



NMSDC Transformation Frequently Asked Questions (FAQs)

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If you do not find answers to your questions within the FAQ document, please email us at transformationoffice@nmsdc.org.

Certification FAQs

Certification Staffing

A. How will NMSDC determine the staffing requirements and potential employment opportunities for the new certification processes?

Staffing requirements will be based on the new certification and certification renewal workload being migrated from the affiliates by wave. Staffing will be slightly frontloaded to allow ample time for staff members to gain experience with the processes, tools, and system. Time will also be planned for significant training, approvals/quality audits, and feedback activity.

NMSDC Human Resources will facilitate the hiring and onboarding of staff based on the implementation plan and existing hiring procedures. Additional communications regarding hiring needs and schedules are planned for the regional affiliates in the event any existing certification staff wish to be considered for a role in the national certification team.

Although the deployment schedule has not yet been finalized, wave one of the deployments is expected to occur in late 2023, with the remaining deployment waves in 1Q 2024 and 2Q 2024.

B. How will NMSDC determine how many staff to hire? How will NMSDC avoid overstaffing to ensure expenses are reasonable and payouts to the regional affiliates are maintained or grow in subsequent years?

One benefit of the hybrid certification model and new certification technology is improved efficiency. In addition, the current NMSDC leadership team has a track record of optimizing cost and driving efficiency.

Reporting and dashboards provided via the new certification system will help NMSDC manage the staffing and meet service levels. Regional visibility to relevant certification data is also in scope during system development. NMSDC retains the right to hire staff as needed and set future certification rates as deemed necessary.

Integrity of the Certification Process

A. Does NMSDC have plans to rely on a third-party certification with defined responsibilities?

At this time, there is no plan to use a third-party to conduct certification processing. The national certification staff are expected to work directly for NMSDC, be based in the U.S., and work remotely.

B. What safeguards are in place to maintain the integrity and rigor of the certification process?

The new hybrid certification process and Zoho One system will improve consistency, visibility, and controls when it comes to following the rigorous certification process and producing accurate results. A new quality assurance program is one of the several ways that NMSDC will ensure the integrity of the process.

C. How will the determination and approval process for the new certification program be structured? Currently, new certifications and MBEs undergoing compliance reviews are presented to a certification committee, made up of corporate members, for recommendations to the board of directors. Regular recertifications are submitted directly to the board of directors. Will the revised certification program maintain this review and approval process by these committees at the national level?

The governance committee structure and approval processes will be different in the new model, but integrity is a core value at NMSDC, and certification is a key enabler to the mission. The NMSDC staff, under the guidance of the board of directors, is committed to developing an effective process with an appropriate governance structure and escalation procedures. Under the new model, corporate members will still be involved in the process as part of the audit and appeals committees. This includes conducting audits on certifications and renewals and reviewing appeals. In addition, the certification leadership team will be held responsible for conducting regular quality audits of the certification staff. To ensure an appropriate segregation of duties, a separate committee of the board of directors will be charged with handling future decisions regarding certification types, criteria, and documentation requirements. This committee will also have corporate member participation.

In addition to this, workflow features of the new system are expected to enable new review and approval features for certifications. Although we are not planning a volunteer certification committee to review each application, we expect to use the technology to route certifications for review and approval when needed.

D. What expertise in certification resides at the national level currently?

The NMSDC certification team has extensive certification experience. They currently create and maintain the guidelines for the regional affiliates, and train regional affiliate certification staff regularly throughout the year. The regional affiliates will be expected to collaborate and provide local insight and communication on topics such as reciprocal or other government certifications supported by the affiliate, any local certification variations that need to be considered as the work migrates to the national team, and the resolution of in-progress certifications during migration.

E. How will you identify cases of businesses being sold or undergoing buyouts, especially when they retain the same names?

Regarding how business ownership changes will be identified, the process is not changing materially. The ownership documentation and criteria are not changing for a new certification, and once certified, the business will be expected to disclose business ownership changes. If that does not happen and a corporate member or regional affiliate staff has knowledge of a change that could impact a business' certification qualification, they would be expected to report that to the national certification team so it can be investigated, and appropriate action can be taken.

F. How will NMSDC assure its corporate members that there are no MBEs within their supply chain and reporting who are operating as mere fronts?

The hybrid certification is a process change. It does not change the certification criteria or documentation requirements and will improve NMSDCs oversight of the quality of certifications. Additionally, the regional affiliates will be performing the site visits and providing NMSDC with their recommendation on whether to certify, not certify, request

additional documentation, etc. So together, we will work to ensure that businesses are not certified if they are mere fronts.

G. Will there be adequate measures in place during the certification process to verify that the certified companies have not altered their business structure, potentially jeopardizing their status as 51% owners?

Yes, there will be adequate processes and oversight in place. Although no process, including the current one, can guarantee that every business structure change will be reported accurately and or timely by the owner, or that it will be otherwise quickly identified, the hybrid process will enable greater visibility, control, and accountability into the process.

Implementation Schedule

A. How will the new model be implemented? All at once or a phased approach?

The hybrid certification implementation schedule is linked to the deployment of the new certification system, Zoho One. Affiliates will transition from Adapt One to Zoho One when they migrate to the new hybrid certification process. The detailed implementation schedule will be produced and shared in late summer, after the selection of the Zoho One system integrator and the approval of a system development and deployment plan.

It is expected that the first deployment wave will occur in 4Q 2023 and comprise two to four regional affiliates that represent significant enough complexity to help ensure that the system will meet the needs of the network. Because the affiliates in this first wave will be asked to participate in system testing and are expected to provide feedback on workflow, notifications, reporting, etc., a 20% bonus will be paid to those affiliates for one year. The bonus will be calculated as 20% of the certification fees remitted during the first year.

After a sufficient period to make any necessary system or process adjustments, and a successful transition in wave one, a series of deployment waves will begin with a goal to onboard all affiliates by the end of 2Q 2024. NMSDC reserves the right to update the schedule as needed.

B. What is the selection process for the initial phased rollout of the certification model?

The selection process for the affiliates in deployment wave one has been designed to identify two-to-four affiliates that represent sufficient complexity and variation in affiliate size, market/geographic distribution, documentation upload status, and government/reciprocal certification activity. Affiliate leadership support and certification experience will also be considered.

All affiliates have been given the opportunity to express an interest in participating in the first wave of deployment.

Certification Process and Customer Service

A. What will be the process for conducting recruitment and pre-certification briefings under the new model?

The regional affiliates are expected to recruit new MBEs for certification and conduct high touch pre-certification training. Under the new model, the national office will support

the regional office efforts with new video presentations and materials. Additional recommendations on how to improve MBE recruitment and certification preparedness are welcome.

B. We currently experience a 30-day certification process for MBEs, what will be the new timing?

30 days.

C. What is the plan for site visits? Who is responsible?

The criteria for site visits will remain the same. If a regional affiliate is not following the national process today, that affiliate is expected to begin following the national criteria and complete the visit within the SLA prescribed in the new system (e.g., 10 business days). As each affiliate deploys, discussions will be held regarding any special geographic challenges to completing site visits per the national standard.

D. How and when will the regional affiliates be informed about newly approved and recertified MBEs?

Zoho One has workflow and automated notification capabilities built into the system that will be leveraged to ensure relevant parties are kept abreast of the certification process. We will also build reports and regional dashboards to maintain visibility to certification activity. The details will be designed once work begins with a system integrator. The affiliates in wave one will help test the process and system once deployed. Your feedback is welcome regarding the amount of information you want to see and the notifications you want to get from the system.

E. In what way, if any, will the current Subscription Services be affected by these proposed changes?

Subscription Services is in the project scope for hybrid certification model implementation. Subscription services will continue but with a significantly simplified process on a national platform. MBEs will be able to select affiliates to subscribe and pay the fee in the system. Fees will be remitted back to the appropriate affiliate.

F. What are the proposed changes for the certification model and commitments made by NMSDC.

Detailed processes, workflows, notifications, approval, and audit requirements, etc. will be documented as a part of the Zoho One system configuration effort, and that work is underway. Please note that the certification criteria will not change with the migration to the hybrid process. The change is that a new national certification team will handle all aspects of the certification process except for the required on-site interviews. Regional affiliates will be expected to conduct those interviews using the new Zoho One system.

Please review the responses to other questions in this document for details on plans for certification fees, the deployment schedule, and staffing, etc.

G. How does NMSDC plan to ensure excellent customer service and prompt responsiveness to MBEs with certification inquiries, considering the addition of certification responsibilities to its role?

Many modern features in the new certification tool will help improve customer service and responsiveness. For example: Automated Notifications feature will help keep applicants informed about the progress of their applications; The Collaborative Commenting feature allows agents and applicants to communicate and exchange

information. Applicants can ask questions, seek clarifications, or provide additional details regarding their applications directly within the certification tool. Agents can respond to these comments, providing prompt and personalized assistance. This ensures clear and transparent communication between both parties.

Also, the centralized certification team will use a telephone service with call queues and tracking, email, and potentially other communications channels to address inquiries about certification applications or renewals. Consolidation of this work and new technology should improve visibility to the level of service being provided to MBEs.

Additionally, the certification team will be evaluated based on the quality of their work and meeting prescribed SLAs. The team will be dedicated to certification and will not have responsibilities outside of certification, to ensure they can provide excellent customer service and prompt responsiveness.

H. How does the CRM interface with the certification model and will there be a requirement for all affiliates to adopt and utilize the new CRM system?

Zoho One will be the processing system for certifications and will manage the steps of the process. The national office will also utilize this tool for MBE search, corporate member management, and a variety of other functions. It will ultimately replace Adapt One and Go Members. Regional affiliates will use Zoho One for MBE recruitment, conducting site visits, and MBE search. The team is currently evaluating using the CRM tool to manage certification discounts and reimbursement programs as well. Regional affiliates are encouraged to utilize Zoho One for other functions of CRM at no-to-low license fees leveraging the enterprise licensing agreement negotiated by the national team.

Regional Affiliate Liability

A. What is meant by indemnification of the decision versus full indemnification.

Indemnification for the certification decision means that, for certifications and renewals that occur in the new hybrid process, if a business files suit because they disagree with the certification process or outcome, NMSDC would be liable and regional affiliates would be indemnified for their role in the certification process unless they have engaged in “bad behavior”. For example, should a regional staff member cause damage, steal physical or intellectual property, or engage in other unprofessional behavior during a site visit, and that behavior resulted in legal action, the indemnification would not apply.

When the regional affiliates are indemnified, they are not expected to incur legal expenses.

Certification Technology and System Impacts

A. Will the regional affiliates have access to MBE profile information in the new system or database? Will their access be like that of corporations and affiliate presidents? How will this access be structured to enable marketing and provision of services and programs to MBEs within their respective service areas?

It is expected that regional affiliates will have access to data to conduct marketing and programming; however, data privacy guidelines, data use and controls will need to be clearly defined and set out in the affiliate agreement.

B. If a corporation is a member of a regional affiliate, but is not a national NMSDC member will the new certification model mean these corporations lose access to the local MBE database?

Access to the database is granted based on membership level. Access will be granted to all members with the permissions associated with their respective memberships.

C. How is NMSDC planning to use technology to make it easier to find the right MBE for my needs?

Work sessions are currently underway addressing the content of MBE profiles and search capabilities that we will leverage in the new Zoho One database. We have heard your feedback over the years and are committed to making meaningful improvements. We recently completed a survey of the membership to elicit more input to developing MBE search and profile.

D. What is the progress of having one database for corporates to pull suppliers from and how will that effect membership costs?

NMSDC is working with WBENC, NGLCC, and others to create one searchable database with appropriate corporate access to diverse suppliers from all agencies. WBENC is leading the coordination of that program including schedule updates.

E. Will corporate members still have access to validation scrubs quarterly? Also, once you hit the threshold mark, corporate members have to pay for the additional data validation. Is this practice going to change?

There have been no changes identified to the access for validation scrubs. Access is based on membership and will be granted as such in the new database.

F. Why was Zoho One selected as the technology platform?

Zoho One is a global company with 80 million users across the globe. NMSDC had two technology review processes, one technical, conducted by our consultants Lexico Consulting and the other exclusively by end users. The end users scored Salesforce slightly higher, and the technical review scored Zoho One higher. NMSDC leadership always retains the ability to make the final decision and that was to go with Zoho One primarily because it has more functionality and is significantly more cost effective.

G. Will regional affiliates be involved in configuring Zoho One?

Zoho One will be designed and configured by the national team working with an integration vendor. Relevant training and access will be provided to the regional affiliates. Within the project plan and timelines, affiliates and other stakeholders may be asked to review certain use cases and scenarios relevant to their roles. Other than on-site certification visits and planned MBE information accessibility, additional use by the regional affiliates of Zoho One as their CRM tool, would need to be pursued independently by those affiliates.

Communications

A. How will NMSDC effectively communicate the changes in the certification process to current and potential MBEs? Will the communications include affiliate presidents and certification/MBE services staff?

NMSDC has several communication channels available to communicate changes to relevant audiences. A communication plan is being developed to help ensure that all parties are kept up to date on new processes, timelines, etc. In addition, a regional

affiliate checklist will be developed to help affiliates prepare for the migration of certification work. An implementation plan call was held in August specifically for affiliate presidents and staff to inform them of process on the project. We expect to continue to hold those informative sessions.

Revenue and Finances FAQs

Shared Services Model

A. In a shared services model, how will the revenue be distributed?

During the first two years of implementing the hybrid certification process, the revenue collected for certifications and renewals will be allocated to the regional affiliates without deducting for the expenses incurred by the national office due to taking on most of the certification process. This time will allow all the affiliates to transition to the new process during the first year and allow an additional year for the national certification team to gain experience and efficiency. This excludes fees generated from NMSDC national programs such as growth initiative and our focus on diverse investment firms through our newly launched capital manager program.

Beginning in the third year after the initial affiliates deploy, the national office will begin to deduct the certification expense before remitting certification and renewal fees to the regional affiliates. The details about how that will be done, and a detailed forecast of national expenses will be provided after the new technology is deployed and the national certification team has been in place long enough to have more precise data. What is known now is that processing certifications centrally will bring greater efficiency to the process and the associated expenses are expected to be less than the total of certification expenses currently incurred across the network.

Receiving the certification data requested from the regions during the analysis of the hybrid certification model should help the national team plan staffing levels in year one with more precision and could expedite the timeframe required to provide a year three expense forecast. This data was previously requested and is still needed to aid in our analysis. Regional affiliates should consider providing that data so we can provide the more accurate forecast that you are requesting from the national office.

Certification Fees

A. Will there be a standardized cost for certification and recertification under NMSDC's new certification process across the country? If so, what will that cost be?

Final decisions regarding standardizing rates have not been made at this time, although various options will be considered over the next several months, including the potential to charge by a combination of business structure and business size. We do expect to move to one pricing model that would govern certification for the network.

B. How is the revenue generated from new certification and recertification to be reinvested into the regional affiliate programming?

The regional affiliates are expected to redeploy the resources currently spent on the full certification process to continue to complete the required on-site visits for certification and then increase efforts in MBE recruitment, technical assistance, development,

contract connections, and other value-added services. Affiliates may be asked to provide information on how they plan to redeploy resources.

Going into year three, new certification and recertification fees, will go back to the regional affiliates after certification expense for the shared services model have been deducted, with the expectation that this revenue would be invested in value added services to help MBEs grow.

C. Will the certification fees continue to be remitted to the local affiliates based on the headquarters address of the applicants?

Currently there are no planned changes to how MBEs are aligned to regional affiliates. Fees will be remitted from the national office to affiliates based on the alignment.

General

A. What is the ROI on all the investment that has been made in staffing or utilizing consultants for the organization?

As part of the overall transformation project, ROI will be evaluated as the project progresses to ensure a positive ROI.

B. What is NMSDC's optimal business model?

One of the transformation projects is a review of the organization's revenue. This project is currently under way and more information will be forthcoming as appropriate.

C. Are the proper fiduciary measures in place (third-party verification, audits, and disclosure/transparency) to ensure accuracy, timeliness, and accountability for the funds being collected by NMSDC and dispersed to the regional affiliates?

Regional affiliates will be able to run reports on demand including data for their region on the number of certifications processed by date range and structure. This can be used by the affiliates to reconcile against reimbursements. In addition, NMSDC has an auditing committee that works with a third-party auditing company to ensure financial accountability, transparency, and compliance with regulations.

Membership FAQs

Membership Model

A. How will NMSDC address regional vs corporate membership in the future to maintain flexible options relevant to their budget, geography, and goals?

We will be establishing more defined guidelines so that members do not need to secure membership both on the regional and national level that will assist members with their budgetary constraints.

Feedback from the Membership

A. Will member feedback be considered during the development of the services and membership models? If so, how will it be incorporated, and is there a timeline for the completion of these models?

Through the respective activation teams, NMSDC is generally in alignment with the

regional affiliates represented on those activation teams. We will be sharing our proposed enhancements to the membership model for feedback within the next month. And for services, those will be worked out through the creation, review, and adoption of the next affiliate agreement over the coming months.

General FAQs

Governance

A. Does this final decision grant NMSDC the authority to act independently? How will it affect the membership and service models?

NMSDC under its governing structure has no limitations on its ability to act independently, just as the regional affiliates may also act independently on matters not governed by the affiliate agreement.

We are in alignment with the regional affiliates on moving forward with enhancements to the membership model, no major changes are anticipated currently. And for services, those will be worked out through the creation, review, and adoption of the next affiliate agreement.

B. What conflicts of interest does NMSDC regularly monitor?

NMSDC has a conflict-of-interest policy applicable to all board members. NMSDC is concerned with managing all conflicts of interest, whether perceived or actual. Board members having affiliations with other nongovernmental organizations (NGOs) may have conflicts of interest we need to manage when entering into agreements with other NGOs on which they serve.

Other

A. What has NMSDC reviewed as part of this transformation?

NMSDC has been focusing on strategic planning, policy development, fundraising and resource allocation, nationwide initiatives, or programming such as certification modernization, Corporate Plus, COE, EYE, AMEP, to name a few. The new affiliate agreement workstream led by Fernando Martinez will further define roles and responsibilities between national and regional and improve network collaboration and efficiency. The basis for the transformation recommendations was shared in many various communications including stakeholders' feedback via survey data, digital conversations, focus group input, working sessions, 1x1 interviews, world's leading consulting firms' discovery and insights, and many other inputs.

B. How did NMSDC address concerns raised by regional affiliates?

When the concerns were raised as part of the work of the Certification workstream, we tried to address the concerns raised by the regional presidents and asked the regional affiliates to provide data on multiple occasions, however, we did not receive any. In an effort to keep the progress going, NMSDC conducted a separate data analysis to support the recommendation to the board.

Additionally, we held a focus group on the concerns, dedicated a special board meeting to address them, held an in-person meeting in Phoenix, 2-day strategy session in

January, and we've held monthly touch bases. A senior vice president of network success position was also created as a liaison to the regional affiliate presidents to ensure any ongoing concerns are addressed.

C. Has NMSDC considered consolidating underperforming regions into stronger ones as part of this transformation?

Reevaluation of regional affiliate performance is an ongoing activity. The current transformational activities are focusing on operational improvements.

D. How do we overcome the trust barrier that has been created between the national office and its regional affiliates?

Building trust is important and honest communication is key. Both the national and regional affiliates bear some responsibility. The current conditions evolved over many years and several generations of leadership. We believe the time has come to look forward and focus on achieving our shared mission together.

Regarding transparency, NMSDC will share relevant and appropriate roadmaps, project plans, processes, schedules, etc., and the Zoho One system will be designed to give appropriate MBE visibility to the affiliates, but NMSDC may legitimately choose to keep some internal discussions, and board matters appropriately private. We would expect the regional affiliates as independent legal entities to do the same.