HHB’s Equitable Business Council

Grounded in research and insight helping companies reach supplier diversity goals
State of Relations
By 2025 companies globally expect to increase their spend with women and minority owned suppliers by 50%*.

Many large global and regional companies are communicating these goals with WBEs and MBEs in ESG reports and public communications as part of diversity, equity and inclusion efforts.

Research Overview
To better understand what headwinds companies are facing and what opportunities exist to achieve these short and long-term supplier diversity goals, HHB recently conducted the following research (September 2021):
• Online survey among n=400 US small business leaders
• In-depth interviews among 12 US small business leaders

Problem to Solve
In most cases, companies approach working with small businesses with the same terms and conditions as large companies. Small businesses widely recognize the Master Service Agreement (MSA) process is inequitable, with small MBEs and WBEs notably affected. The result? MBEs and WBEs are walking away from working with large companies they perceive to have inequitable terms, conditions and processes, even after they’ve been vetted as preferred vendors.

Key Takeaway
Companies will attract and retain more WBEs and MBEs with an evolved, equitable approach.
The Bias of Master Service Agreements

The research conducted among small business leaders clearly suggests the need to evolve the MSA process, terms & conditions. Highlights from the comprehensive research results are below.

Of the n=400 small business* leaders surveyed...

- Nearly HALF have walked away from opportunities with large companies due to contract terms & conditions and/or length or complexity.
- Over 60% are comfortable walking away if equitable terms and conditions aren’t met.
- Over 3 in 10 have had concerns over their companies’ ability to comply with agreed upon terms and conditions.
- Around 2 in 10 refused to re-engage with companies due to past experiences with inequitable contract terms and conditions.

- 64% agree MSAs are built with big businesses in mind and don’t represent the realities of my small business.

*Qualified Small Businesses met the following criteria: 1-99 employees in any location; entered into MSAs provided by “larger companies” in the last two years for products or services provided. Respondents were director-level or above with sole or shared responsibility for approval and compliance for MSAs.
MSA’s are not mitigating risk as intended, and instead, MSA’s are putting relationships with small businesses at risk.

As a consequence, large businesses are faced with the costs, financial and otherwise, associated with losing a preferred small or diverse vendor (e.g., additional resources to replace the vendor, lost revenue attributed to identified diverse business, delayed or missed deadlines, backlash from internal end-users).

*It’s time for companies to revisit the MSA process, terms and conditions and re-engage for the mutual benefit of all involved.*

To avoid the “Great Resignation” pattern that is happening with employees, relationships with MBEs, WBEs and all small businesses must be prioritized. And must evolve.

Companies need to cast a wider net of diverse suppliers who understand how to work with the biggest companies in the world for mutual benefit.

The onus is on larger companies who want more supplier diversity to take a stance. Like most leadership opportunities, it’s easier said than done.

That is where HHB’s Business Equity Council comes in.
Meet HHB’s Equity Business Council (EBC)
Our accomplished team of experts in corporate law, procurement, supplier diversity and equity with decades of experience working for some of the largest companies in the world.

The Offering
Together, we advise companies on a customized approach to move from a traditional MSA system to a more equitable experience. A one-size-fits-small strategy customized for your business realities and risk threshold.
We recommend beginning the engagement with a 2-hour think tank session among company leaders directly involved in supplier diversity and the MSA process.

During this session, HHB’s Equitable Business Council will:

- Present full research results from the small business study, including:
  - The process small and diverse vendors go through when entering into MSAs with larger companies
  - The challenges and risks they’ve experienced related to MSA processes, terms and conditions
  - The impact these challenges or risks have had on their companies
  - Their perceived benefits to addressing these challenges
  - Comparison of results among Minority-Owned and Woman-Owned Businesses

- Engage in a benchmarking exercise to see how your company compares to other large businesses regarding MSA engagement with small and diverse business vendors.

- Determine the impact of vulnerable preferred small and diverse vendors in terms of approximate opportunity cost to the business.

- Provide actionable counsel on initial barriers to overcome and opportunities to stand apart in the marketplace.
There is opportunity for further, customized consulting that builds upon the Think Tank session.

EBC conducts detailed discovery and analysis, including in-depth interviews, focus groups with legal, procurement, business leaders and diverse suppliers on possibilities and barriers to a mutually beneficial equitable supplier agreement.

3-month minimum engagement

Pricing upon request
Beyond EBC, opportunity to provide Client Companies SME Consulting post-EBC Engagement.

**Council: Think Tank Session**
- A working session with EBC to ground in full data set, benchmark and advise on ways forward.
- 2 Hour Live Session (virtual)

**Consulting: Audit, Analysis & Action Plan**
- EBC conducts detailed discovery and analysis, including in-depth interviews, focus groups w/ legal, procurement, business leaders & diverse suppliers on possibilities and barriers to a mutually beneficial equitable supplier agreement.
- 3-month minimum engagement

**SME Consulting: (not part of EBC)**
- SME engages directly with client, independent of EBC. Focus is on any additional areas of need, potentially identified in consulting phase.
Appendix:
EBC Small Business Survey
Methodology
Methodology

- 15 minute online survey
  - Informed by 12 in-depth interviews with small business decision makers
- \( n=400 \) Small Businesses (1-99 employees in any location)
  - Provide goods or services to other companies
  - Entered into MSAs provided by “larger companies”* (50 employees or more) for products or services provided in the past two years
  - Director or above with sole or shared responsibility for approval and compliance for MSAs
- U.S. National Representation
- September 2021

Respondent Context

“Throughout the remainder of the survey, we will be asking you specifically about the Master Service Agreements (MSAs) you enter into when providing products or services to other companies.”

“To clarify, when we refer to MSAs, we are referring to the master agreements used to establish terms between your company and another company. We are not referring to a statement of work, or SOW, which is used to agree upon project-specific services and payment terms and is governed by the Master Service Agreement.”

*“For the remainder of the survey, we’d like you to think specifically about the medium or large businesses for which you provide products or services, unless otherwise stated. We will refer to these companies collectively as ‘larger companies.’”
THANK YOU