



Supply Nation

Standing Committee on Indigenous Affairs

Submission by Supply Nation to the Inquiry into

***Pathways and Participation Opportunities for Indigenous
Australians in Employment and Business***

December 2020

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Introduction

Supply Nation welcomes the opportunity to make a submission to the House Standing Committee on Indigenous Affairs' Inquiry into Pathways and Participation Opportunities for Indigenous Australians in Employment and Business. Supply Nation believes the inquiry creates an opportunity to highlight the central role that Indigenous procurement plays in the creation of pathways and participation opportunities for Aboriginal and Torres Strait Islander people in terms of jobs and Indigenous business.

The focus of our submission is on three of the six Terms of Reference outlined by the Inquiry:

- Identify gaps and opportunities in the workforce and future growth sectors that could result in employment and enterprise options for Indigenous Australians;
- The experience of successful enterprises initiated and owned by Indigenous Australians; and
- The involvement of Government departments and agencies in facilitating business opportunities for Aboriginal and Torres Strait Islander people.

About Supply Nation

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 develop procurement policies that can enable the greater participation of the Indigenous business sector.

More recently, Supply Nation also established an internal research capacity to 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 most respected data base 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 the well-being and self-determination of Aboriginal and Torres Strait Islander people.

Our research is the product of collaboration with a range of university centres, government and independent research agencies on projects of relevance to Indigenous Australians and Indigenous business. The data outlined and used to inform our recommendations in this submission draws primarily on Supply Nation's first research report—***State of Indigenous Business - Driving growth across the Indigenous business sector***

This submission highlights some of the key findings from the report as they relate to three of the Terms of Reference outlined by the Inquiry. We have also provided a copy of the full report which contains details on the data used, summary tables and methodological issues.

The experience of successful enterprises initiated and owned by Indigenous Australians

To be eligible for listing on Supply Nation's directory, a business (referred to as 'Suppliers') must be a minimum 50% owned by Indigenous Australians. Supply Nation has two tiers of businesses listed:

- Certified – Businesses that are majority owned (51% or more), controlled and operated by Indigenous person(s); and
- Registered – Businesses that are a minimum 50% owned by Indigenous person(s)

Supply Nation had over 2,500 Suppliers on its national directory, Indigenous Business Direct (IBD) as of August 2020.

The Suppliers listed on Supply Nation's directory have an estimated total revenue of \$3.9 billion per annum and employ nearly 31,000 people. Importantly, more than a third of the people employed by these businesses are Indigenous Australians. In total Supply Nation Suppliers employ more than 11,000 Indigenous Australians (37% of employees).

It is estimated that Supply Nation Suppliers represent about 20% of all businesses in the Indigenous business sector. However, the businesses that are registered and certified with Supply Nation are larger than those in the broader Indigenous business sector, in terms of average revenue and employment. As a result, they are estimated to represent 44% of revenue and 51% of employment in the Indigenous business sector.

Key findings from the report include:

- The level of Indigenous procurement spend by purchasing organisations through Supply Nation (Members) with Supply Nation registered and certified Suppliers has grown rapidly over time, with the estimated total spend between 2015-2019 at \$3.4 billion, growing from a base of \$31m in 2015;
- Increasing procurement spend has helped drive strong growth for Indigenous businesses across the country, with Supply Nation Suppliers having grown over four times faster than the overall economy;
- Supply Nation Suppliers have been able to grow at a much faster rate compared to the broader economy. Between 2011-2017 these businesses grew at 13% p.a. compared to business growth of 3% p.a. for the economy as a whole. Moreover, they 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.;
- Procurement from Supply Nation Members has contributed significantly to the success of Indigenous businesses on Indigenous Business Direct. We estimate 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;
- A substantial portion of the growth in revenue for Supply Nation Suppliers has come from procurement via our members. Between 2015-2019, the revenue of Supply Nation Suppliers increased by an estimated \$2.2 billion. The increase in total procurement from Supply Nation members over this period is estimated to be about \$1.6 billion, representing 71% of the total increase in revenue for these Indigenous businesses.

Gaps and opportunities in the workforce and future growth sectors that could result in employment and enterprise options for Indigenous Australians

Our report identified several gaps and opportunities with respect to the Indigenous business sector, which are summarised below.

Gaps

The gaps can be grouped under four key themes:

1. A range of sectors of corporate Australia are lagging behind in Indigenous procurement

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

Most corporates are interested in improving Indigenous procurement, however, 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, and is relatively less advanced. 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 focused 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 also 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 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.

2. The majority of procurement spend with Indigenous businesses is focussed in a few sectors

Flows go to sectors where awareness is greatest, and larger 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 include HR services such as 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

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

Lack of awareness of Indigenous businesses in certain sectors

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 sectors lack Indigenous 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.

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.

Issues of perception and bias towards the sector

Research suggests Indigenous businesses can face racial stigma as well as a negative perception among some buyers about their levels of capability as suppliers. This creates an environment in which buyers often don't trust the ability of Indigenous suppliers, and the cultural biases they face creates a roadblock of low expectations. As a consequence, many buyers either avoid working with Indigenous businesses, or alternatively consider them only for Indigenous-specific work for example to facilitate cultural awareness training or to decorate spaces with Indigenous art.

Unclear language & communication and burdensome procurement processes and lack of feedback constrain Indigenous business procurement success rates

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. 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

Sometimes larger non-Indigenous businesses will partner with Indigenous businesses through joint venture arrangements to access procurement opportunities and contracts aimed at supporting the Indigenous business sector. This presents an opportunity for the Indigenous business to increase scale quickly and take on larger and more complex contracts. Whilst this is a legitimate business practice, it has been identified as an area of potential abuse, and strict and ongoing registration, audit and compliance tests must be met for registration with Supply Nation.

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 certification and verification provided by Supply Nation is highly valued by the business sector.

4. Indigenous business presence is very limited in some sectors

Indigenous business presence is very limited in several sectors

Some sectors also require specialised knowledge and a workforce with specific skills which can be underdeveloped 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 no Indigenous businesses in a range of STEM focused sub-sectors including computer system design & related services, engineering design & consulting, scientific testing & analysis, and veterinary services.

Barriers to entry can be higher for certain 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.

Opportunities

A key insight of our report is that if the 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. 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.

This \$8 billion opportunity from greater procurement spend on Indigenous businesses would 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. 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.

The involvement of Government departments and agencies in facilitating business opportunities for Indigenous Australians

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.

Several 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 for Indigenous businesses.

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 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 Government has planned a range of measures aimed at developing the Indigenous Business sector. 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.

In addition to the efforts outlined above, our Report identified seven recommendations that will further boost Indigenous procurement in Australia by improving demand, supply and connections with Indigenous businesses

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 show casing 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 like Supply Nation, Indigenous Business Australia, Indigenous Chambers of Commerce and others such as First Australians Capital 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.

Supply Nation will 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 can 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**

The changes to the Federal 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. From 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.

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 Federal Government 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 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, 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.

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 like Supply Nation, research experts, and the Indigenous business sector itself, 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.

Conclusion

The report that this submission draws upon shows the important role that Indigenous procurement, facilitated by Supply Nation, has played in driving the growth of Indigenous businesses. A key insight from the report is 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 (almost 40% among Supply Nation businesses) 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 business 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.

We urge the Committee to ensure that Indigenous procurement continues to play a central and driving role in the creation of pathways and participation opportunities for Indigenous Australians in terms of jobs and Indigenous business.

For further information contact:

Dr Gianni Zappalà
Head of Research, Supply Nation
gianni.zappala@supplynation.org.au
0411 247 964