

SUPPLY NATION
RESEARCH REPORT NO.1

State of Indigenous Business

**Driving growth
across the Indigenous
business sector**



Supply Nation

Supply Nation acknowledges the traditional owners of country throughout Australia and recognises their continuing connection to land, waters and community. We pay our respect to them and their cultures; and to elders both past and present.



The artwork featured in this report was gifted to Supply Nation by Jenny Wardrop. Jenny, a proud Wiradjuri woman, and is also the National Manager, Indigenous Business Engagement at Supply Nation.

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Supply Nation is the Australian leader in supplier diversity, and since 2009 has worked with Aboriginal and Torres Strait Islander businesses along with procurement teams from government and corporate Australia to help shape today's rapidly evolving Indigenous business sector. Supply Nation's world-leading 5-step verification process provides peace of mind by ensuring that all businesses listed on Australia's largest national directory of Aboriginal and Torres Strait Islander businesses (Indigenous Business Direct) are not only Indigenous owned but are also regularly audited for changes in company structure and ownership.

Supply Nation partners with its members from the government, corporate and not-for-profit sectors to include supplier diversity in procurement policies and develop and support supplier diversity practices, based on world's best practice, that can enable the greater participation of the Indigenous business sector.

More recently, Supply Nation also established an internal research capacity to ensure that we deliver evidence-based programs – providing a stronger platform to advocate for the needs and benefits of Indigenous business and Indigenous procurement. As custodian of Australia's largest and most respected database of Indigenous businesses, a focus of our research is understanding the contours, trends and contributions the Indigenous business sector makes to the broader national economy, as well as its contribution to Indigenous wellbeing and self-determination.

Our approach to research is to collaborate with a range of university centres, government and independent research agencies on projects of relevance to Indigenous Australians and Indigenous business, and primarily disseminated through:

Supply Nation Research Reports:
Substantial and original pieces of research on topics of relevance to Supply Nation's mission and Indigenous business;

Supply Nation Research & Policy Briefs:
Concise papers that summarise key areas of research or policy of relevance to the Indigenous business sector and key stakeholders.

**For further information go to
supplynation.org.au**



Foreward

Indigenous procurement represents an additional \$8bn opportunity for Aboriginal and Torres Strait Islander businesses that could create 19,000 jobs for Indigenous Australians.

As part of Supply Nation's Strategic planning in 2019, a decade since it commenced operation, our Board agreed on the importance of establishing a Knowledge Hub to consolidate and progress our role as an evidence-based thought leader in the Indigenous business sector. We knew from both our members (corporate, government and not-for-profit purchasing organisations) and suppliers (Indigenous-owned businesses) that data and research is critical to track the health of the Indigenous business sector as a whole.

While insights from the initial evaluations of policy initiatives such as the Indigenous Procurement Policy continue to inform the sector, we felt that Supply Nation had a role and obligation as the custodian of Australia's most respected database of Indigenous businesses, to leverage that information into knowledge that enables Indigenous businesses to start, grow and thrive. A key focus of our research is to understand the contours, trends and contributions the Indigenous business sector makes to the broader national economy as well as its contribution to Indigenous wellbeing and self-determination. We also want to ensure that we maximise our intended impact as an organisation whose mission and programs are central to building a strong, prosperous and vibrant Indigenous business eco-system.

Supply Nation engaged AlphaBeta Australia to develop a roadmap of Indigenous business data, and explore ways that we could combine our own data with other available data sets. This was not only so we could begin to shed light on the impact our work has had on the Indigenous business sector, but to inform the direction that we and policymakers might need to shift towards for the coming decade.

What we and others couldn't foresee when we began of course, was the impact of COVID-19, and the unprecedented crisis situation that has left no business unscathed - regardless of size or level of maturity. While government policies have thankfully mitigated the health impacts of COVID-19 on remote Indigenous communities, we know that Indigenous business disproportionately employ more Indigenous workers, and that Indigenous businesses are primarily small to medium (SME) enterprises. Our own internal consultations with our suppliers revealed that the impact of COVID-19, like for businesses generally, has meant a move to remote work, people being stood down and made redundant, the immediate loss of a pipeline of work, problems maintaining cashflow, and concern about their ability to deliver on existing projects and win new business into the future.

As we enter our first recession in 30 years, Australia has a significant economic challenge to overcome and we know that recessions are likely to have more adverse effects on Indigenous Australians given the sectoral concentration of Indigenous employment, the relatively high levels of casual employment and the relatively young age profile of the Indigenous population. This will pose risks but also opportunities, and in some ways this first Supply Nation Research Report, commissioned prior to the COVID-19 pandemic to explore the state of play of Indigenous businesses within the Supply Nation family, also helps to see the important role that Indigenous business can play in the process of post-pandemic economic recovery.

Supply Nation has over 2,500 Indigenous businesses, with an estimated annual revenue of \$3.9 billion, which employ more than 30,000 employees.

Supply Nation now has over 2,500 Indigenous businesses, with an estimated annual revenue of \$3.9 billion, which employ more than 30,000 employees. While the Indigenous business sector is broader than just Supply Nation suppliers, our Indigenous businesses represent a significant portion of the Indigenous business sector, providing more than half the employment in the sector.

The report shows the important role that Indigenous procurement facilitated by Supply Nation plays in driving the growth of Indigenous businesses. Overall Supply Nation has already supported \$3.4 billion in revenue from procurement spend over the last 4 years for Indigenous businesses, with procurement spend to Supply Nation businesses increasing from \$31 million in 2015 to \$952 million in 2019. Supply Nation suppliers have achieved 'like for like' growth of 13%, far outpacing growth in the broader economy.

The report suggests however that bringing Indigenous procurement levels to 1% of spend in sectors that have had less traction to date, represents an \$8 billion opportunity for the Indigenous business sector, translating into an increase of circa 90% in Indigenous business sector revenue. Given that Indigenous businesses tend to employ a higher proportion of Indigenous workers (around 30% among Supply Nation businesses but estimated to be as high as 50%) this translates into an extra 19,000 jobs for Indigenous Australians.



The policy messages from the report are that while higher and more widespread procurement targets are critical to drive changes in spend, they on their own are insufficient to realise the opportunity for Indigenous business. In the context of policies to stimulate economic growth and minimise the effects of recession, realising the opportunity will require policy responses that lift demand, improve supply capacity and capability, and bolster improved connections between procurers and Indigenous businesses.

At Supply Nation, we engage with hundreds of Indigenous suppliers and procuring organisations each year. We know that Indigenous businesses want to grasp the procurement opportunities to enable them to grow and prosper so that they can in turn contribute to the health and wellbeing of Indigenous communities across the country.

We are developing our own programs to add additional services over and above connecting suppliers and purchasers (important as that is) towards also building the capacity, skills and capabilities of our Indigenous businesses so they can continue to take the opportunities that will be available as the benefits of having a diverse supply chain become increasingly evident to business and government.

Laura Berry

**Chief Executive Officer
Supply Nation**

Acronyms and frequently used terms

Supply Nation Supplier (Supplier)
A business with a minimum 50% Indigenous ownership that has been registered or certified by Supply Nation

Supply Nation Member (Member)
A corporate, government or not-for-profit organisation that pays a membership fee to Supply Nation and commits to purchasing goods and/or services from Indigenous businesses

Registered Business
An Indigenous-owned business (with a minimum 50% Indigenous ownership) that has passed Supply Nation’s registration criteria

Certified Business
An Indigenous-owned business (with 51% or more Indigenous ownership) that can also demonstrate Indigenous management and control that has passed Supply Nation’s certification criteria

Indigenous Business Direct (IBD)
Supply Nation’s publicly available national online directory of Indigenous businesses

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Executive summary

Supply Nation's success shows enabling greater Indigenous procurement is achievable and drives rapid growth for Indigenous businesses.

Supply Nation's success over the last 10 years shows that enabling much greater Indigenous procurement is achievable and drives rapid growth for Indigenous businesses. Overall we estimate Supply Nation has already supported \$3.4 billion in revenue from procurement spend over the last 4 years for Indigenous businesses.

In April 2020, Supply Nation had around 2,335 suppliers listed on its national directory, Indigenous Business Direct (IBD), with an estimated annual revenue of \$3.9 billion and more than 30,000 employees. These suppliers are a substantial portion of the Indigenous business sector, providing more than half the employment in the sector.

Procurement spend with Supply Nation suppliers has grown rapidly, with reported spend growing from \$31 million in 2015 to \$952 million in 2019. Total spend with Supply Nation suppliers has been substantial. Between 2015-2019, Supply Nation members (purchasing organisations) spent an estimated total of \$3.4 billion with suppliers, including \$2.2 billion of reported spend.

Procurement spend has supported strong growth. Supply Nation suppliers have achieved 'like-for-like' growth of 13%, far outpacing growth in the broader economy. Organisations that join Supply Nation as members increase their procurement from Indigenous businesses and Indigenous businesses listed on Supply Nation's IBD receive more procurement over time (eg. 'like-for-like' growth in spend of more than 50%).

Procurement spend reported by Supply Nation members provides a significant portion of the overall revenue for Supply Nation suppliers. In 2019 reported spend was about 25% of supplier revenue, but the true share is estimated to be around 42% of revenue for these businesses, after accounting for non-reported spend. In terms of growth, procurement spend from Supply Nation members is estimated to represent up to 70% of growth for Supply Nation suppliers.

Despite Supply Nation's successes, spend remains narrowly focussed, with a range of underlying drivers preventing Indigenous businesses securing procurement opportunities.

Procurement by Supply Nation members has been dominated by the construction and mining sectors and focussed narrowly, weighted heavily to Indigenous businesses in construction and admin & support services (particularly facilities management, recruitment and support services).

Overall, Supply Nation members in the admin & support services, mining and construction sectors are estimated to have higher levels of Indigenous procurement spend compared to other corporate sectors. Indigenous businesses in education, admin & support services, construction and health are estimated to receive a higher proportion of sector procurement than is seen for Indigenous businesses in other industry sectors.

Supply Nation's experience and the spending patterns observed highlight the challenges that exist in driving higher levels of broad-based Indigenous procurement and the underlying reasons:

Lagging participation from some corporate sectors: firms are at different points in the supplier diversity journey, and identifying and switching to Indigenous businesses takes significant investment;

Procurement is focussed in a few sectors: spend is going to sectors where awareness is greatest, and where more large firms exist (eg. construction, admin & support services including facilities management and HR services), as well as areas of inherent competitive advantage (eg. design, certain HR services), and areas of non-core spend (eg. office supplies and services);

Many sectors receive limited share of spend:

spend in many sectors is limited due to lack of awareness, size/capability/experience of businesses, the challenge of adding new suppliers, business risk in switching from incumbents, and perception or bias issues;

Indigenous business presence is very limited

in some sectors: presence is limited in some sectors due in part to higher barriers to entry (eg. capital intensive, STEM related).

Indigenous business numbers are substantially below population share, and the average Indigenous business is smaller than businesses in the broader economy. Lifting Indigenous procurement levels to 1% in corporate sectors that have had less traction to date presents an \$8 billion opportunity for the Indigenous business sector. This would represent an increase of about 90% in sector revenue. Given the Indigenous employment intensity of the sector (more than 30% vs. 2% in the economy), this represents a jobs opportunity of 19,000 for Indigenous Australians.

Higher and more widespread procurement targets are helpful, but insufficient alone to realise the opportunity for Indigenous businesses. Realising the opportunity will require public and private policy responses that lift demand, improve supply capacity and capability, and bolster connections between procurers and Indigenous businesses.

Key recommendations

To help lift demand for Indigenous procurement, we recommend:

Government and industry bodies should seek to broaden awareness of Indigenous business sector strengths and procurement success stories.

The business sector should encourage broader corporate sector participation through more widespread Indigenous procurement targets and greater Indigenous business sector diversity within targets.

Government should continue to monitor the impact of planned changes to the Indigenous Procurement Policy (IPP) and consider further refinements to IPP structures to diversify procurement spend and create more impact for Indigenous businesses, and by extension, Indigenous communities.

To help improve supplier capacity and capability in the Indigenous business sector, we recommend:

Efforts by government and the corporate sector need to support capacity and capability building in existing Indigenous business sectors, to foster more businesses of sufficient size, experience and capability to be successful in key procurement processes.

Government efforts should help develop sector diversification in the Indigenous business sector, enabling procurers to engage with a broader set of Indigenous businesses and Indigenous businesses to participate more fully in the diverse supply chains in the economy.

To help bolster connections between procurers and Indigenous businesses, we recommend:

Government should increase funding and support for organisations that identify and support Indigenous businesses and help connect procurers and Indigenous businesses. Resourcing would allow them to improve Indigenous business supplier data and connections, and to invest in more capability building initiatives.

Governments and corporates should seek to improve the way they manage procurement to ensure Indigenous businesses are not disadvantaged, and address the procurement process points of friction that constrain Indigenous business procurement connections.



01

Supply Nation's success shows enabling greater Indigenous procurement drives rapid growth for Indigenous businesses

1.1 Supply Nation verified Indigenous businesses account for half of the Indigenous business sector

EXHIBIT 1

Supply Nation has over 2,300 Indigenous businesses which together have an annual revenue of \$3.9bn



2,334

Indigenous businesses on Supply Nation



\$3.9bn

Total annual revenue of Supply Nation suppliers



30,689

Total number of employees with Supply Nation suppliers



11,296

Indigenous people employed with Supply Nation suppliers

Supply Nation had over 2,300 Indigenous businesses on its platform as of April 2020. These businesses have an estimated total revenue of \$3.9 billion per annum. Collectively, these businesses are estimated to employ nearly 31,000 people. Importantly, more than a third of the people employed by these businesses are Indigenous Australians. In total, these businesses employ more than 11,000 Indigenous Australians (37% of employees).

To understand Supply Nation's impact, it is important to put this in the context of the broader Indigenous business sector. However, defining the size of the broader Indigenous business sector is challenging, and 'like-for-like' comparisons are difficult. There is no one data set that provides a comprehensive picture of the number of Indigenous businesses in Australia. For our purposes, the size of the broader Indigenous business sector is an estimate only, using Census data on the number of Indigenous owner-managers. Owner-manager data is not a perfect measure for the number of Indigenous businesses due to challenges and issues with reporting.

In addition, it is not a 'like-for-like' measure with Indigenous businesses, which need a minimum of 50% Indigenous ownership to be registered with Supply Nation. Nevertheless, we believe it is a reasonable measure of the broader Indigenous business sector.

On this basis, we estimate that Supply Nation suppliers represent about 20% of all businesses in the Indigenous business sector. However, the businesses registered with Supply Nation are larger than those in the broader Indigenous business sector, in terms of average revenue and employment. As a result, Supply Nation suppliers are estimated to represent 44% of revenue and 51% of employment in the Indigenous business sector.

Note: Number of businesses and employees from Supply Nation. Revenue estimated from revenue brackets in SN data and detailed IB revenue figures from BLADE data. Source: Supply Nation, AlphaBeta analysis, ABS BLADE. Supply Nation suppliers refers to Indigenous businesses verified by Supply Nation.

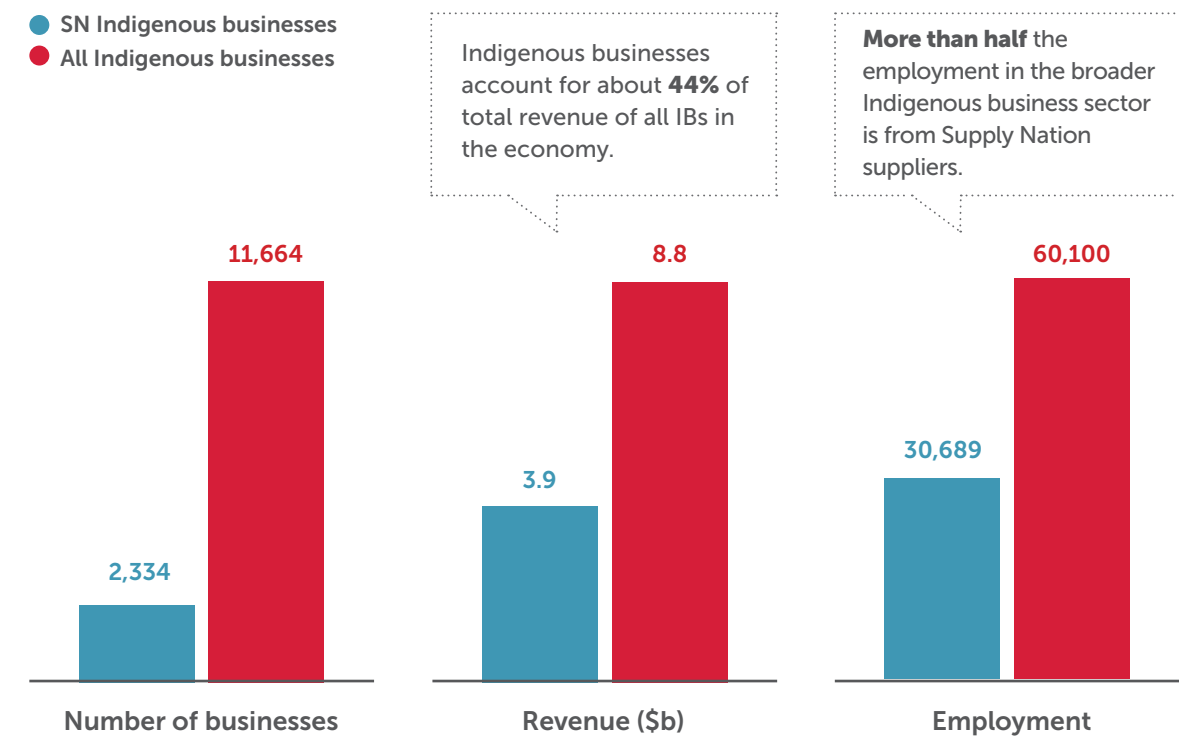


EXHIBIT 2

Supply Nation verified Indigenous businesses are a substantial portion of the broader Indigenous business sector

Comparison of Indigenous businesses and all Indigenous businesses

Estimated number of businesses, revenue (\$b) and employment



Note: 1. Data on the broader IB sector is an estimate only and uses Census count of Indigenous owner-managers. Owner-manager data is not a perfect proxy for Indigenous businesses due to reporting issues and is not a 'like-for-like' comparison with Supply Nation businesses, that must have a minimum of 50% Indigenous ownership. Other IBs employment numbers calculated using average number of employees per firm from ABS data (weighted by IB industry composition), revenue estimated using average revenue per employee from SN data. Source: ABS BLADE, AlphaBeta, ABS Census, ABS, Supply Nation

1.2 Supply Nation verified Indigenous businesses have grown over four times faster than the overall economy



The level of Indigenous procurement spend reported by Supply Nation members with Supply Nation suppliers has grown rapidly over time. In 2015, Supply Nation had 111 members, and the level of reported spend was \$31 million. By 2019, Supply Nation membership had grown to 382 members, and the level of reported spend had grown to \$952 million. In total, since 2015, Supply Nation members

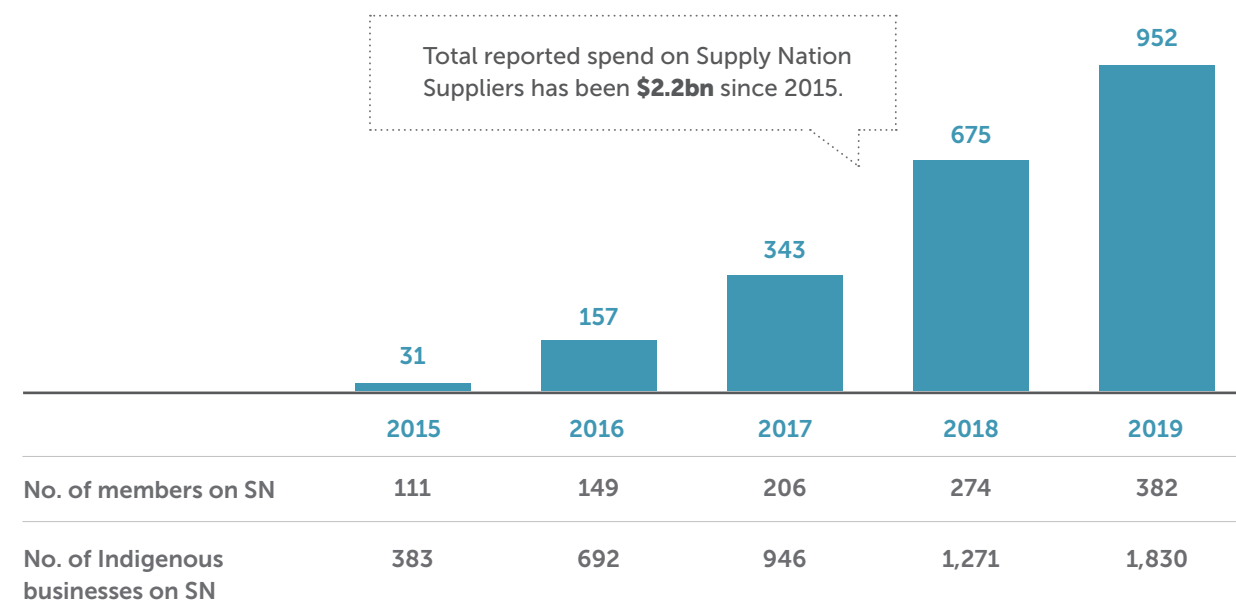
have reported spending \$2.2 billion on Indigenous businesses on the platform. However, not all members have reported spend. When we estimate the level of spend from non-reporting members, the total spend from Supply Nation members between 2015-2019 is estimated at \$3.4 billion.

EXHIBIT 3

Supply Nation's success shows greater Indigenous procurement is achievable. Spending on Supply Nation suppliers has grown rapidly from \$31m in 2015 to \$952m in 2019

Supply Nation reported spend by members on Indigenous businesses

SN member reported Indigenous spend, \$m



Note: The proportion of members who reported spend in each year was 72%, 32%, 40%, 41%, 34% for the years 2015-2019 respectively
Source: AlphaBeta, Supply Nation

Increasing procurement spend has helped drive strong growth for Indigenous businesses. Supply Nation suppliers have been able to grow at a much faster rate compared to the broader economy. Between 2011-2017 Supply Nation suppliers grew at 13% p.a. compared to business growth of 3% p.a. for the economy as a whole.

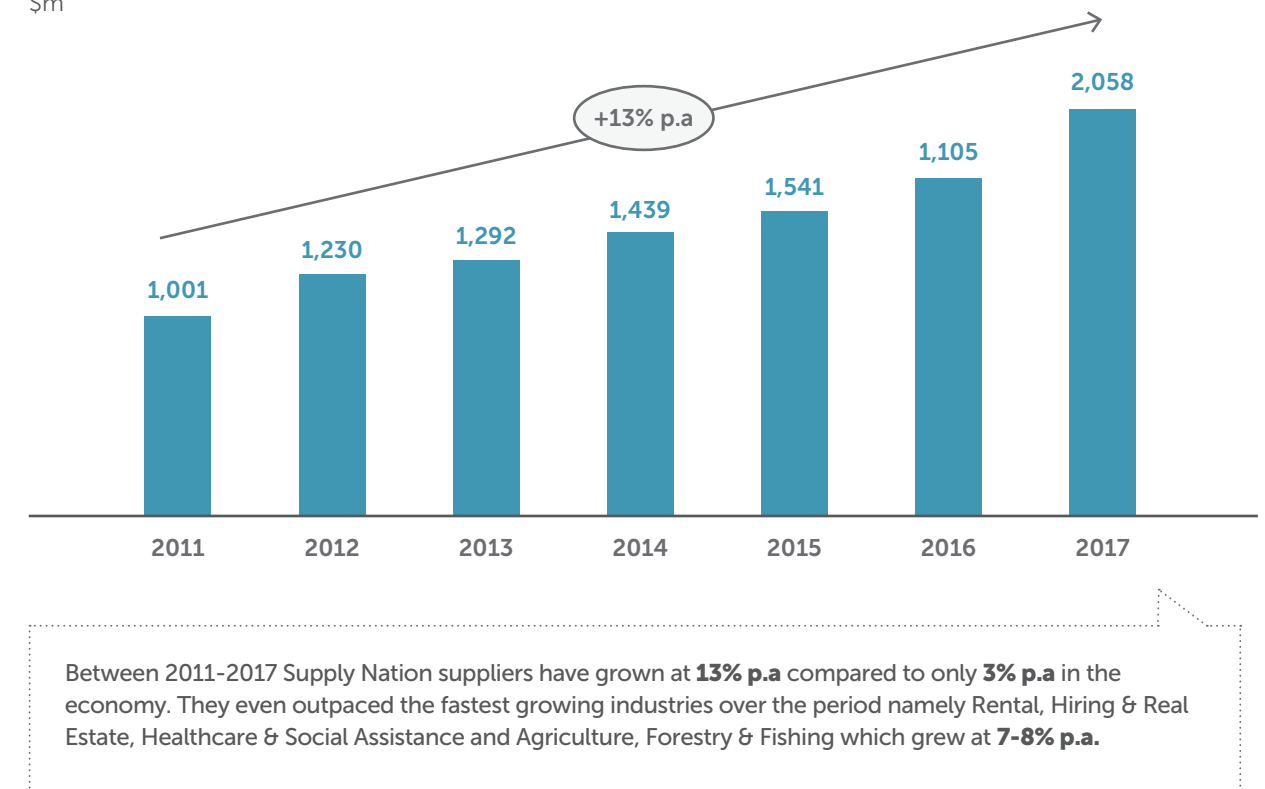
Moreover, these suppliers also significantly outpaced the fastest growing industries in the economy over the period, namely rental, hiring & real estate, healthcare & social assistance and agriculture, forestry & fishing which grew at 7-8% p.a.

EXHIBIT 4

Supply Nation suppliers have grown at a much faster rate compared to the broader economy

Comparable revenue of Supply Nation suppliers from 2011-2017

\$m



Note: The data set contains IBs that were on SN in 2019 and have existed since 2011. There are no exits of firms in the dataset.
Method: Comparable revenue for a given year is, the total revenue in that year of firms that existed in the previous year i.e. the revenue in each year does not include revenue from new firms (entries) in that year. Source: AlphaBeta, ABS BLADE, ABS

1.3 Corporations that are members of Supply Nation have increased their Indigenous procurement over time

Supply Nation has contributed to the fostering of substantial growth in Indigenous procurement over the last 10 years through its platform. Firstly, corporate and government organisations that have been members of Supply Nation have increased their Indigenous procurement spend. Looking at a subset of corporate and government organisations that have been members of Supply Nation since 2017 and reported their Indigenous procurement spend in each year, we find that on average those organisations have increased their Indigenous procurement spend at 58% p.a. between 2017 and 2019. Similarly, Supply Nation suppliers receive

greater procurement spend over time. For instance, looking at the set of Indigenous businesses that were on Supply Nation's IBD in 2017, we find that their revenue from procurement by Supply Nation members has grown substantially. Specifically, between 2017 and 2019 the revenue these businesses received from Supply Nation members reported procurement spend grew at 45% p.a.

EXHIBIT 5

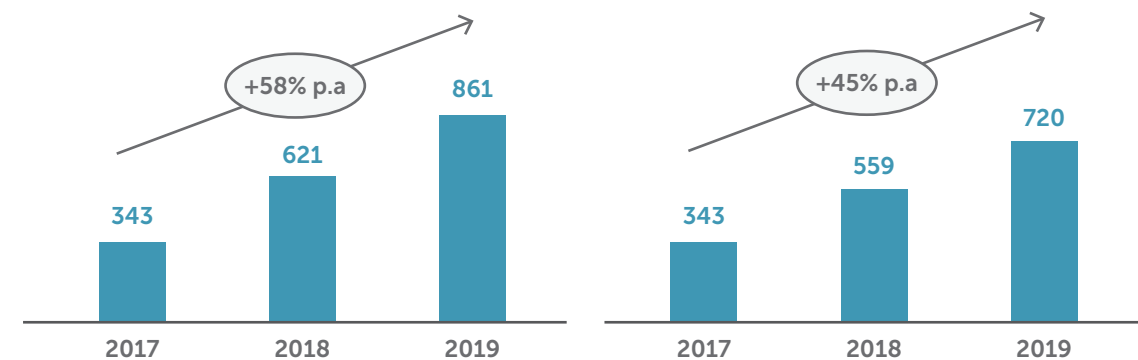
Supply Nation has fostered substantial growth in Indigenous procurement over time through its platform

Organisations that join Supply Nation increase their procurement from Indigenous businesses¹

Like-for-like SN member reported procurement spend, \$m

Indigenous businesses on SN receive more procurement over time²

Like-for-like reported procurement spend received by SN suppliers, \$m



1. Estimate is based on total procurement of 82 members who were using SN and reported flows in each year from 2017-2019.
2. Estimate is based on total procurement for a fixed set of 382 recipient IBs that were on the platform in each year 2017-2019; The proportion of members that reported spend in each year was 40%, 41%, 34% for the years 2017-2019
Source: AlphaBeta, Supply Nation

1.4 Procurement from Supply Nation members provides a substantial portion of growth for Supply Nation's Indigenous businesses

Procurement from Supply Nation members has contributed significantly to the success of Indigenous businesses on the platform. We estimate that between reported spend from Supply Nation members, and the estimated level of non-reported spend, that the total spend from Supply Nation members to Supply Nation suppliers generated about 42% of their total revenues in 2019 – a total revenue impact of \$1.6 billion. Moreover, it appears that a substantial portion of the growth in revenue for Supply Nation suppliers has come from procurement via Supply Nation members.

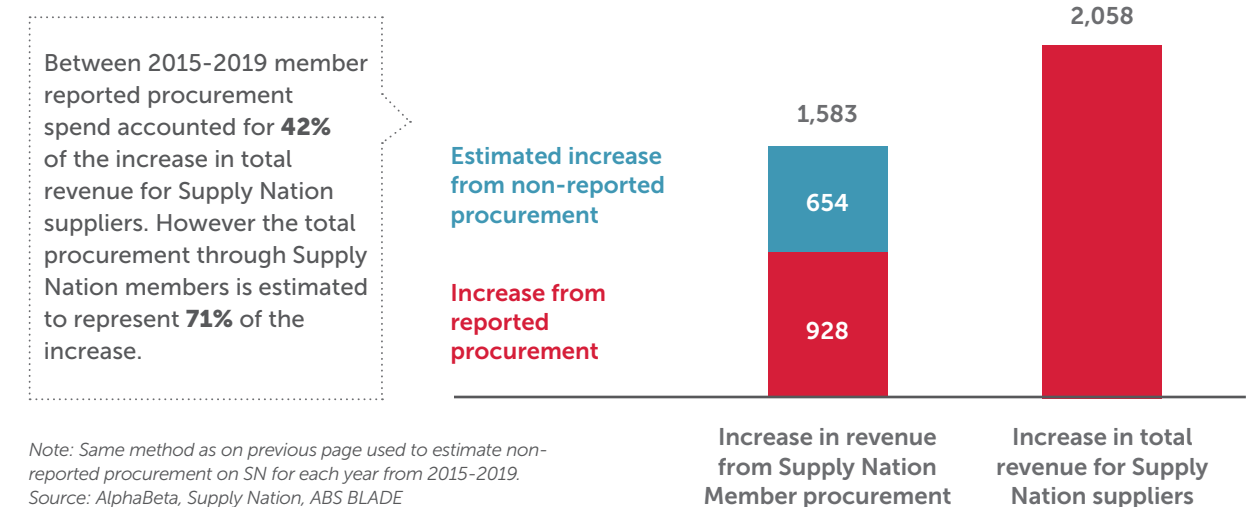
Between 2015-2019, the revenue of Supply Nation suppliers increased by an estimated \$2.2 billion. Growth in reported procurement spend from Supply Nation members over this period accounted for about \$930 million of this increase (42%). However, the increase in total procurement from Supply Nation members (including non-reported spend) on Supply Nation suppliers over this period is estimated to be about \$1.6 billion, representing 71% of the total increase in revenue for these Indigenous businesses.

EXHIBIT 6

Most of the growth in revenue for Supply Nation verified Indigenous businesses is attributed to procurement via Supply Nation members

Contribution of procurement via Supply Nation to increase in total revenue for Indigenous businesses on the platform

Increase in revenue, 2015-2019, \$m



Estimate includes reported procurement via Supply Nation and non-reported procurement, which was estimated by looking at average and median spend per member for members reporting, based on - sector and business size for corporate and government level for government members.

02

Despite Supply Nation's success to date, Indigenous procurement from members remains narrowly focussed

2.1 Indigenous businesses are clustered in certain sectors and significantly underrepresented in others

Nearly two-thirds of Supply Nation suppliers are in six sectors, the largest being admin & support services, followed by construction and professional, scientific & technical services, education, health and social assistance and manufacturing.

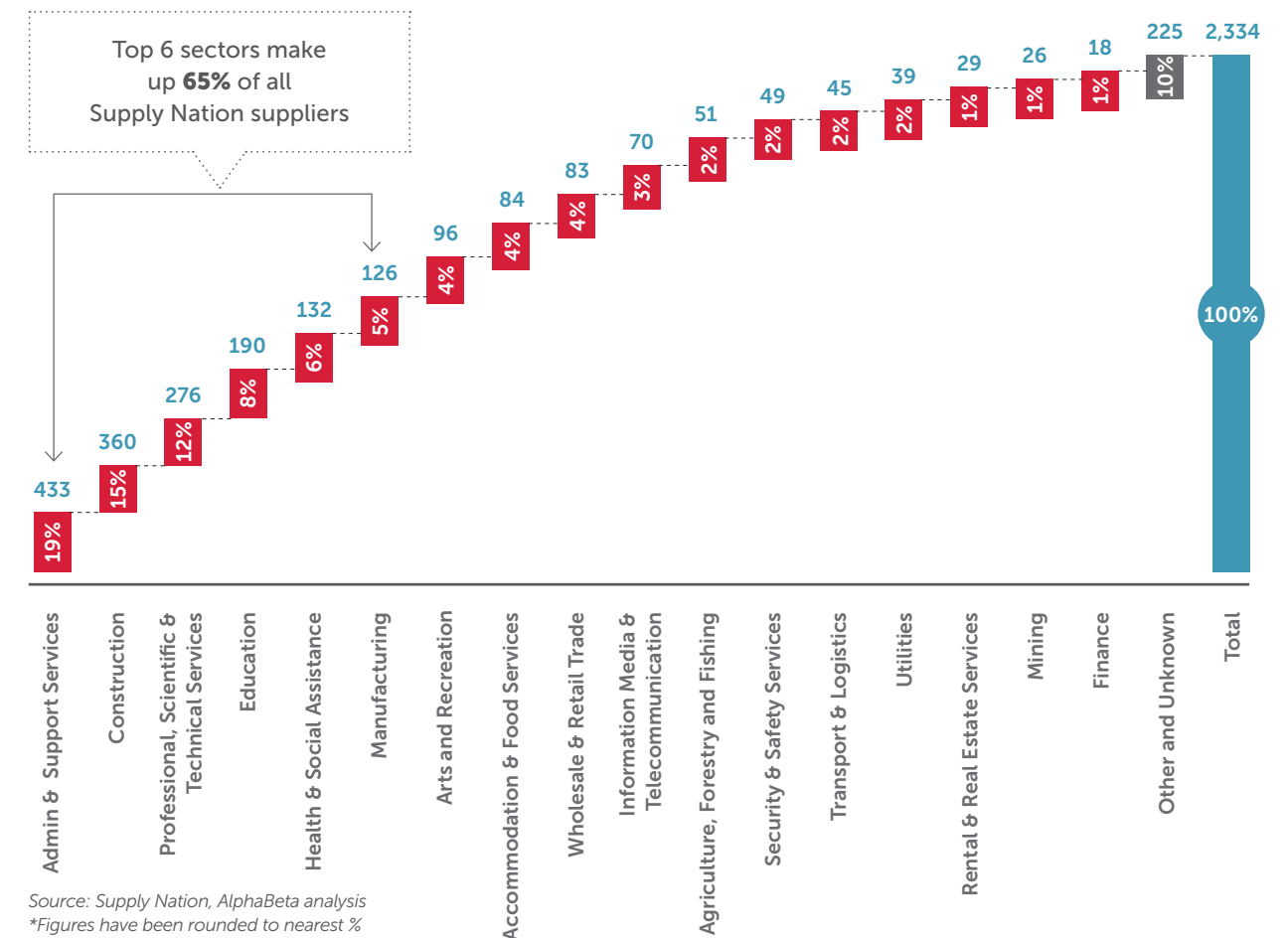
In contrast, there are a number of industry sectors with relatively few Indigenous businesses on Supply Nation, including finance, mining, rental and real estate services, and utilities.

EXHIBIT 7

Nearly two-thirds of Supply Nation verified Indigenous businesses are in six sectors, the largest being admin & support services, construction, and professional, scientific & technical services

Supply Nation suppliers by sector

Number of businesses



Source: Supply Nation, AlphaBeta analysis
*Figures have been rounded to nearest %

Comparing the industry distribution of Supply Nation suppliers to the distribution of businesses by industry in the broader economy, some important differences are apparent. Compared to the broader economy, Supply Nation suppliers are over-represented in several sectors including admin & support services (which includes HR services, facilities management and others), and education. Representation in a number of other sectors is

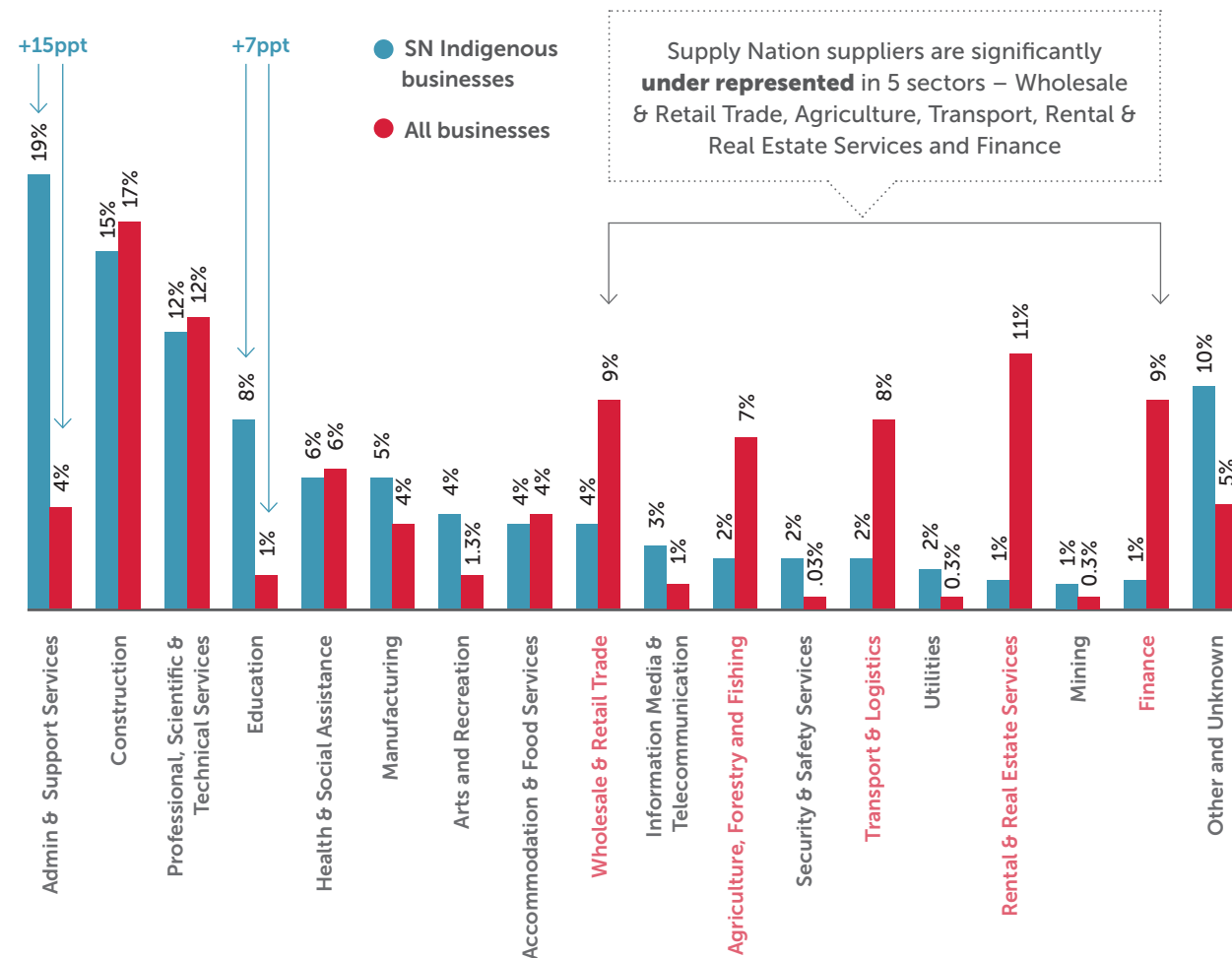
more in line with the broader economy – including for example construction, professional, scientific and technical services, health and social assistance, and accommodation and food services. In contrast, a number of sectors are under-represented, including wholesale and retail trade, agriculture, transport and logistics, rental and real estate, and finance.

EXHIBIT 8

Compared to the broader economy, Supply Nation verified Indigenous businesses are over-represented in admin & support services and education and under-represented in a range of other sectors

Distribution of Supply Nation suppliers across sectors versus the broader economy

Share of businesses, %, 2019



Source: Supply Nation, AlphaBeta analysis
*Figures have been rounded to nearest %



2.2 Supply Nation members are also clustered in certain sectors, suggesting that not all sectors are equally involved in Indigenous procurement

Compared to the broader economy, Supply Nation's corporate members are over-represented in several sectors including health and social assistance, admin and support services, education, and utilities. In contrast, a number of industry sectors are under-represented amongst the corporate members

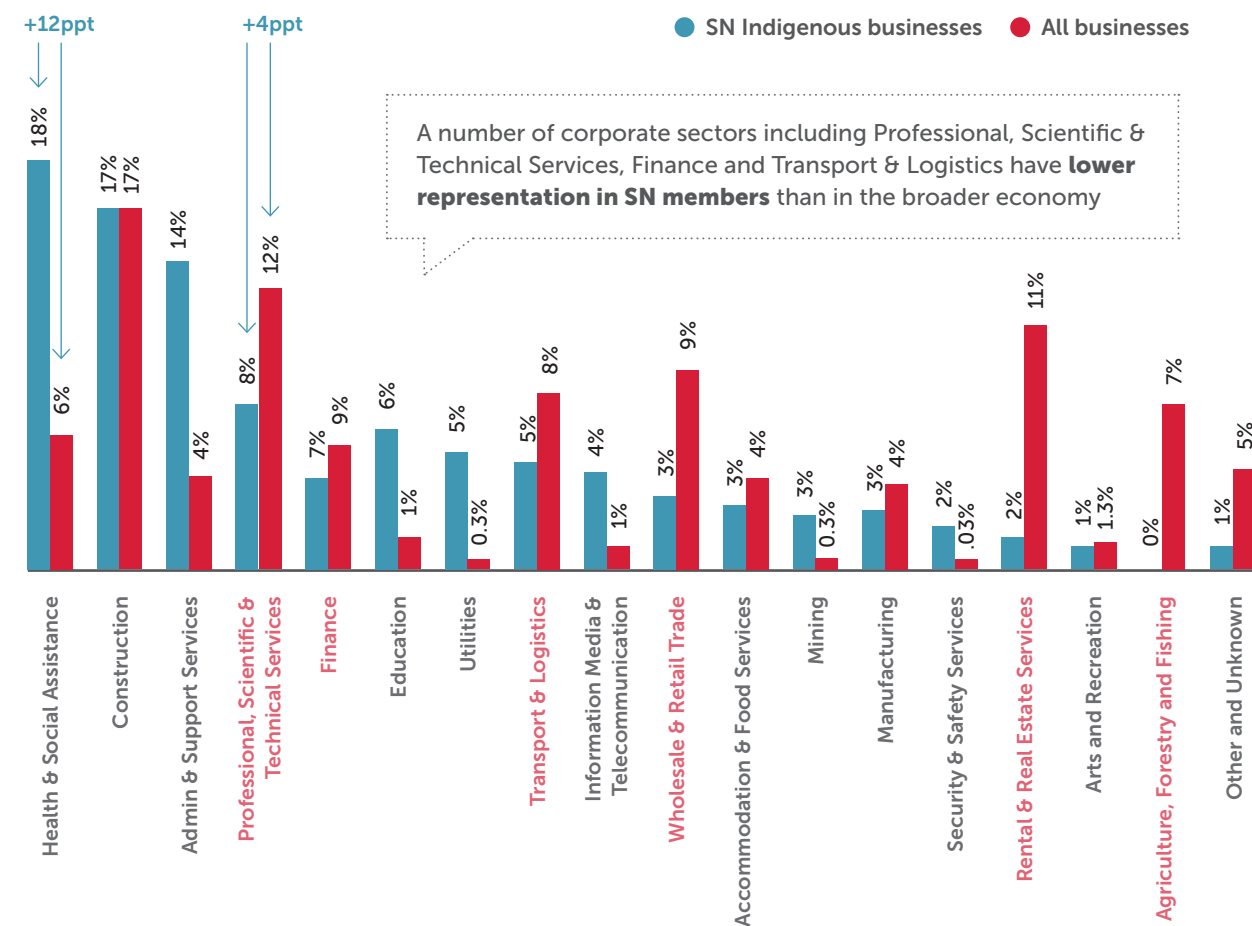
using Supply Nation to help with their Indigenous procurement. For example, professional, scientific and technical services, finance, and transport and logistics, are all under-represented in Supply Nation's membership relative to their presence in the broader economy.

EXHIBIT 9

Compared to the broader economy, Supply Nation members are over-represented in several sectors including health & social assistance and admin & support services, and under-represented in various others

Distribution of Supply Nation member firms across sectors versus the broader economy

Share of businesses, %, 2019



Source: AlphaBeta, ABS, Supply Nation
*Figures have been rounded to nearest %

2.3 Mining, admin & support services, and construction appear to have higher levels of Indigenous procurement than other sectors

In 2019, almost two-thirds of the spend on Indigenous procurement reported by Supply Nation members is from corporates, with the rest coming from government. Amongst the reported corporate spend, more than 80% comes from two sectors: the mining sector and the construction

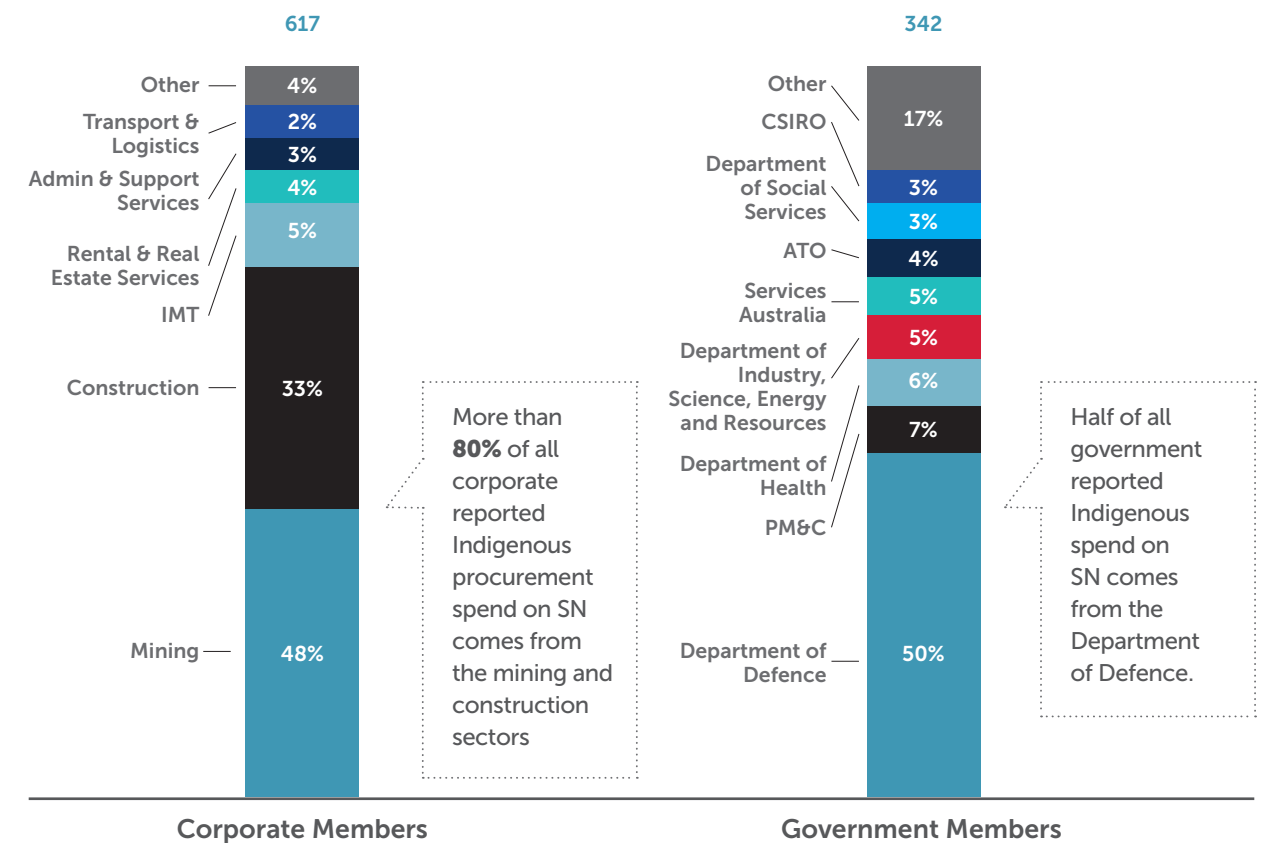
sector. Of the government procurement spend reported with Supply Nation suppliers, half came from the Department of Defence. Overall, mining, construction and the Department of Defence dominate the reported spend from Supply Nation members.

EXHIBIT 10

Mining, construction and the Department of Defence dominate Indigenous procurement spending by Supply Nation members

Source of corporate and government reported Indigenous procurement spend on Supply Nation Suppliers

Members reported Indigenous procurement spend, \$m, 2019



Note: IMT stands for Information Media & Telecommunication. Source: Supply Nation, AlphaBeta analysis

Of course, this observed distribution of spending reflects both the mix of corporate members of Supply Nation, as well as patterns of relative Indigenous procurement spend by different sectors. To understand the relative spend on Indigenous procurement we need to take reported spend, consider the relative extent to which corporate sectors are represented in Supply Nation's membership, estimate spend on non-Supply Nation suppliers, and consider against the total procurement these sectors have economy wide. Doing this allows us to estimate the relative Indigenous business share of procurement spend, for different corporate sectors.

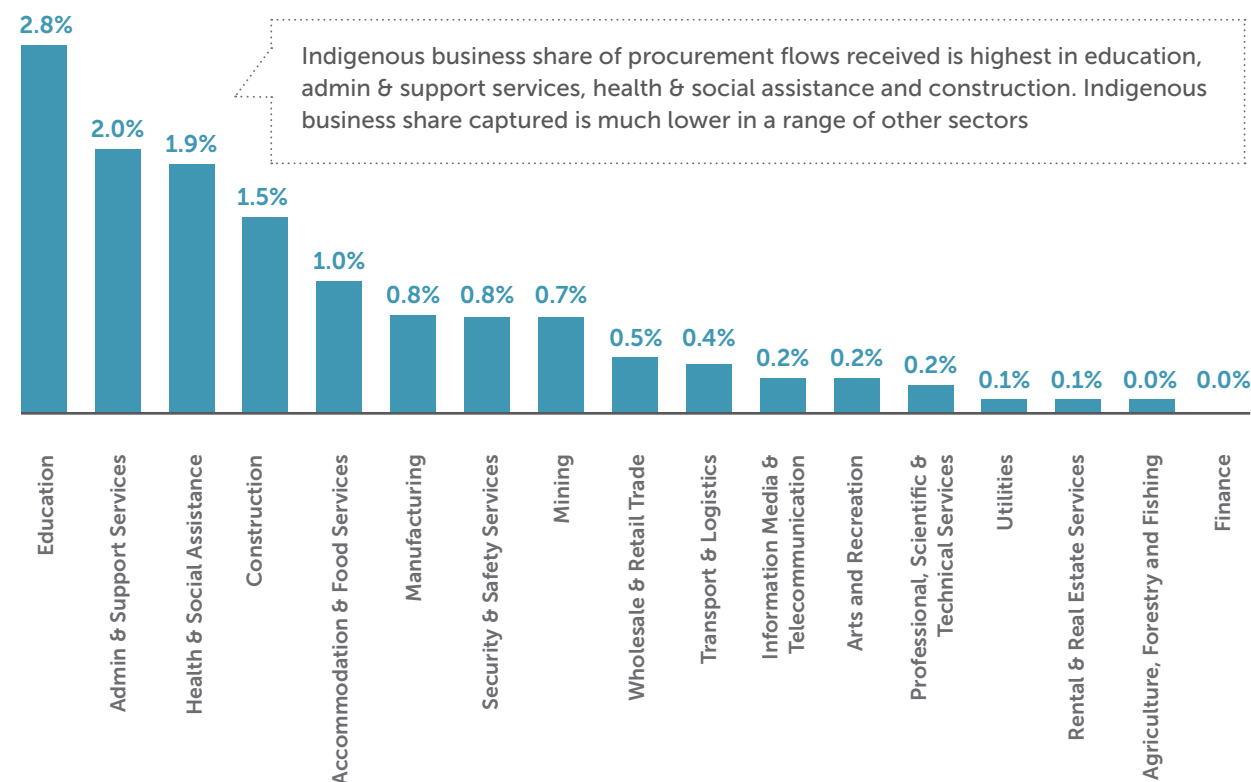
When we do this, we find that the admin and support services, mining and construction sectors are estimated to have higher level of Indigenous procurement spend compared to other corporate sectors in the economy (2.2%, 2.2% and 1% respectively). In fact, these are the only sectors where Indigenous procurement is estimated to be 1% of procurement spend or more. For the remaining sectors, where an estimate was possible, all have an estimated Indigenous share of procurement spend of 0.5% or below.

EXHIBIT 11

The mining, admin & support services and construction sectors are estimated to have higher level of Indigenous procurement spend compared to other corporate sectors in the economy

Estimated Indigenous business share of total procurement spend received

Share of procurement spend received, %, 2019¹



Note: 1 Indigenous share of sector procurement is calculated by 1) using the reported Indigenous spend by SN members on SN IBs in different sectors, 2) adjusting upwards to account for the fact that SN members only represent a portion of their sector (by using their share of sector revenue), then 3) adjusting upwards to reflect Indigenous procurement from non SN IBs, by using the share of IB revenue outside of SN IBs for each IB sector, then 4) dividing the estimated spend by IB sector by the total procurement from that sector from the ABS Input Output Tables. This method assumes broader procurement levels by sector are similar to those seen in SN reported revenue. The "Other and Unknown" category (1.9%) is excluded for presentational purposes. Source: AlphaBeta, ABS Input Output (IO) Tables, Supply Nation, illion



There are a range of underlying issues preventing Indigenous businesses from securing more procurement opportunities

TABLE 1

Insights from data analysis, research and buyer interviews suggest a range of drivers for the observed themes

1	2	3	4
Several sectors of corporate Australia are lagging behind in procuring from Indigenous businesses	The majority of procurement flows to Indigenous businesses are focused in a few sectors	A range of Indigenous business sectors are receiving a relatively low share of procurement flows	Indigenous business presence is very limited in several sectors
Businesses are at different points in their journey towards increasing supplier diversity	Flows go to sectors where awareness is greatest, and more large, established businesses exist	Lack of awareness of Indigenous businesses in certain sectors	Barriers to entry can be higher for certain sectors
Some businesses have procurement focused in sectors with few Indigenous businesses	Demand in areas where Indigenous expertise or speciality is required	Some sectors lack Indigenous businesses of the size, capability and experience needed by buyers	
Identification and switching to Indigenous businesses can require significant effort/investment	Businesses have made more progress in 'non-core' areas of spending	Lack of access to capacity and capability which limits growth opportunities	
		Trend towards supplier consolidation and risk of displacing incumbent suppliers	
		Issues of perception and bias towards the sector	
		Unclear language & communication and burdensome procurement processes and lack of feedback constrain IB procurement success rates	
		"Black cladding" in joint venture partnerships	

Source: AlphaBeta, ABS, Supply Nation

Four themes emerged from the previous chapter:

- A range of sectors of corporate Australia are lagging behind in Indigenous procurement;
- The majority of procurement spend with Indigenous businesses is focussed in a few sectors;
- A range of Indigenous business sectors are receiving a relatively low share of procurement spend;
- Indigenous business presence is very limited in some sectors.

To identify and explore the underlying issues driving these patterns in Indigenous procurement and constraining Indigenous procurement generally, we conducted a review of existing literature and undertook structured interviews with a range of Supply Nation members.¹ The key themes identified as underpinning each of these observed trends are discussed in the following section.

¹ Interviews were conducted with 15 Supply Nation members. Interviews were typically approximately 45 minutes in duration. Members were drawn from a range of different industry sectors.

3.1 A range of sectors of corporate Australia are lagging in Indigenous procurement

Businesses are at different points in their journey towards increasing supplier diversity

Most corporates are interested in improving Indigenous procurement. However, our interviews suggest that many either do not yet have a strategic plan to lift Indigenous procurement or are in the early stages of executing against a plan.

Many corporates start their diversity journey with a focus on employment and their people, targeting diversity in their workforce. For many, supplier diversity represents a second stage in their efforts, is less advanced, and is often a relatively nascent effort.

Businesses have often only recently provided dedicated internal resources to focus on supplier diversity, and the individuals involved may be mandated with supplier diversity broadly – not just Indigenous procurement – as well as other functions. Without sufficient dedicated resources, identifying target areas to lift Indigenous procurement, identifying potential suppliers, and making the case for change internally, is a challenging, slow process.

The fact that businesses are at different points in their journey towards greater Indigenous procurement also represents an opportunity. In particular, there is an opportunity for corporates to advance their supplier diversity by engaging with Supply Nation to identify Indigenous businesses that can supply the goods or services they need as well as tap in to the expertise of Supply Nation and its global network when developing their internal policies and resources to embed supplier diversity within their organisation.

Some businesses have procurement focussed in sectors with few Indigenous businesses

Indigenous businesses tend to be more involved in certain sectors, such as admin & support services, education, construction, and health, but are severely under-represented in sectors like real estate, retail and wholesale trade, agriculture, finance, and some types of professional, scientific and technical services. This means that corporates with large spend in those under-represented sectors, or that require highly specialised inputs like certain industrial goods, may have little choice but to forego Indigenous procurement. This too presents an opportunity for Indigenous entrepreneurs to identify gaps in the market that an Indigenous-owned business can fill for corporations looking to increase spend.

Identification and switching to Indigenous businesses can require significant effort/investment

For a corporate considering greater Indigenous procurement, identifying Indigenous businesses operating in relevant sectors in the right geographies can be a time-consuming process. This is why Supply Nation's directory of Indigenous businesses is so valuable.

In addition, the majority of Indigenous businesses are SMEs. The process of reviewing and qualifying SMEs to ensure they have relevant capacity and capability, meet risk management thresholds, and can meet the relevant process and compliance requirements, can be considerable. Moreover, once a new SME supplier is brought on by a corporate, those members we interviewed indicated that it can be a more demanding and challenging experience for a firm. The resource and cost investment can also be higher as the corporate needs to provide more assistance and time to develop the business relationship.

These issues are applicable to SMEs generally, not just Indigenous businesses, but given most Indigenous businesses are SMEs they are an important factor influencing the ability to drive greater Indigenous procurement.

Spend is in sectors where awareness is greatest, and more large, established businesses exist

Corporates tend to be more aware of certain types of Indigenous businesses and as a result interact with them and procure their services more frequently. Sectors where there appears to be greater awareness of Indigenous businesses include construction, facilities management, HR services, and various office supplies and services.

In addition, some Indigenous business sectors are more established and feature a greater number of larger businesses. These include areas like construction and facilities management. However, even in these sectors, the number and capacity of established businesses varies. For example, in construction, there appears to be a skew towards businesses in mining support services, regional construction, and civil construction. In contrast there appear to be very few businesses operating in commercial construction.

Demand in areas where Indigenous expertise or speciality is required

There are a range of goods and services that require specific Indigenous expertise and a unique Indigenous perspective. Unsurprisingly, these sectors tend to be strongly represented amongst Indigenous procurement by the business sector. Key examples of these services cited in interviews with Supply Nation members included a range of HR services including diversity strategy development, cultural awareness training, Indigenous talent identification and recruitment, as well as a range of art, design, architectural and place-making services.

The challenge for the sector is to ensure corporations do not limit their view on prospective Indigenous suppliers to only these sectors, thereby constraining opportunities. Further, Indigenous businesses need to identify industry areas where there are gaps that could be filled by new businesses that can capture additional procurement dollars.

Businesses have made more progress in 'non-core' areas of spending

Interviews with Supply Nation members suggest many businesses have had success sourcing Indigenous businesses as suppliers for general office services and supplies, including stationery, catering, and cleaning. These areas are typically seen as easier opportunities to identify and engage Indigenous businesses. However, typically businesses have made less progress identifying and engaging Indigenous businesses in areas of spend core to their business. Lifting Indigenous procurement in these areas requires greater buy-in and effort across the business, and the case to change or add a supplier is more difficult. As a result, businesses have gained less traction in lifting Indigenous procurement for these functions.



3.2 A range of Indigenous business sectors are receiving a relatively low share of procurement spend

Lack of awareness of businesses in certain Indigenous business sectors

As previously highlighted, corporates tend to be more aware of certain types of Indigenous businesses operating in particular business sectors, for example construction, facilities management, HR services, and various office supplies and services.

However, many corporates are not aware of, or have difficulty finding, Indigenous businesses in a range of other sectors they usually buy from. Even when they can identify Indigenous businesses in the relevant sector, these businesses are typically less well known. This presents a challenge to getting these businesses added as suppliers. There is a strong inertia within corporates to procure more from well known and established businesses. Individuals charged with responsibility for increasing supplier diversity find it hard to overcome this inertia within the broader business.

Some Indigenous business sectors lack businesses of the size, capability and experience needed by buyers

Indigenous businesses in some sectors are unable to win contracts because they lack the capacity and capability that buyers require. The volume and consistency required by large contracts can sometimes be overwhelming for small suppliers and most Indigenous businesses tend to be SMEs. Often the available Indigenous business may only be in a position to deliver against a portion of the scope required. Some corporates have met this challenge by trying to practice 'unbundling' of contracts, to provide scopes of work that can be met by smaller Indigenous businesses. However, the extent of this practice varies widely amongst corporates and businesses.

Some contracts can also have highly strict training, safety, process or other accreditation requirements that the available Indigenous businesses are unable to meet. Sometimes Indigenous businesses, due to a lack of scale, come in at a higher price-point compared to bigger established firms. For some buying firms the gap can be too high. However, it is important to note that our interviews with Supply Nation corporate members indicated that this is by no means a consistent issue – often pricing is very comparable.

Lack of access to capacity and capability which limits growth opportunities

Many Indigenous businesses find it difficult to access the necessary skills and resources particularly for larger contracts and as a result are mostly awarded short-term lower valued contracts. The limited access to long-term and higher valued contracts prevents Indigenous businesses from growing, expanding and acquiring new skills, which further aggravates the challenge.

The practice of 'unbundling' contracts to provide scopes of work that can be met by SMEs, including Indigenous businesses, is an important lever for extending opportunity to these businesses and increasing Indigenous procurement. However, unless this practice is married with ongoing effort from corporates at capability building in the Indigenous businesses it works with, then the growth it offers is constrained. A partnership approach that focuses on this sort of development and growth can be very effective, but requires a greater investment from the corporates involved. This has been an effective method of developing minority suppliers in the United States of America where supplier diversity as a concept was founded over 45 years ago.

Trend towards supplier consolidation and risk of displacing incumbent suppliers

For most corporates, a strategic priority for their procurement function is to drive supplier consolidation – targeting fewer, larger suppliers in order to realise cost savings and allow more effective supplier management. In this context, adding new suppliers is challenging. As a result, this represents a barrier for increasing the extent of procurement from Indigenous businesses, as adding new Indigenous suppliers is challenging.

Businesses are also typically reticent to replace incumbent suppliers in the absence of performance issues by those suppliers. Replacing incumbents involves costs and risk. Bringing on a new supplier, particularly a SME, represents risk for the business. Risk aversion also makes it harder to introduce Indigenous suppliers in procurement for 'core' business activities as opposed to general office and supporting services. The latter are seen to represent less risk, whereas adding new suppliers for 'core' business activity is a more challenging proposition.

Perception and bias

Research suggests Indigenous businesses can face racial stigma as well as negative perceptions among some buyers about their levels of capability as suppliers.¹

This creates an environment in which buyers may hold negative stereotypes of Indigenous business. There can be a perception amongst some buyers that Indigenous suppliers are less reliable, more costly, have a sub-standard product / service and are overall more risky to do business with.² As a result, buyers may only consider Indigenous businesses for specific work for example to facilitate Indigenous cultural awareness training.

Unclear language, burdensome government procurement processes and lack of feedback

Education and language barriers in remotely located Indigenous communities can result in difficulties dealing with procurement documents. As a result, dealing with procurement documents with heavy use of formal and legalistic wording can be a challenging experience for some Indigenous businesses.

Research suggests that Indigenous businesses seeking government contracts are often frustrated by the time consuming nature of the process and paperwork involved. Demanding lead times and lack of feedback and guidance on unsuccessful tenders creates a lack of support both before and after the procurement process.³ The same can be true for a range of corporate procurement processes.

These factors act as a constraint on the ability of a range of Indigenous businesses to engage successfully with government and corporate procurement processes.

'Black cladding' in joint venture partnerships

Supply Nation's definition of an Indigenous business (including a joint venture) is at least 50% owned by an Aboriginal or Torres Strait Islands person(s). The Indigenous party in the business should receive equal benefit from the arrangement.

As the Indigenous business sector grows and looks to meet the increased demand in the market through the provision of federal, state and corporate Indigenous procurement policies, joint ventures can represent a challenge for Indigenous businesses seeking to grow their operations without a joint venture partner and procuring businesses seeking to increase their procurement with Indigenous businesses, as they try to understand the nature of the particular arrangements and the Indigenous participation.

Supply Nation considers 'black cladding' the practice of a non-Indigenous business entity or individual taking unfair advantage of an Indigenous business entity or individual for the purpose of gaining access to otherwise inaccessible Indigenous procurement policies or contracts. Unfair advantage involves practices and arrangements that result in the disadvantage or detriment to an Indigenous business, or that do not represent a genuine demonstrated level of equitable partnership and benefit. Supply Nation undertakes checks to ensure that the business arrangement is equitable, and the Indigenous party is protected.

Given these challenges, the verification provided by Supply Nation is highly valued by the business sector.

¹ Department of Industry, Innovation and Science, Supporting Indigenous Business Project, December 2018

² Inside Policy, More than Business Report

³ First Australians Capital, Indigenous Business Growth, September 2019

3.3 Indigenous business presence is very limited in several sectors

Barriers to entry can be higher for certain industry sectors

The barriers to entry are more significant in some sectors, due to a range of different factors. These factors can include the capital intensity of the sector, the quality assurance requirements in the sector, or the market being very congested. These factors limit the ability for SMEs to participate in these sectors. Indigenous businesses are predominantly SMEs, so these factors can also limit participation of Indigenous businesses in these sectors. For example, there are few Indigenous businesses supplying into heavy industrial manufacturing, as the capital requirements are typically significant. Similarly, Indigenous business presence in the food sector is limited, due to capital and quality assurance requirements, and the highly congested nature of that market.

Some sectors also require specialised knowledge and a workforce with specific skills which can be under-developed in the Indigenous community. A key area is industries with businesses that rely on STEM skills and capabilities. Examination of the Indigenous businesses on Supply Nation, for example, shows that there are a limited number of Indigenous businesses in a range of STEM focused subsectors including computer system design & related Services, engineering design & consulting, scientific testing & analysis, and veterinary services.



04

Increasing Indigenous procurement is an \$8bn opportunity that could create 19,000 jobs for Indigenous Australians

4.1 Indigenous businesses are smaller and disproportionately fewer than other businesses in the Australian economy

The size of the Indigenous business sector reflects a significant level of disadvantage and under-representation for Indigenous Australians. Indigenous Australians constitute 3% of the population, but Indigenous businesses make up only 0.5% of all businesses in Australia. In addition, on average these businesses are smaller.

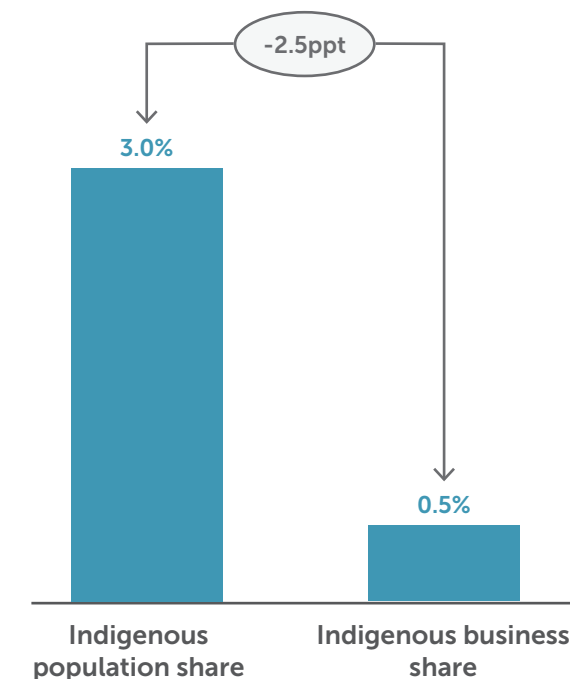
As is the case in the broader economy, the majority of businesses are small and medium businesses (SMEs). On average Indigenous businesses are smaller, with an average revenue of \$0.8 million compared to \$1.5 million for Australian businesses as a whole.

EXHIBIT 14

Indigenous business numbers are substantially below population share, and Indigenous businesses are on average smaller than in the broader economy

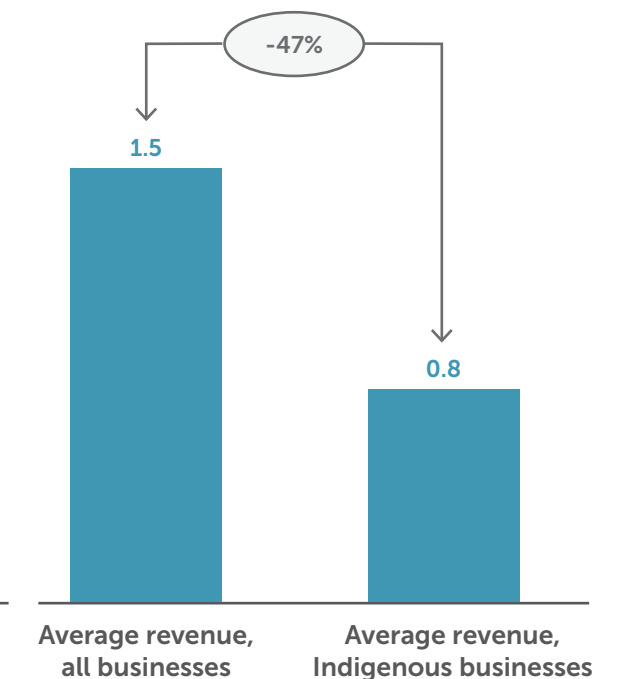
Indigenous population share versus business share

Indigenous Share, %



Average size of all businesses in the broader economy versus Indigenous businesses

Average business revenue, \$m



Source: ABS, Supply Nation data, AlphaBeta analysis

4.2 Improving Indigenous procurement in the corporate sector could almost double Indigenous business revenues, generating an additional \$8bn a year

As outlined earlier in this report, our research suggests there is substantial variation between corporate sectors in the level of Indigenous procurement being achieved. Based on the spend reported, only three sectors appear to be achieving an Indigenous share of procurement of 1% of more – mining and admin & support services, both at about 2%, and construction at 1%.

All other sectors are estimated to have a much lower Indigenous procurement share.

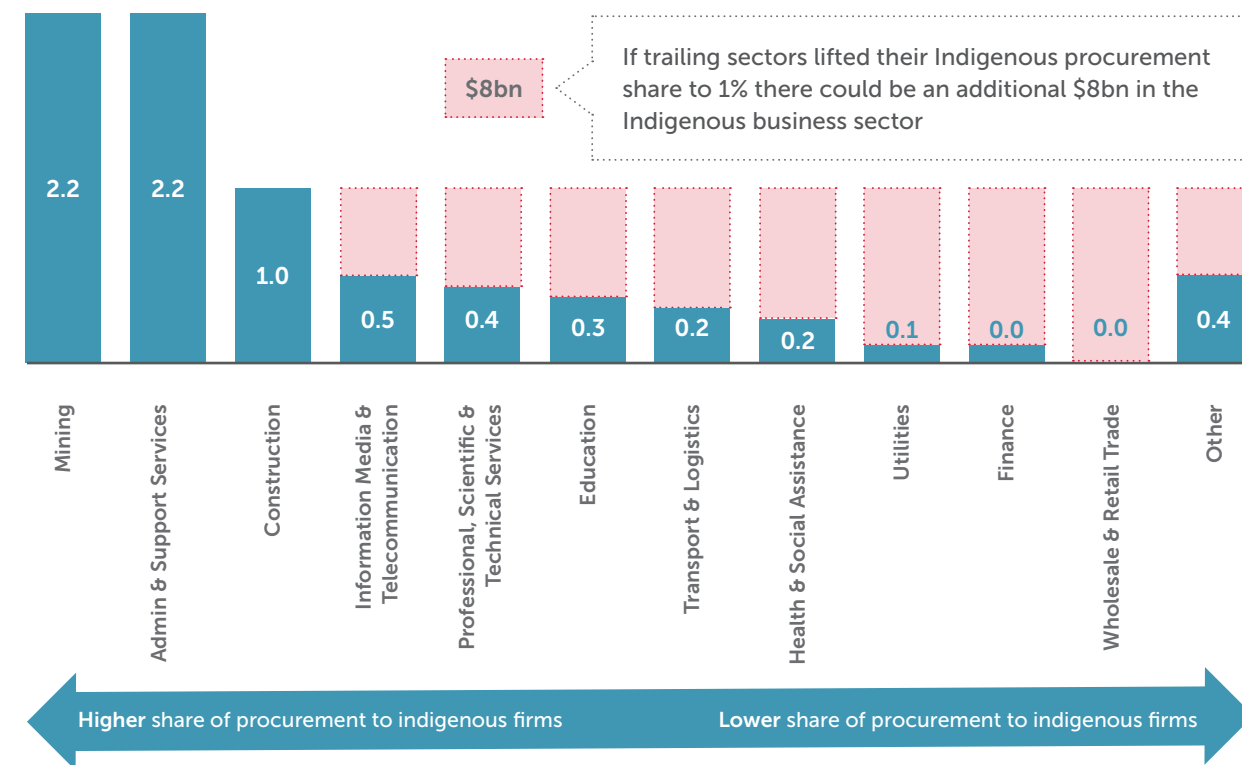
If these sectors with lower levels of Indigenous procurement could achieve 1% Indigenous procurement share, this would translate into an additional procurement opportunity of \$8 billion for the Indigenous business sector.

EXHIBIT 15

Indigenous business numbers are substantially below population share, and are on average smaller than businesses in the broader economy

Share of total procurement directed to Indigenous business

Estimated share of procurement spend, %, 2019



Note: 1 Indigenous procurement share for a sector is calculated by 1) using the reported Indigenous spend by SN members on SN IBs, 2) adjusting upwards to account for the fact that SN members only represent a portion of their sector (by using their share of sector revenue), then 3) adjusting upwards to reflect Indigenous procurement from non SN IBs, by using the share of IB revenue outside of SN IBs, then 4) dividing this by total procurement by that sector from the ABS Input Output Tables. This method assumes broader procurement levels by sector are similar to those seen in SN reported revenue. 2. 'Other' also includes sectors that have very few firms reporting or very low reported Indigenous procurement on Supply Nation. This includes – rental & real estate services; security & safety services; arts & recreation; agriculture, forestry & fishing; manufacturing and accommodation & food services. Source: AlphaBeta, ABS Input Output (IO) Tables, Supply Nation, illion

Achieving this additional procurement opportunity, with lagging sectors lifting their level of Indigenous procurement to 1% of spend, would result in a very substantial increase in the total size of the Indigenous business sector.

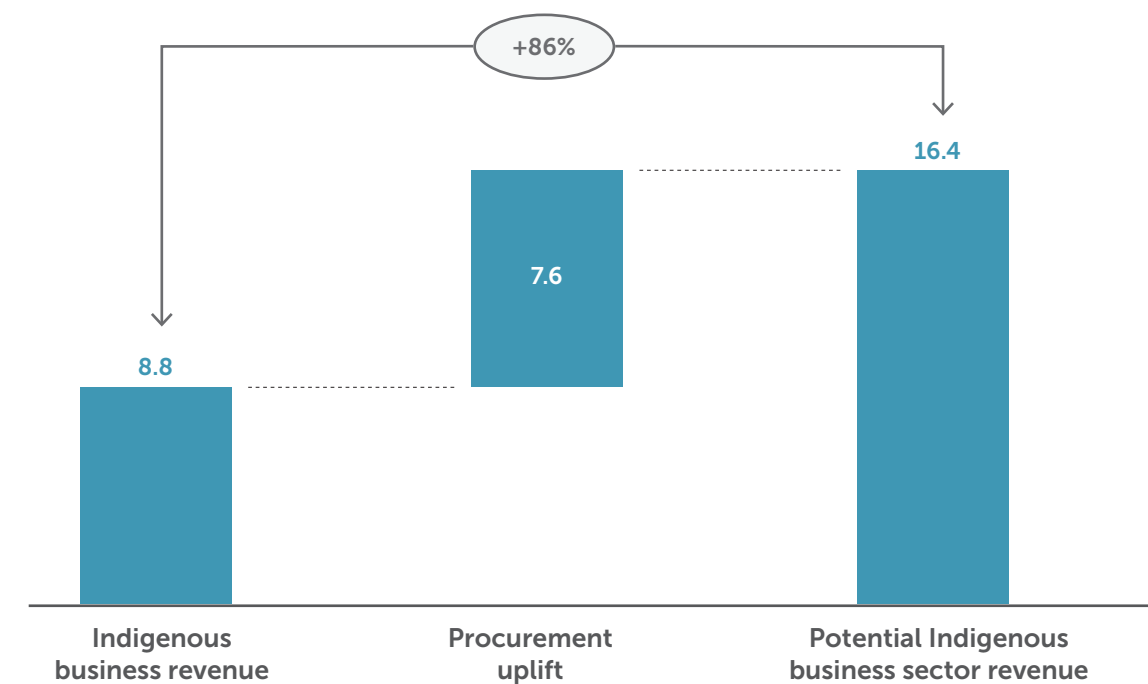
Indigenous businesses are currently estimated to generate \$8.8 billion in revenue most of which is revenue from procurement.

This \$8 billion procurement opportunity would represent about a 90% increase in the size of the Indigenous business sector, bringing the size of the sector to more than \$16 billion.

EXHIBIT 16

Increase in revenue for the Indigenous business sector from procurement opportunity

Indigenous business sector revenue, \$b



Source: Supply Nation, ABS Census, ABS Input-Output tables, AlphaBeta analysis

4.3



An additional \$8 billion opportunity from greater procurement spend on Indigenous businesses could translate to an estimated 53,000 additional jobs in Indigenous businesses. This represents a substantial opportunity for Indigenous employment, particularly given Indigenous businesses have a much higher ratio of Indigenous employees than other businesses. As previously noted, for Supply Nation Indigenous businesses, 37% of those employed are Indigenous Australians. In the broader economy, only 2% of employees in the average business are Indigenous Australians.

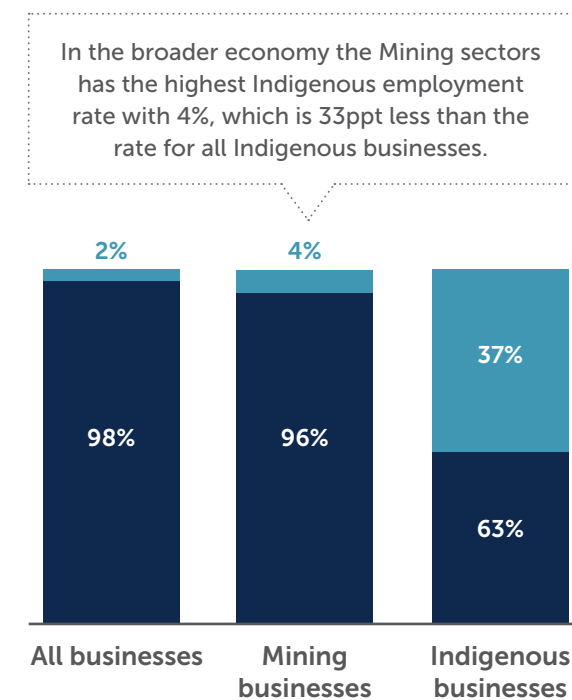
Even in sectors with the highest rates of Indigenous employment, the levels are much lower. For example, in the mining sector, which has the highest Indigenous employment rate, on average, only 4% of employees are Indigenous Australians.

Given the higher level of Indigenous employment in Indigenous businesses, the additional procurement opportunity and new jobs created would result in an additional 19,000 Indigenous Australians being employed.

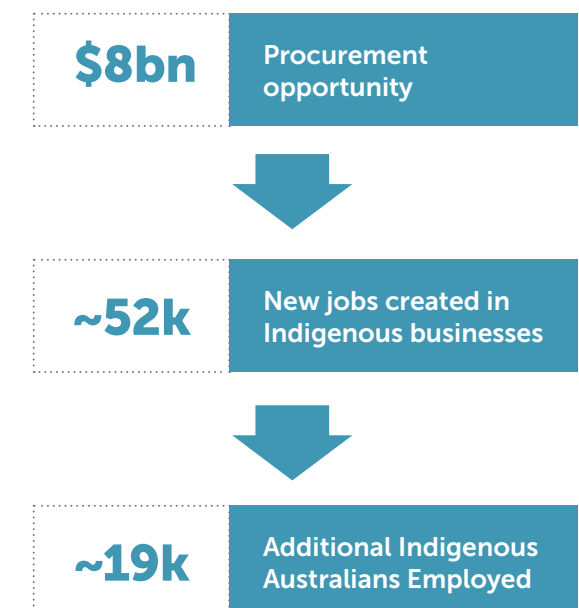
EXHIBIT 17

Share of Indigenous employment for Indigenous businesses¹ versus economy

Share of total employees, %



Jobs created for Indigenous Australians from capturing Indigenous business procurement opportunity



Note: 1. Indigenous employment intensity of businesses on SN used as proxy for all Indigenous businesses
Source: AlphaBeta, SN, ABS



05

Realising the potential opportunity for Indigenous procurement will require responses that lift demand, improve supply capability, and bolster connections

Higher and more widespread procurement targets are helpful but insufficient to realise the opportunity. We require policy responses that lift demand, improve supplier capacity and capability and bolster connections between procurers and Indigenous businesses.

5.1 Policy has already targeted levers to drive demand for Indigenous procurement, improve Indigenous business capacity & capability, and connect procurers with Indigenous businesses.

Government and industry policy has already made strides towards lifting demand for procurement from Indigenous businesses, improving capacity and capability in the Indigenous business community, and making it easier for procuring businesses to connect with relevant Indigenous businesses.

Driving demand for Indigenous procurement

The Australian Government has driven demand for Indigenous goods and services mainly through the Indigenous Procurement Policy (IPP) introduced in 2015. The IPP sets targets for the number and value of Commonwealth contracts to be awarded to Indigenous businesses, as well as mandatory set aside and minimum requirements for low- and high-value contracts respectively.

State governments also have policies in place to drive demand for procurement from Indigenous businesses, and industry bodies have also played an important role in trying to lift demand. The Business Council of Australia collaborated with Supply Nation in 2019 to design and launch the Raising the Bar initiative which requires participating corporates to set a 3% target of annual addressable spend by year 5 of the program which will result in an estimated additional \$3 billion in spend from its corporate members with Indigenous businesses.

Improving supply capacity and capability in the Indigenous business sector

Under the Indigenous Business Sector Strategy (IBSS) the Australian Government has planned a range of measures aimed at developing the Indigenous business sector.¹ For example, one component of the strategy is rolling out Indigenous Business Hubs in major cities that will provide advice and access to support for Indigenous businesses.

A second component of the strategy is developing project-specific support hubs for major infrastructure projects: for example, an Indigenous Business Hub set up in the Western Parkland City as part of the Western Sydney City Deal. A third element of the strategy is providing funding support for Indigenous businesses in different ways, including the Indigenous Entrepreneurs Capital Scheme, and capital support from Indigenous Business Australia.

The Raising the Bar initiative between the Business Council of Australia and Supply Nation also involves activities aimed at developing Indigenous suppliers.

Improving connections between procurers and Indigenous businesses

Under the IBSS the government is also looking to strengthen the networks between procurers and Indigenous businesses. Key levers under the IBSS for improving these networks and connections include funding improvements to Supply Nation's Indigenous Business Direct capability, and funding more networking events like the Meet Commonwealth Buyers events.

Reconciliation Australia, funded by both corporates and the government, also plays an important role in this context. Reconciliation Australia works with corporates to help build relations between them and the Indigenous community and works with corporates to develop Reconciliation Action Plans (RAPs). The development and implementation of these plans have proved an important step on the journey for increasing connections between corporates and the Indigenous business sector and in turn increasing procurement from Indigenous businesses.

Finally, under the IBSS the government is also planning on improving the quality of data collection and evaluation for the Indigenous business sector, which will support all three priorities.

¹ Department of Prime Minister and Cabinet, Indigenous Business Sector Strategy 2018-28

5.2 Seven recommendations that will further boost Indigenous procurement in Australia by improving demand, supply and connections with Indigenous businesses

Priority 1: Increase demand: There is an opportunity to pursue further policies to increase demand for Indigenous business procurement

Recommendation 1.1: Increase awareness of Indigenous business sector strengths and procurement success stories.

The Government should work with industry bodies like Supply Nation to build increased awareness of the Indigenous business sector through improved collection of and greater publication of data on Indigenous businesses, setting and publishing sector benchmarks, and showcasing a diverse range of case studies. Case studies should highlight a range of successful businesses and cover numerous industry sectors and geographies.

Government should continue to support organisations operating across the Indigenous business sector that are able to help businesses early in their Indigenous procurement journey to understand the strategies and sequencing that other firms have pursued with success.

Finally, Supply Nation should continue to expand its efforts to help businesses in sectors with more limited participation in Indigenous procurement to identify the Indigenous businesses operating in their key procurement sectors.

Recommendation 1.2: Work with business sectors to get more widespread targets, and greater Indigenous business sector diversity within targets.

The government should continue to encourage a broader set of corporate sectors to be active in seeking to lift Indigenous procurement and to set targets for Indigenous procurement. It should continue to support the efforts of organisations like the Business Council of Australia, which works directly with corporates to secure commitments for higher levels of Indigenous procurement. Corporates should also be encouraged to develop more diverse targets for Indigenous procurement, that is, to focus on procuring from a range of different Indigenous business sectors, not only from areas of traditional, recognised strength. Government and industry bodies should also

encourage corporates to require their suppliers to meet certain Indigenous procurement targets, driving Tier 2 effects that can deliver a greater total impact for the Indigenous business sector. The government could also work with organisations like the Australian Chamber of Commerce and Industry, that represent small and medium sized businesses, to encourage adoption of Indigenous procurement targets and policies in this part of the business sector.

Recommendation 1.3: Monitor the impact of planned changes to the IPP and consider additional refinements to optimise impact.

Planned changes to the Australian Government's IPP effective from July 2020 will extend its impact to a much wider set of Indigenous business sectors. Currently under the IPP, the Mandatory Minimum Requirement applies to all domestic contracts with a value greater than \$7.5 million, where more than half the contract value relates to one or more of eight industry categories. In July 2020 the list was expanded to cover 19 industries, substantially broadening its impact.

The impact of these changes should be monitored, to assess if further changes are needed subsequently. Further refinements could include revisiting the contract size thresholds or the level of Indigenous business supplier use requirements.

Government procurement policy could also consider additional criteria that could strengthen the impact of spend with Indigenous businesses including adopting a national definition of an Indigenous business as majority owned, controlled and operated as is accepted around the world as best practice. For example, under the Minority Procurement Policy in the United States, it is a requirement that the firms from minority groups be unconditionally owned and substantially controlled by the group. Control requires the group to be either directly or indirectly in charge of strategic policy setting and day-to-day management. This is only one example, but can illustrate the potential to further optimise the impact of government procurement spend on the Indigenous business sector.

In addition to adopting a national definition as described, government could also ensure that relevant questions are included in future Census questionnaires, to enable the development of a clearer picture of the size of the Indigenous business sector. Alternatively, the government could adopt the inclusion of an identifier in the tax system.

Priority 2: Improve supply: There is an opportunity to pursue further policies to improve Indigenous business supply through capacity and capability building

Recommendation 2.1: Capacity and capability building in existing Indigenous business sectors, to foster more businesses of sufficient size and experience to be successful in procurement processes.

State and Australian governments should continue to explore the potential benefits of 'lotted' or disaggregated contracts, where one single large contract is broken down into smaller contracts to enable smaller Indigenous businesses to participate. For example, The Ministry of Housing, Communities and Local Government in the UK has seen the benefits of 'lotted' contracts under their 'IT Modernisation' programme in attracting more SMEs and now considers disaggregating requirements of a contract whenever possible. Government and industry bodies should also encourage corporates to similarly use 'unbundling' of potential contracts to provide scope that can be met by Indigenous businesses, and to invest in partnering with those businesses to build their capacity and capability to deliver greater scopes of work over time.

The government and corporates should also work with the Indigenous business sector to invest in building and supporting business leadership and mentoring programs that can strengthen Indigenous business leadership capability, which is an important enabler of growth in the sector.

Government should also work with industry bodies to encourage corporates to take part in programs like Supply Nation's JumpStart, an online platform developed to provide Indigenous businesses access to skilled volunteers from Supply Nation member organisations to help build skills and capability. Finally, corporates should be encouraged follow the lead of the Federal Government to ensure that any joint ventures used in procuring from the Indigenous sector will also deliver greater capability and capacity for the Indigenous business over the term of the contract or joint venture relationship. Part of Supply Nation's registration criteria for joint ventures addresses this capability transfer requirement.

Recommendation 2.2: Support diversification in the Indigenous business sector, enabling procurers to engage with a broader set of businesses.

Beyond the levers highlighted in recommendation 2.1 above, government policy can have a long-term focus on increasing diversity in the Indigenous business sector. This includes a focus on raising education and workforce participation in areas of relative weakness, including for example STEM. This is undoubtedly a long-term challenge, but it would have important flow on implications for the diversity of the Indigenous business sector.

In addition, government policy should consider how it can support the development of more business-to-consumer (B2C) Indigenous enterprises. The business-to-business (B2B) ecosystem is more restrictive as suppliers usually need to have greater capacity and capability. B2C enterprises will enable more Indigenous entrepreneurs to enter the market and smaller companies to build their capacity progressively.

Priority 3: Improve connections: There is an opportunity to pursue policies to improve connections between procurers and Indigenous businesses

Recommendation 3.1: Greater support for organisations that identify and support Indigenous businesses and successfully connect procurers and Indigenous businesses.

The Indigenous business sector would benefit from expanded funding and support for organisations that identify and support Indigenous businesses and help connect procurers to Indigenous businesses. Increased funding would enable these organisations to:

- Expand their reach and coverage across the Indigenous business sector;

- Continue improving their Indigenous business data quality to better connect Indigenous businesses with procurers;

- Support or create more innovative programs like Supply Nation's JumpStart that provides Indigenous businesses with access to expert professionals to assist them through business challenges;

- Further develop training and resources aimed at helping businesses start and get traction with their Indigenous procurement journey.

The government and corporate sector can also help mitigate against the practise of 'black cladding' in joint ventures by continuing to support Supply Nation and utilising their certification process to verify the true nature of joint venture partnerships.

Recommendation 3.2: Address the procurement process issues that constrain Indigenous business procurement connections.

Federal and state governments should work with organisations operating across the Indigenous business sector, to identify changes to procurement processes to improve their ease and effectiveness for Indigenous businesses. Changes should focus on addressing known areas of concern including unclear or overly formal and legalistic wording and documentation, time consuming burdensome levels of process and paperwork, demand lead times, and a lack of feedback and guidance on unsuccessful tenders. Government should develop and model more streamlined procurement processes that work for Indigenous businesses, and provide recommended approaches to adopt in corporate procurement. International experience suggests this is an important lever. For example, in the UK, both Her Majesty's Revenue and Customs and The Ministry of Housing, Communities and Local Government are taking steps to simplify the procurement process and documentation under their SME action plan, to help make the process easier for minority businesses.



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This report was commissioned by Supply Nation, and produced in collaboration with AlphaBeta Australia (part of Accenture). AlphaBeta specialises in combining advanced analytical techniques and innovative data to generate new insights and fresh perspectives on the challenges facing business and government. The results in this report have been compiled from Supply Nation data, ABS BLADE data, public data and interviews of Supply Nation members. All figures are in AU dollars and refer to the Australian market unless otherwise labelled.



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