developing additional minority vendors. Those corporations which had higher minority vendor dollar expenditures and had a greater number of minority vendors successfully utilized many of the development techniques. The development techniques which were highly related to increasing annual minority vendor dollar expenditures and total number of minority vendors included: (1) providing special payment terms; (2) broadening product specifications; (3) helping minority vendors obtain funds from government loan agencies; (4) paying a price differential; and (5) providing financial aid through company-run Minority Enterprise Small Business Investment Companies.

One does not necessarily have to pay a price differential to minority vendors, and most corporations in the research sample did not have this as a standard policy. However, the majority of the purchasing personnel in the sample were given the discretion to pay a price differential in individual cases. This technique did aid in the development efforts.

The implementation and successful use of development techniques can help a corporation create additional minority vendors or expand the capacities of existing minority vendors. The creation of additional suppliers can help a corporation overcome two significant problems faced when purchasing from minority vendors: (1) lack of minority vendors at or near operating locations and (2) lack of minority vendors supplying items purchased.

Support and assistance in successfully implementing development techniques can be provided by the minority program coordinator.

Program coordinators in those corporations who spent more dollars with a larger number of minority vendors were more likely to provide assistance (engineering, managerial, or financial) to minority vendors, assist purchasing personnel in solving minority vendor problems (quality, delivery, etc.), and conduct in-house training sessions of dealing with minority vendors. It was also noted that those minority purchasing programs of corporations with large minority vendor dollar expenditures and larger number of minority vendors relied on self-developed sourcing techniques such as (1) internal corporate directories, (2) brochures and pamphlets describing the products purchased and appropriate contacts, and (3) advertising for sources in minority publications.

To effectively monitor the program, buyer and departmental goals should be established and reported quarterly to a minority purchasing coordinator. Minority vendor goal achievement should also be made part of the buyer's overall performance appraisal.

Years of experience in minority purchasing was found to be very important in minority purchasing. Corporations who had operated programs for a longer time period saw themselves as more successful, spent more dollars with minority vendors, and bought from a larger number of minority vendors. The longer a minority purchasing program was in effect, increased involvement and effort became evident. This was demonstrated by the following: (1) more management levels reviewed minority purchasing program performance; (2) the coordinator of the minority purchasing program took on more responsibilities; and (3) more techniques were used to locate and develop minority vendors.

Corporate size was a factor in minority purchasing. The larger corporations in the sample perceived themselves more successful and spent more dollars with a larger number of minority vendors. Size, however, should not be considered an obstacle to having an active minority purchasing program. Large corporations began their programs earlier possibly due to their prominence in society. The larger corporations spent more dollars with minority vendors, but they spent less of a percentage of annual dollar purchases with minority vendors than did smaller corporations. One possible explanation of this was the limited capacity of minority vendors and the purchases of large dollar items from industries which require large amounts of capital investment--such as steel and chemical industries.

Minority purchasing programs usually experienced rapid growth in the early years. During the first three years of operation, average dollar gains of over 100 percent were attained. After the initial three years of the program, percentage gains began to decrease; however, increases of 20 to 30 percent per year in minority vendor dollar expenditures were likely.

Figure 7.1 illustrates the stages of minority purchasing program development. Program emphasis changes with experience. Possible reasons for such changes as experience increase include: (1) sequence in which policies and procedures are implemented and (2) increasing level of sophistication gained with time. With regard to sequencing of policies and procedures, it appears that certain program elements logically precede others. For example,

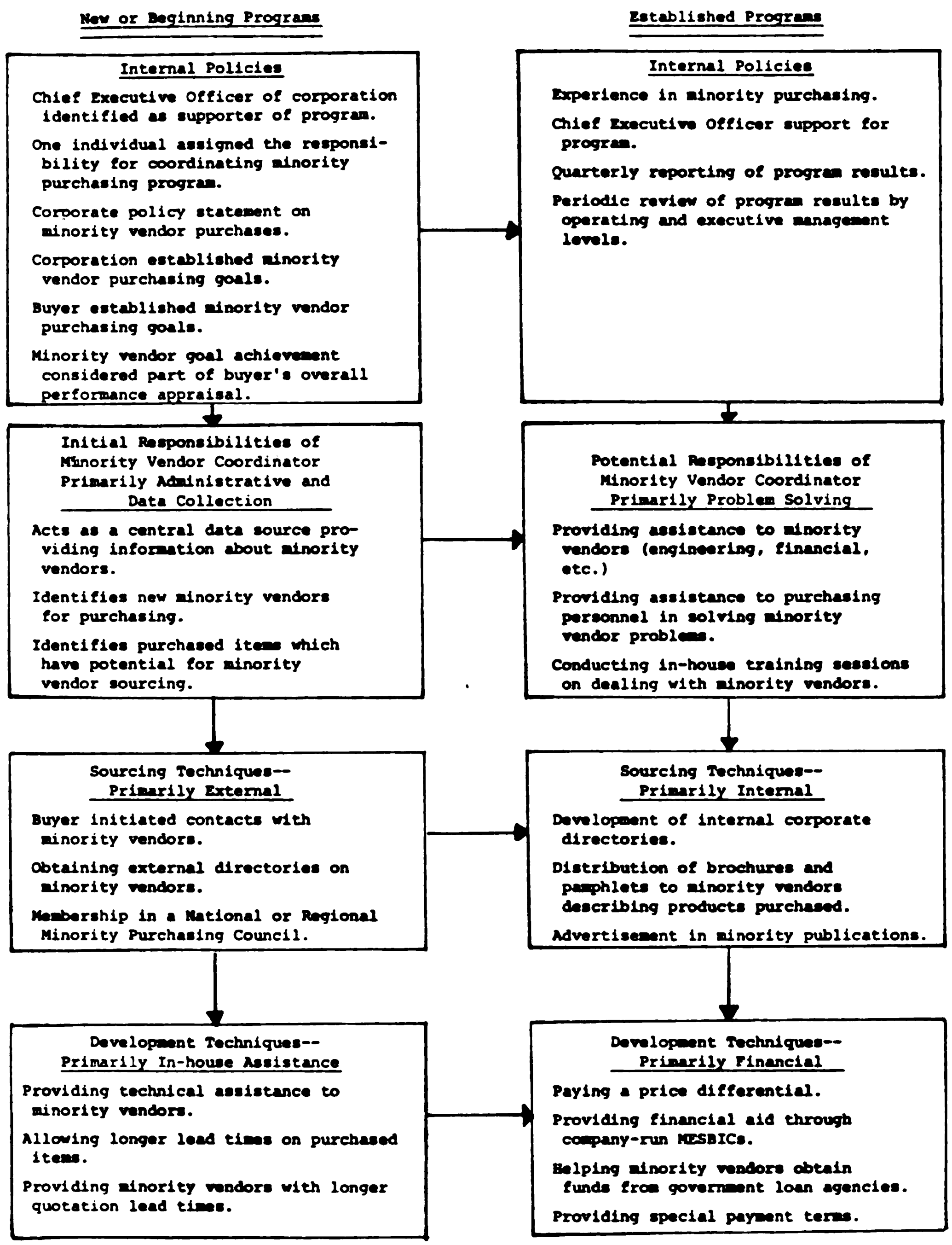

Fig. 7.1.--Development of Minority Purchasing Programs

it appears logical to implement corporate and buyer minority purchasing goals prior to making minority purchasing performance part of a buyer's overall performance appraisal. With experience in minority purchasing, it appears confidence in one's ability grows and resources are aimed at solving problems with minority vendors, developing internal directories, and providing financial assistance to minority vendors.

Specific program developments which occur in minority vendor programs include:

1. Certain elements provide a necessary base for minority purchasing programs. These include TOP MANAGEMENT SUPPORT, MINORITY VENDOR POLICY, ESTABLISHMENT OF CORPORATE AND BUYER GOALS FOR MINORITY PURCHASES, AND MEASURING PERFORMANCE TOWARDS THESE GOALS. Over time, set reporting intervals are established and more management levels review program progress.

2. Duties of the minority vendor coordinator will probably change over time from primarily administrative (acting as a central data source in providing information about minority vendors) to a problem-solving posture (providing assistance to minority vendors and helping purchasing personnel solve minority vendor problems).

3. The sourcing techniques which can easily be used initially are primarily external. These include external directories ("Try Us," Vendor Information Service, etc.), membership in a National or Regional Minority Purchasing Council, or

membership in the National Association of Purchasing Management. Over time the minority vendor search process should include development of internal directories to identify any additional minority vendors not found in external directories and to provide information about current minority vendors to all purchasers. These efforts also include advertising in minority publications and distributing pamphlets and brochures to minority vendors about products purchased.

4. The minority vendor development techniques which may be first used should probably include modification of existing practices for minority vendors. These include allowing longer lead times on purchased material and providing longer quotation times. In order to increase minority purchasing activity, the development techniques may have to involve financial assistance. Financial assistance may take the form of providing capital to expand a current minority vendor's business, developing a new business by direct loan through company-run Minority Enterprise Small Business Investment Companies, or through government loan agencies, or paying a price differential and providing progress payments.

Need for Future Research

This research represents a pioneering effort in the area of minority vendor purchasing. There are several areas which have potential for additional research and would complement these research findings. They include:

1. Setting up a research design which is longitudinal in nature in order to better infer causality between the variables.

2. Establishing a more objective criterion measure for minority purchasing activity which compares maximum possible achievement with actual achievement by each respondent.

3. Controlling for extraneous environmental factors by selecting industry groups who purchase similar items. Research could focus on selected industry groups, such as chemicals, computers, electronics, etc.

4. Obtaining a more representative sample. Specifically such a sample could include public institutions, manufacturing and nonmanufacturing corporations, and be randomly chosen.

5. Including in the survey minority business viewpoints and factors which enhance their ability to do business with corporations.

6. Assessing the impact which total purchase dollars and types of commodities purchased have upon the minority purchasing programs.

7. Focusing field research on both corporate and operating unit perspectives.

APPENDICES

APPENDIX A

QUESTIONNAIRE

MICHIGAN STATE UNIVERSITY

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION EAST LANSING · MICHIGAN · 48824
DEPARTMENT OF MANAGEMENT

APPENDIX A

QUESTIONNAIRE

March, 1979

Mr. Ervin Johnson
Director of Championships
Magic Manufacturing Corporation
10 Jennison Fieldhouse
East Lansing, Mi 48824

Dear Mr. Johnson:

Research on Minority Vendor Purchasing Programs is being conducted at Michigan State University, funded in part by a National Association of Purchasing Management Doctoral Research Grant to Mr. Larry Giunipero. This research also has the support of the National Minority Purchasing Council.

We need your response to the enclosed questionnaire to determine factors affecting the success of minority vendor purchasing programs. Please take the next few minutes to complete hhe questionnaire.

You have been chosen to participate because your corporation is active in minority vendor purchasing. The questionnaire is being sent to your headquarters location only.

Individual responses will be confidential and anonymous.

Please respond by March 23rd.

We will send you the summary results of the research upon completion if you complete the enclosed form.

Thank you for supporting purchasing research in the important area at Michigan State University.

Sincerely,

Robert M. Monczka
Professor of Management

MINORITY PURCHASING QUESTIONNAIRE

Graduate School of Business Administration
Michigan State University

QUESTIONNAIRE INSTRUCTIONS:

Questions should be answered from the perspective of the entire corporation.

In decentralized organizations, where it is difficult to answer certain questions from the perspective of the entire corporation, answer questions from the perspective of locations *having successful minority purchasing programs.*

Please return the completed questionnaire in the enclosed envelope.

☆ ☆ ☆

1. Which best describes your corporation's purchasing structure?
   - ☐ **Highly Decentralized.** Operating units (plants, divisions, profit centers) have all decision-making authority for purchases
   - ☐ **Decentralized.** Operating units have majority of decision-making authority for purchases
   - ☐ **Decentralized/Centralized.** Operating units and headquarters share equally decision-making authority for purchases
   - ☐ **Centralized.** Headquarters has majority of decision-making authority for purchases
   - ☐ **Highly Centralized.** Headquarters has all decision-making authority for purchases
2. In what year was your minority vendor program initiated? ___________
3. Does your corporation have a minority vendor policy statement? ☐ Yes ☐ No
   If yes, what percentage of the operating locations have been formally informed of this policy?
   ☐ zero ☐ 1-25% ☐ 26-50% ☐ 51-75% ☐ 76-99% ☐ 100%
4. Does your corporation set minority vendor purchasing goals? ☐ Yes ☐ No
   If yes, in what **terms** are the corporate minority vendor purchasing goals set?
   - ☐ Total purchase dollars from minority vendors
   - ☐ Percentage increase over prior year's purchase dollars
   - ☐ Percentage of annual purchases from minority vendors
   - ☐ Percentage of annual purchases which minority vendors are capable of supplying
   - ☐ Number of new minority vendors developed
   - ☐ Other (please specify)

   ____
   ____
   ____

5. Do **individual buyers** have minority vendor purchasing goals? ☐ Yes ☐ No
   If yes, which of the following minority vendor performance measures are used to evaluate buyers?
   - ☐ Total purchase dollars from minority vendors
   - ☐ Percentage increase over prior year's purchase dollars
   - ☐ Percentage of annual purchases from minority vendors
   - ☐ Percentage of annual purchases which minority vendors are capable of supplying
   - ☐ Number of new minority vendors developed
   - ☐ Other (please specify)

   ____
   ____

   ____

6. Is minority vendor goal achievement considered in a buyer's performance appraisal? ☐ Yes ☐ No
7. Which management personnel review minority vendor purchasing performance?
   - ☐ Chief Executive of corporation
   - ☐ Chief Executive of operating unit
   - ☐ Chief Purchasing Executive of corporation
   - ☐ Purchasing Manager of operating unit
   - ☐ Minority Vendor Coordinator of corporation
   - ☐ Other (please specify)

   ____

   ____

   ____

8. How often do your operating units report progress towards attaining minority vendor program goals?

   ☐ not at all ☐ monthly ☐ quarterly ☐ semi-annually ☐ annually ☐ other
9. Has one individual been assigned the responsibility for coordinating your minority vendor program? ☐ Yes ☐ No

   If yes, his/her title ______________________________

   If yes, approximately how many times **per year** does this individual or the staff perform the following functions?

	Frequency of Performance					
	Not performed	1-5	6-10	11-25	26-50	Over 50
• Conducts in-house education and training sessions about minority vendors	☐	☐	☐	☐	☐	☐
• Acts as a central data source in providing information about minority vendors	☐	☐	☐	☐	☐	☐
• Identifies purchased items which have potential for minority vendor sourcing	☐	☐	☐	☐	☐	☐
• Identifies new minority vendors for purchasing departments	☐	☐	☐	☐	☐	☐
• Identifies minority vendors for other departments who commit corporate funds (traffic, advertising, etc.)	☐	☐	☐	☐	☐	☐
• Provides assistance to purchasing personnel in solving minority vendor problems (quality, delivery, price, etc.)	☐	☐	☐	☐	☐	☐
• Provides assistance (managerial, financial, etc.) to minority vendors	☐	☐	☐	☐	☐	☐
• Participates in or provides input for setting minority vendor purchasing goals	☐	☐	☐	☐	☐	☐
• Monitors purchases made from minority vendors	☐	☐	☐	☐	☐	☐
• Other (please specify)	☐	☐	☐	☐	☐	☐
______________________________	☐	☐	☐	☐	☐	☐
______________________________	☐	☐	☐	☐	☐	☐
______________________________	☐	☐	☐	☐	☐	☐

10. Approximately what **percent** of your purchasing personnel and other functional personnel have attended in-hourse minority vendor training sessions.

	Percent of Total					
	0	1-25	26-50	51-75	76-99	100
• Purchasing personnel	☐	☐	☐	☐	☐	☐
• Other functional personnel (finance, engineering, advertising, etc.)	☐	☐	☐	☐	☐	☐

11. How successful are the following techniques in **locating** minority vendors?

		Used Degree of Success				
	Not Used	None	Little	Some	Considerable	A great deal
• Buyer initiated contacts with minority vendors	☐	☐	☐	☐	☐	☐
• Advertising for sources in minority publications such as *Black Enterprise* or *Black Times*	☐	☐	☐	☐	☐	☐
• Distributing brochures and pamphlets to minority vendors describing products purchased and appropriate contacts	☐	☐	☐	☐	☐	☐
• Attending minority trade fairs	☐	☐	☐	☐	☐	☐
• Exhibiting at minority trade fairs	☐	☐	☐	☐	☐	☐
• External directories such as *Try Us, Vendor Information Service, Regional Minority Purchasing Council* directories	☐	☐	☐	☐	☐	☐
• Membership in *NMPC* or *RMPC*	☐	☐	☐	☐	☐	☐
• Membership in *NAPM*	☐	☐	☐	☐	☐	☐
• Internally developed corporate directories	☐	☐	☐	☐	☐	☐
• Other (please specify)						
________________	☐	☐	☐	☐	☐	☐
________________	☐	☐	☐	☐	☐	☐
________________	☐	☐	☐	☐	☐	☐

12. How successful have the following techniques been in **increasing the number of** minority vendors and/or **the dollar amount** of purchases from minority vendors?

		Used Degree of Success				
	Not Used	None	Little	Some	Considerable	A great deal
• Broadening product specifications	☐	☐	☐	☐	☐	☐
• Breaking up large purchases into smaller units/quantities	☐	☐	☐	☐	☐	☐
• Requiring that your suppliers utilize minority vendor sources	☐	☐	☐	☐	☐	☐
• Simplifying paperwork requirements	☐	☐	☐	☐	☐	☐
• Awarding long-term contracts	☐	☐	☐	☐	☐	☐
• Providing longer vendor quotation times	☐	☐	☐	☐	☐	☐
• Providing special payment terms	☐	☐	☐	☐	☐	☐
• Providing technical assistance (engineering, quality control, etc.)	☐	☐	☐	☐	☐	☐
• Providing management assistance (legal, marketing, etc.)	☐	☐	☐	☐	☐	☐
• Providing direct financial aid	☐	☐	☐	☐	☐	☐
• Providing financial aid through company run Minority Enterprise Small Business Investment Companies	☐	☐	☐	☐	☐	☐
• Providing prepayment on large dollar or long lead time items	☐	☐	☐	☐	☐	☐
• Providing letter of credit to minority vendor's supplier	☐	☐	☐	☐	☐	☐
• Helping minority vendors to obtain funds from government loan agencies	☐	☐	☐	☐	☐	☐
• Helping minority vendors to develop effective purchasing practices	☐	☐	☐	☐	☐	☐
• Helping minority vendors secure raw materials	☐	☐	☐	☐	☐	☐
• Paying a price differential	☐	☐	☐	☐	☐	☐
• Allowing longer lead times	☐	☐	☐	☐	☐	☐
• Broadening acceptable quality levels	☐	☐	☐	☐	☐	☐
• Other (please specify)						
________________	☐	☐	☐	☐	☐	☐
________________	☐	☐	☐	☐	☐	☐
________________	☐	☐	☐	☐	☐	☐

13. Does your corporation pay a price differential to develop competitive minority vendors? ☐ Yes ☐ No

If yes, what percentage differential will you pay and for what time period? ____ % ____ (time period)

22. What is the approximate **percentage** of minority purchases by minority group?

- Black Americans ____________
- Hispanic Americans ____________
- American Indians ____________
- American Eskimos ____________
- American Asians ____________
- Other (please specify)

____________________ ____________

____________________ ____________

____________________ ____________

____________________ ____________

23. Approximately what percentage of your corporation's sales were to the federal government in 1978?

☐ zero ☐ 1-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100%

24. Please circle those states in which you have **purchasing locations** operating minority vendor programs?

In these states, circle the **predominant minority group(s)** from which purchases are made? (B-Black; H-Hispanics; I-American Indians; A-Asians; E-Eskimos)

ALA B H I A E	**ARK** B H I A E	**ARZ** B H I A E	**AKS** B H I A E	**CAL** B H I A E	**COL** B H I A E
CT B H I A E	**DEL** B H I A E	**FLA** B H I A E	**GA** B H I A E	**HI** B H I A E	**ID** B H I A E
ILL B H I A E	**IND** B H I A E	**IO** B H I A E	**KAN** B H I A E	**KY** B H I A E	**LA** B H I A E
ME B H I A E	**MD** B H I A E	**MAS** B H I A E	**MI** B H I A E	**MN** B H I A E	**MIS** B H I A E
MO B H I A E	**MT** B H I A E	**NEB** B H I A E	**NEV** B H I A E	**NH** B H I A E	**NJ** B H I A E
NM B H I A E	**NY** B H I A E	**NC** B H I A E	**ND** B H I A E	**OH** B H I A E	**OK** B H I A E
ORE B H I A E	**PA** B H I A E	**RI** B H I A E	**SC** B H I A E	**SD** B H I A E	**TN** B H I A E
TX B H I A E	**UT** B H I A E	**VT** B H I A E	**VA** B H I A E	**WA** B H I A E	**WV** B H I A E
WIS B H I A E	**WY** B H I A E				

Company name (optional) ____

Please enclose any additional comments you believe useful concerning your (or other) minority vendor programs

Complete and return to: Minority Purchasing Research, Department of Management, Graduate School of Business Administration, Michigan State University, East Lansing, Michigan 48824

MINORITY PURCHASING RESEARCH
RESULT REQUEST

If you wish to receive a copy of the Minority Purchasing Research results, please fill in and return the pre-addressed form now or at your convenience.

Send to: ____

____

____

Minority Purchasing Research
Department of Management
Graduate School of Business Administration
Michigan State University
East Lansing, MI 48824

APPENDIX B

PILOT TEST COVER LETTER

MICHIGAN STATE UNIVERSITY

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
DEPARTMENT OF MANAGEMENT

EAST LANSING · MICHIGAN · 48824

APPENDIX B

PILOT TEST COVER LETTER

20 December 1978

Mr. Warren K. Deem
Administrator, Small Business & Minority Enterprise Program
Lockheed Aircraft Corporation
P.O. Box 551
Burbank, California 91503

Dear Mr. Deem:

I have enclosed a copy of the Minority Purchasing Questionnaire which we previously discussed. I would appreciate your careful response to this pretest.

Your responses and comments, in addition to those of other key minority program managers, will provide valuable information about possible improvements to the questionnaire.

Please answer all questions. As you proceed through the questionnaire, indicate:

--questions difficult to adequately answer due to lack of information.

--questions which are ambiguous.

--how questions could be improved.

--additional problems/questions you encountered in completing the questionnaire.

Please return the questionnaire in the enclosed envelope by January 4, 1979, and keep a copy for your records. I will contact you during the week of January 8 to discuss the questionnaire.

Thank you for your cooperation in the pretesting of this questionnaire.

Sincerely,

Larry Giunipero

APPENDIX C

FOLLOW-UP COVER LETTER

MICHIGAN STATE UNIVERSITY

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
DEPARTMENT OF MANAGEMENT
EAST LANSING · MICHIGAN · 48824

APPENDIX C

FOLLOW-UP COVER LETTER

April 17, 1979

Several weeks ago we mailed to you the enclosed Minority Purchasing questionnaire.

The overall response to the questionnaire has been excellent. If you have completed and returned the questionnaire, please accept our thanks.

In the event you have not completed the questionnaire, would you please do so? Your response is extremely important to obtaining the broadest possible response rate. We would appreciate your reply by April 30, 1979, which is our final cut-off date for accepting completed questionnaires.

Thank you for supporting Purchasing Research at Michigan State University.

Sincerely,

Robert M. Monczka
Professor of Management

APPENDIX D

STATISTICAL ANALYSES UTILIZING PERCENTAGE CHANGE

IN MINORITY PURCHASING ACTIVITY MEASURES

APPENDIX D

STATISTICAL ANALYSES UTILIZING PERCENTAGE CHANGE IN MINORITY PURCHASING ACTIVITY MEASURES

TABLE D.1

MINORITY PURCHASING ACTIVITY MEASURES--EXAMPLE CALCULATION OF CHANGE INDICES USING A SAMPLE RESPONDENT

<u>Percentage of Annual Dollar Purchases from Minority Vendors</u>

Respondent Data:

1978 = 3.1% 1977 = 2.5% 1976 = 2.0%

Calculations:

$$\frac{\%\ 1978}{\%\ 1977} = \frac{3.1}{2.5} = 1.24 \qquad \frac{\%\ 1977}{\%\ 1976} = \frac{2.5}{2.0} = 1.25 \qquad \frac{\%\ 1978}{\%\ 1976} = \frac{3.1}{2.0} = 1.55$$

<u>Annual Minority Vendor Dollar Expenditures</u>

Respondent Data:

1978 = $8,100,000 1977 = $7,600,000 1976 = $7,100,000

Calculations:

$$\frac{\$\ 1978}{\$\ 1977} = \frac{8{,}100{,}000}{7{,}600{,}000} = 1.07 \qquad \frac{\$\ 1977}{\%\ 1976} = \frac{7{,}600{,}000}{7{,}100{,}000} = 1.07 \qquad \frac{\$\ 1978}{\$\ 1976} = \frac{8{,}100{,}000}{7{,}100{,}000} = 1.14$$

<u>Total Number of Minority Vendors</u>

Respondent Data:

1978 = 400 1977 = 380 1976 = 300

Calculations:

$$\frac{\#\ 1978}{\#\ 1977} = \frac{400}{380} = 1.05 \qquad \frac{\#\ 1977}{\#\ 1976} = \frac{380}{300} = 1.27 \qquad \frac{\#\ 1978}{\#\ 1976} = \frac{400}{300} = 1.33$$

TABLE D.2

SIGNIFICANCE LEVELS FOR T-TESTS UTILIZING CHANGE INDICES ON MINORITY PURCHASING ACTIVITY MEASURES AND INDEPENDENT VARIABLES[a]--MINORITY PURCHASING PROGRAMS ESTABLISHED 1975-1979

Independent Variables	Change in Percentage of Annual Dollar Purchases	Change in Annual Minority Vendor Dollar Expenditures	Self-Perceived Success
Policy statement	.585	.068	.414
Corporate goals	1.000	.877	.766
Buyer goals	.011[b]	.071	.059[b]
Performance appraisal	1.000	.533	.766
Individual responsible for program	.246	.955	.448
Training sessions purchasing	.963	.948	.796
Techniques used to locate minority vendors	.746	.752	.458
Techniques used to develop minority vendors	.191	.194	.168
Payment of price premium	.835	.849	.883
CEO support of program	.089	.052[b]	.112
Sample size	21-25	21-25	24-29

[a]Change indices were calculated for minority purchasing activity measures. Examples of how these change indices were calculated is shown in Table D.1. The change indices were then (1) ordered from highest to lowest; (2) split into quintiles; and (3) T-tests were run comparing the two higher quintiles with the two lower quintiles. This analysis was performed to determine if there were differences in the various independent variables between those corporations showing higher year-to-year changes than those showing lower year-to-year changes. Responses to self-perceived success were answered on a five-point scale and the T-tests were done comparing the two highest and two lowest quintiles.

[b]Significant relationships at $p \leq .05$.

TABLE D.3

SIGNIFICANCE LEVELS FOR T-TESTS UTILIZING CHANGE INDICES ON MINORITY PURCHASING ACTIVITY MEASURES AND INDEPENDENT VARIABLES[a]--MINORITY PURCHASING PROGRAMS ESTABLISHED 1967-1974

Independent Variables	Change in Percentage of Annual Dollar Purchases	Change in Annual Minority Vendor Dollar Expenditures	Self-Perceived Success
Policy statement	.754	.745	.975
Corporate goals	.564	.180	.340
Buyer goals	.721	.134	.335
Performance appraisal	.131	.762	.856
Individual responsible for program	.514	.870	.139
Training sessions for purchasing	.169	.414	.444
Techniques used to locate minority vendors	.559	.079	.095
Techniques used to develop minority vendors	.739	.501	.521
Payment of price premium	.621	.247	.985
CEO support of program	.090	.391	.661
Sample size	51	51	59

[a]For a complete explanation of how these change indices were calculated and the analysis performed on them, see Table D.2.

APPENDIX E

MINORITY PURCHASING ACTIVITY MEASURES

TABLE E.1

MINORITY PURCHASING ACTIVITY MEASURES
RANGE, MEAN, AND MEDIAN

	Range	Mean	Median	N
Percentage of annual dollar purchases from minority vendors				
1978	.010 to 9.99	1.545	1.00	123
1977	.010 to 5.00	1.087	.500	113
1976	.010 to 5.00	.703	.330	85
Annual minority vendor dollar expenditures				
1978	7,000 to 216,000,000	5,811,000	1,250,000	141
1977	10,000 to 40,000,000	3,348,000	800,000	129
1976	2,000 to 24,000,000	2,768,000	706,000	101
Total number of minority vendors				
1978	2 to 1000	122	55	141
1977	1 to 800	105	31	125
1976	1 to 762	89	31	95

NOTE: Medians and means should not be compared across the three categories since many respondents did not provide information on all three categories.

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SELECTED BIBLIOGRAPHY

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APPENDICES

APPENDIX

j. High prices: ______________________________

k. Lack of minority vendors: ______________________________

l. No purchased items supplied by minority vendors: ______________________________

m. Procedures: ______________________________

n. Insufficient management skills: ______________________________

o. Insufficient sales skills: ______________________________

p. Insufficient engineering skills ______________________________

q. Minority fronts: ______________________________

r. Other: ______________________________

16. How much support does the Chief Executive Officer give the minority vendor program?

☐ None ☐ A little ☐ Some ☐ Considerable ☐ Complete

17. How successful does your corporation feel the minority vendor program is?

Slightly Successful		Moderately Successful		Highly Successful
1	2	3	4	5

18. What approximate **percentage** of total purchases were from minority vendors?

1978 ________% 1977 ________% 1976 ________%

19. What were your approximate **total dollar purchases** from minority vendors?

1978 $________ 1977 $________ 1976 $________

20. From **how many** minority vendors were purchases made in the following years?

1978 ________ 1977 ________ 1976 ________

21. What is the approximate **percentage** of purchases from minority vendors by category?

- Direct product purchases ________
- Supplies and services (MRO, office supplies, janitorial, etc.) ________
- Construction ________
- Capital equipment ________
- Traffic/warehousing ________
- Advertising and artwork ________
- Other (Please specify)

______________________________ ________

____

14. Supplier problems are often encountered in purchasing. Indicate the extent of these problems for your minority and non-minority vendors? (Check all categories that apply)

	Extent of Problem					
	Minority			Non-Minority		
	No Problem for Minority	Moderate Problem for Minority	Significant Problem for Minority	No Problem for Non-Minority	Moderate Problem for Non-Minority	Significant Problem Non-M
a. Inability to understand purchase order specifications	☐	☐	☐	☐	☐	☐
b. Insufficient technological expertise	☐	☐	☐	☐	☐	☐
c. Insufficient production capacity	☐	☐	☐	☐	☐	☐
d. Failure to meet bid deadlines	☐	☐	☐	☐	☐	☐
e. Failure to respond to phone calls	☐	☐	☐	☐	☐	☐
f. Failure to submit samples	☐	☐	☐	☐	☐	☐
g. Failure to deliver on time	☐	☐	☐	☐	☐	☐
h. Low quality/high rate of rejected material	☐	☐	☐	☐	☐	☐
i. Long lead time required to correct quality problems	☐	☐	☐	☐	☐	☐
j. Consistently high prices	☐	☐	☐	☐	☐	☐
k. Lack of minority vendors at or near operating locations	☐	☐	☐	☐	☐	☐
l. Lack of minority vendors supplying items you purchase	☐	☐	☐	☐	☐	☐
m. Lack of compliance with purchasing procedures	☐	☐	☐	☐	☐	☐
n. Lack of qualified management personnel	☐	☐	☐	☐	☐	☐
o. Lack of qualified sales personnel	☐	☐	☐	☐	☐	☐
p. Lack of qualified engineering personnel	☐	☐	☐	☐	☐	☐
q. Minority serving as front for non-minority business	☐	☐	☐	☐	☐	☐
r. Other (please specify)						
______________________	☐	☐	☐	☐	☐	☐
______________________	☐	☐	☐	☐	☐	☐
______________________	☐	☐	☐	☐	☐	☐

15. How have you overcome these problems?

a. Specifications: ______________________

b. Insufficient technological expertise: ______________________

c. Insufficient capacity: ______________________

d. Bid deadlines: ______________________

e. Phone calls: ______________________

f. No samples: ______________________

g. Poor delivery: ______________________

h. Low quality: ______________________

i. Long lead time: ______________________

j. High prices: ______________________________

k. Lack of minority vendors: ______________________________

l. No purchased items supplied by minority vendors: ______________________________

m. Procedures: ______________________________

n. Insufficient management skills: ______________________________

o. Insufficient sales skills: ______________________________

p. Insufficient engineering skills ______________________________

q. Minority fronts: ______________________________

r. Other: ______________________________

. How much support does the Chief Executive Officer give the minority vendor program?

☐ None ☐ A little ☐ Some ☐ Considerable ☐ Complete

. How successful does your corporation feel the minority vendor program is?

Slightly Successful		Moderately Successful		Highly Successful
1	2	3	4	5

. What approximate **percentage** of total purchases were from minority vendors?

1978 ________% 1977 ________% 1976 ________%

. What were your approximate **total dollar purchases** from minority vendors?

1978 $________ 1977 $________ 1976 $________

. From **how many** minority vendors were purchases made in the following years?

1978 ________ 1977 ________ 1976 ________

. What is the approximate **percentage** of purchases from minority vendors by category?

- Direct product purchases ________
- Supplies and services (MRO, office supplies, janitorial, etc.) ________
- Construction ________
- Capital equipment ________
- Traffic/warehousing ________
- Advertising and artwork ________
- Other (Please specify)

______________________________ ________

______________________________ ________