



**Chicago United**

Closing the gap between race and business.®

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## FIVE FORWARD FACTS

### What is *Five Forward*?

- *Chicago United's Five Forward Initiative* is a strategic plan to build a stronger regional economy and build minority businesses of scale. The initiative will enlist the commitment of CEOs of mid- to large-sized corporations in the Chicago metropolitan area to establish or expand business relationships with five current and/or new local minority firms.
- In addition to advancing key relationships, the *Five Forward Initiative* will seek to gather empirical data to measure the impact on the local economy when spending by committed corporations is increased with Minority Business Enterprises (MBEs).
- By committing to the *Five Forward Initiative*, the leadership among local corporations will set a precedent in partnering with local minority firms that are equally invested in the region. Further, they will receive the value of innovation from local MBEs while supporting a community whose strength will help fuel the local economy.
- *Five Forward* also features *MB e-Source*, a web-based resource to provide major corporations access to information about more than 100 well established minority firms located in the counties of Cook, DuPage, Kane, Lake, McHenry and Will. It will provide the featured minority firms an opportunity to illustrate capacity, core competencies, industries served and success stories.

### The Need for the *Five Forward Initiative*: Economic Impact

This approach to regional growth is supported by a report from Chicago United and the Center for Urban Economic Development of the University of Illinois at Chicago entitled "Building a Stronger Regional Economy Through Minority Business Development." Based on a pilot study, this report looked at the economic impact of direct corporate spending with the minority business enterprises (MBEs) of the Chicago area. The study reported that a small sample of 14 companies had significant impact.

Among its findings:

- Approximately \$228 million in corporate spending with local MBEs was responsible for a total estimated impact of roughly \$425 million in 2006. The study reported that a small sample of 14 companies had significant impact
- It is estimated that direct spending by the 14 surveyed corporations generated 2,143 jobs in local MBEs, as well as an additional 1,860 jobs through successive rounds of economic activity. Therefore, total regional employment associated with this spending is approximately 4,000 jobs.
- A 10% spending increase would result in annual spending of \$333 million with local MBEs in year five, or \$622 million in total economic output and the creation of 5,861 jobs. These estimates are based on survey responses from the 14 participating companies.

Empirical evidence indicates that MBEs disproportionately tend to locate within and hire from areas with higher percentages of minority residents. The enhanced flow of money to the region improves the property tax base, increases employment and earnings, ignites business activity and creates the multiplier effects of local firms and residents spending dollars with other local firms.

Yet, there is still room for improvement:

- According to Census data, minority firms are 19.74% of all firms, but receive only 2.6% of all sales and receipts.
- Illinois is already behind in the race to capitalize on MBEs as an engine for growth, according to Minority Business News USA. Michigan, California, Texas and Florida each have at least 10 of the country's top-grossing minority enterprises serving corporate America. Illinois is home to only six.

### Recommendation to Corporate Partners

There is an ongoing need to continue to advocate for and illustrate the importance of minority business to Chicago and the region's economy. *Five Forward* suggests the following key recommendations for corporate partners:

- Accept the *Five Forward* Task Force Chairman's Call to Action
- Gain commitment from CEOs of mid- to large-sized corporations with major footprints in the region to implement the *Five Forward* Initiative
- Measure *Five Forward* progress for years one through five
- Create and/or maintain a formal business diversity program that emphasizes spending with Chicago-area MBEs
- Collect and report to Chicago United detailed spending data, including the location, race, gender, industry and dollar amounts spent with vendors identified as *Five Forward* partners

Creating and maintaining a formal Chicago area-focused business diversity program doesn't mean terminating current partnerships. Building such a program using MBEs that have an established track record of delivering results for large enterprises could include, but is not limited to, the following suggestions:

- Examine your current group of high-performing MBEs and consider opportunities to make greater use of them. Their products and/or services may be useful across business units.
- Review current vendor/supplier relationships that aren't meeting expectations and give strong consideration to MBEs if and when related work and contracts will be offered to new vendors
- Utilize MBEs in joint partnerships to serve your customers
- When spinning off business, identify MBEs that can grow from the new opportunity

### Five Forward Corporate Benefits

Research shows that companies that successfully utilize partnerships with MBEs typically outperform those that don't. From 1997 to 2007, companies in the *DiversityInc* magazine Top 50 companies for diversity delivered better shareholder returns as a group than the Dow Jones, NASDAQ and S&P 500 indices. The manner in which the corporate partner strategically identifies opportunities to work with MBEs will determine the resulting benefits.

### Five Forward Initiative Five-Step Process

**Step 1:** Chief executive officer meets with chief diversity officer/supplier diversity director to develop strategy to integrate *Five Forward* Initiative into current business diversity practices.

**Step 2:** Senior management conducts an analysis of local minority firms, in all spending categories, that are currently servicing your organization and/or identifies new high-potential firms.

**Step 3:** Senior management identifies strategic business opportunities and aligns regional economic stimulation goals based on organizational objectives and MBE core competencies.

**Step 4:** Senior management develops metrics to measure firms' performance year one through year five.

**Step 5:** Senior management measures and reports performance annually.

### Chicago United will support the Initiative as follows:

- Provide a full-time staff person to coordinate activities between committed corporations and MBEs selected to participate.
- Create and maintain MB e-Source web based referral resource.
- Issue an annual report of local mid- to large-sized corporations' spending with local MBEs to illustrate local impact.
- Update Chicago United's "A Practical Guide to Starting and Improving a Minority Purchasing Program" to assist corporations in moving beyond basic and intermediate business diversity initiatives to "world class" status.
- Conduct a broader survey of regional corporate spending with local MBEs.
- Develop MBE availability and spending benchmarks to assess the progress of large corporations towards supporting regional economic development.

To download the full report on Chicago United's *Five Forward* Initiative, please visit [www.chicago-united.org](http://www.chicago-united.org).

Chicago United is an advocacy organization that seeks to enrich the economic fabric of the Chicago region. To register for the *Five Forward* Initiative contact Chicago United at 312-977-3060.



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