



MESSAGE STICK

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**SUBMISSION TO THE HOUSE OF REPS
STANDING COMMITTEE ON ABORIGINAL AND
TORRES STRAIT ISLANDER AFFAIRS**

**INQUIRY INTO DEVELOPING INDIGENOUS
ENTERPRISES**

Prepared by the Principals of Message Stick Group

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JULY 2008

[This document is Message Stick Group's submission to the Inquiry and focuses on the specific term of reference which relates to the feasibility of adapting the US minority business/development council model to the Australian context]

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EXECUTIVE SUMMARY

This submission supports the “feasibility of adapting the US minority/development council model to the Australian context”. It argues for the introduction of a proven “Supplier Diversity” model which aims to enhance Indigenous Australia’s capacity to break free from welfare dependency and begin to create economic independence for Indigenous Australians.

The strategy to introduce this model is offered as only one part of the solution to ending welfare dependency and does not purport to be an all encompassing panacea or “silver bullet”. Neither does this strategy profess to create significant short term gains. This is a strategy that needs careful nurturing over the short term to create significant benefits to all stakeholders over the medium to long term.

The strategy is based upon, and leverages off, successful models employed in the United States, Canada and the United Kingdom. The principal national Supplier Diversity peak bodies of each of these three countries fully endorse and support this Australian proposal.

The premise behind this submission is that Indigenous Australians seek to reduce dependency upon welfare and are prepared to work towards attaining economic independence from government (at all three levels) and the wider community. Supporting this premise is the existence of a high level of goodwill in the senior ranks of Australia’s corporate sector, government, public service and politicians.

Corporate Australia is prepared to procure from Indigenous businesses as long as these businesses can provide the product or service on time, professionally and cost competitively. In other words, there should be no compromise on normal procurement practices when dealing with Indigenous & minority businesses.

This project involves Indigenous business people seeking an opportunity to engage in the wider Australian economy by conducting business with corporate Australia and government procurement agencies.

The introduction of the Supplier Diversity model in Australia could work as follows:

A not-for-profit Australian incorporated company could be established - to be named the Australian Indigenous Minority Supplier Council (AIMSC) – along similar lines to the US, Canadian and UK organisations.

AIMSC would be the conduit between corporate Australia and Indigenous & minority businesses.

Indigenous businesses would aim to become accredited with the AIMSC program and, in so doing; they are exposed to various learning & development programs to make them ‘business ready’ – how to prepare accounts, presentation skills, business planning, mentoring and the like.

Corporates wishing to procure from Indigenous & minority businesses would become members of AIMSC.

Once the Indigenous & minority businesses are 'certified' as being AIMSC approved, corporate members of AIMSC can choose (in their total discretion) whether to procure from these businesses. In so doing, however, the corporates can take some comfort that they are dealing with professionally run 'AIMSC accredited' businesses.

This submission proposes to establish AIMSC as a three-year pilot project which will provide significant learnings and outcomes for corporate Australia, government and Indigenous business owners. The outcomes are expected to provide enough momentum and incentive for the pilot project to develop into an Australia-wide full-scale operating model.

This proposal involves the creation of modest infrastructure to manage the three year pilot project. Infrastructure required is an independent, ASIC registered, not-for-profit public company, a Board of Directors and a small management team (three persons) to manage the three year pilot project as per a clear and prudent Business Plan. The specific objectives of AIMSC are set out in this submission.

The three year pilot project would initially be established to involve five to ten large corporates, three levels of government and ten Indigenous business enterprises (IBEs). Initial planning would aim to create business to business transactions between these ten IBEs and the corporate/government members of \$1m in year one, \$8.5m in year two and \$17m in year three.

Funding for the 3 year pilot project is proposed to be a blend of public and private sector funds (approximately \$600,000 of private sector funds will have been spent by the end of September 2008). This proposal envisages that AIMSC and the Supplier Diversity model do not require any public funds after the initial three years as AIMSC becomes a corporate member funded body which pursues the objectives set out in its constitution.

This submission proposes Federal Government support, via FaHCSIA, as per the following:

1. Funding of the three year pilot project: \$2.97m [budgeted \$2.7m plus 10% contingency] which equates to \$1m per annum for three years. This includes funds to conduct a formal independent evaluation plan the longer term strategy.
2. Federal Government to provide two agencies to join the AIMSC program as corporate members. The Australian Taxation Office and Department of Defence would be ideal participants. Note that as with all corporate AIMSC members, these agencies are not obligated to procure products or services from the participating IBEs other than use best efforts.
3. Federal Government to formally acknowledge and welcome the delegation of VIPs and corporate executives from the US Supplier Diversity Program who will be visiting Australia to share their experiences and who will be in Canberra on 18th September 2008.
4. During the lead up to the US delegation visit in September, Federal Government to assist AIMSC in securing the support of a small number of Australian corporates that will be founding members of AIMSC during the initial 3 year pilot.

BACKGROUND

Indigenous Australian's economic independence without continual reliance upon Government welfare is a goal shared by all.

Outside of subsidised employment related schemes (CDEP, Corporate Leaders etc), there are no coherent or sustainable policies or strategies to support and promote the engagement of Indigenous people or organisations with the Australian economy or the global economy. This is despite the fact that economic engagement will be the only way to end Indigenous dependence upon social welfare – a goal that is shared by Indigenous Australians and Federal Government (socially inequitable, costing circa \$3b and drains the economy).

Examples of minority business engagement initiatives have proven successful in a number of western countries over the past few decades. These initiatives aim to break down poverty and social and economic marginalisation through wealth creation in the minority communities. Australia has not yet attempted to trial such strategies – termed Supplier Diversity strategies. These strategies facilitate a formal and sustainable business connection between corporations and minority owned businesses – outside of Government programs.

In 2008, the new Federal Government are preparing an Indigenous Economic Development Strategy. This Supplier Diversity strategy submission is not intended to be a comprehensive all encompassing strategy. It is however, intended to be clear and concise actionable strategy - in the area of sustainable economic engagement of Indigenous Australia.

Indigenous Australia has seen how these strategies can assist business development in the Canadian Aboriginal and Native American communities – and seeks to begin a trial in Australia. Peak bodies from the U.S., U.K. and Canada have agreed to endorse, support and participate in a three year pilot in Australia.

This submission does not seek to compete for shorter term, more urgent priorities in the broader area of Indigenous affairs e.g. housing, health, education and the overall life expectancy gap. This submission does propose to set aside modest resources towards sowing the seeds of the beginnings of Indigenous economic independence, via Supplier Diversity, over the longer term.

WHY SUPPLIER DIVERSITY CAN WORK IN AUSTRALIA

From our research into the established Supplier Models overseas, it is clear the socio-political environmental conditions that are necessary for such a model to prosper are certainly present in Australia.

Those conditions are:

- a. There is a visible marginalised minority in Australia. This minority is both economically and socially marginalised.
- b. The political elite, corporate elite and academic elite of Australia generally and genuinely care about the plight of Indigenous Australians. This care does translate to a need and desire to act.
- c. The marginalised community themselves have a real desire to break free from welfare dependency and general “passive welfare”. This desire was brought to the debate some years ago.
- d. Specifically, Australia’s corporate elite have a history of goodwill towards Indigenous Australia. This goodwill is possibly as vibrant today as it has ever been. The Federal Government apology to the stolen generations has assisted in this. Corporates are therefore looking for sustainable programs to participate in.
- e. There is a very strong and stable corporate sector in Australia. This Australian sector includes some one hundred American corporates who have first-hand experience of the Supplier Diversity model in the U.S. Some of these corporates have gone on to support the model in Canada and the U.K. Some of these corporates are committed to seeing the successful introduction of this model into Australia.

SUMMARY OF AIMSC

This submission proposes to approach the management of the introduction of the Supplier Diversity model into Australia via a three year pilot project. The proposed infrastructure of the project has been designed with the knowledge and input of overseas knowledge and intellectual property. Management and executives from Supplier Diversity peak bodies in the U.S., Canada and the U.K. have kindly contributed towards the development of this “Australian” project.

The Australian Indigenous Minority Supplier Council (AIMSC) would be a not-for-profit public company registered with ASIC and therefore administered under the Corporations Act of Australia.

AIMSC would have a purpose designed constitution which outlines the way AIMSC will operate as a legal entity. Freehills have kindly offered to draft this constitution on a pro bono basis. A draft of this document is attached as an Attachment.

The Board would direct the activities of a small management team of employees whom will manage the day to day activities of AIMSC. The Board would appoint a Chief Executive Officer of AIMSC – possibly on a three year contract.

The Board would agree a three year Business Plan with the CEO and would delegate appropriate authority to the CEO.

The short term aims of the Board would be to oversee a successful three year pilot project. The longer term task of the Board would be to plan for the continuation of AIMSC beyond the three year project.

For the avoidance of doubt, no member of the Message Stick Group would be playing an official role on the Board of AIMSC or the management team of AIMSC.

INTERNATIONAL EXPERIENCE OF SUPPLIER DIVERSITY

Supplier Diversity models have been used in various countries overseas (most notably the US, UK and Canada) essentially to provide support for economically and/or socially marginalised minority communities within the country.

The United States of America

The peak independent body who administers the Supplier Diversity model in the US is the National Minority Supplier Development Council (NMSDC) – www.nmsdcus.org

The NMSDC grew out of an effort that started in 1968 when three Chicago organizations came together to introduce that city's first minority business opportunity showcase—The Suppliers Opportunity Fair. They were the Chicago Association of Commerce and Industry, Chicago Economic Development Corporation (CEDC), and the Chicago Urban League.

The one-day event was so successful that 1969 saw its incorporation as the Chicago Business Opportunity Fair, with fourteen guarantor companies becoming the Fair's sustaining force and the Chicago Cosmopolitan Chamber of Commerce becoming its fourth sponsor. That year, the Fair attracted 600 representatives of minority-owned businesses who met with 200 representatives of large Chicago firms.

Inspired by the obvious success of Chicago's initiative on behalf of the minority business community, a number of other cities began prototype programs. At the same time, the U.S. Department of Commerce, Office of Minority Business Enterprise, with local offices in a number of cities, was seeking ways to beef up its program to promote minority business development in the private sector.

Recognizing the need for a national organization to coordinate, nurture and give momentum to this minority business development activity, a group of Chicago companies, led by Robert Stuart, chairman of National Can Corporation, in 1972 organized the National Minority Purchasing Council which was incorporated the following year. Later the name was changed to National Minority Supplier Development Council (NMSDC).

The NMSDC recently celebrated its 35th anniversary. Its first year of operations produced more than US\$100million in purchases for major corporations with minority owned businesses. Some 35 years later, in 2006, U.S. firms who were members of NMSDC, purchased in excess of US\$100billion worth of goods and services from some 15000 minority owned firms accredited with NMSDC.

The NMSDC has been led by a remarkable leader named Ms Harriet Michel – see bio attached at Attachment A. Ms Michel has agreed to direct the attention of her organisations International efforts towards the Australian project. Ms Michel is leading a delegation of US corporate executives to Australia in September 2008.

Canada

The peak independent body who administers the Supplier Diversity model in Canada is the Canadian Aboriginal Minority Supplier Council (CAMSC) – www.camsc.ca

Canada's Supplier Diversity program was launched in 2003 with a 20 month incubation period. Assistance during this period came from a group of Canadian and American corporations. In October 2004, CAMSC become officially registered. CAMSC and the NMSDC use an identical certification process and are almost identical in the way they operate.

CAMSC operates as a private sector-led, non profit membership organization governed by a board of Directors; composed of major multinational corporations operating in Canada. The organization aims to boost economic development efforts and employment.

CAMSC now has over 50 corporate members – including most of America's and Canada's major global brands.

CAMSC's founder is Mr Orrin Benn. Mr Benn has contributed to the development of the Australian initiative over the past two years.

United Kingdom

The peak independent body who administers the Supplier Diversity model in the UK is Minority Supplier Development UK (MSDUK) – www.msduk.org.uk

In 2004 NMSDC supported a Supplier Diversity pilot program in the East Midlands of England. In 2006 MSDUK became registered. Using the same modus operand as NMSDC, MSDUK works with minorities that are black, Chinese, Asian-Indian, and Pakistani-Bangladeshi, to promote business between minorities and major corporations.

In just two years MSDUK has grown to some 40 corporate members and have over 500 minority suppliers in their database.

Mr Mayank Shah is the founder of MSDUK. Mr Shah supports the Australian project and has been providing insights, advice and IP to assist in the development of Supplier Diversity in Australia.

BENEFITS TO INDIGENOUS AUSTRALIANS

The benefits of a vibrant Supplier Diversity model in Australia to Indigenous Australians are:

- a. The model creates nurtures and promotes economic participation in its most valuable form – asset ownership and wealth creation.
- b. The model creates, nurtures and promotes individual responsibility and accountability.
- c. The model creates an enduring institution which is designed specifically for the enhancement of Indigenous economic independence and is independent of Government funding.
- d. The model will create and develop new Indigenous role models. These will be role models who will be emphasising the benefits and need for proper education and lifestyles for Indigenous youth. Indigenous Australians have many fantastic role models in art, dance, music, sport, politics, community service and academia. There are very few entrepreneurial role models.
- e. The model will attract private sector investment of finance and skills into Indigenous owned businesses – completely separate from government assistance. This is critical to achieving long term sustainable change.
- f. The model facilitates a direct skills transfer from generic corporate business to Indigenous business owners.
- g. Indigenous business owners typically have a strong desire to employ Indigenous people. Growth in Indigenous businesses therefore translates directly to employment opportunities for Indigenous people.
- h. The model creates a real imperative for Indigenous business owners/leaders to ensure their youth – their future employees and stakeholders – make healthy lifestyle choices and value secondary and tertiary education.
- i. The first stage of applying Supplier Diversity in Australia transformed a welfare dependent into a significant taxpayer. That taxpayer is now completely independent of any Government departmental programs or funding, has recently turned down an offer for Indigenous housing grants and is in the process of purchasing a house.
- j. The model has the capacity to achieve economic independence for many Indigenous Australians throughout Australia.

AIMSC PROPOSED FOUNDING MEMBERS

US Corporates

Citi

GlaxoSmithKline

Motorola

IBM

Cisco

Dell

Australian Corporates

Telstra

NAB

Qantas

Leightons

Rio Tinto

Australia Post

Australian Government

Local: Sydney City Council

State: NSW Government – Lead Agency NSW DSRD. Members = Dept of Commerce, NSW Health.

Federal: Lead Agency FaHCSIA. Members = Australian Tax Office, Department of Defence

Affiliates:

National Minority Supplier Development Council – United States

Canadian Aboriginal Minority Supplier Council – Canada

Minority Supplier Development UK – United Kingdom

Australia-Israel Chamber of Commerce

AIMSC – PROPOSED TIMELINE: 2008 - 2011

- July 2008: Complete AIMSC documentation and submit Funding proposal.
- July 2008: Finalise list of 10 Indigenous Businesses to participate in the pilot.
- Aug 2008: Finalise founding members of AIMSC. Confirm Directors.
- Sept 2008: U.S. Delegation in Sydney/Canberra – Pilot Launch. First AIMSC Board Meeting.
- Oct 2008: NMSDC Annual Convention – Las Vegas.
- Feb 2009: AIMSC Management Team begins operations in Sydney.
- Sept 2009: AIMSC Annual Trade Fair followed by - Formal Review and Assessment of Pilot progress.
- Oct 2009: NMSDC Annual Convention – tba.
- Sept 2010: AIMSC Annual Trade Fair followed by - Formal Review and assessment of Pilot progress.
- Oct 2010: NMSDC Annual Convention – tba.
- Sept 2011: AIMSC Annual Trade Fair followed by - Formal Review and assessment of Pilot progress.
- Oct 2011: NMSDC Annual Convention – tba. In conjunction with NMSDC and other affiliates, formal agreement on path forward for Supplier Diversity in Australia.

AIMSC – PROPOSED THREE YEAR PILOT SUMMARY

AIMSC Mission:

- Providing a direct link between corporate Australia and Indigenous-owned businesses.

AIMSC Objectives:

- To facilitate the integration of Indigenous businesses into the supply chain of private sector corporations and Government institutions.
- To advocate on behalf of the Indigenous business community; fostering partnerships, exchanging information, conducting research and leading the integration of Indigenous business into the Australian economy.

Definition of Indigenous Business Enterprise (IBE)

- Majority of IBE equity – 51% or more – owned by Indigenous Australians.
- IBE is effectively managed and controlled by Indigenous management.

Objectives of Three Year Pilot

- Demonstrate the positive impact that Supplier Diversity strategies have on the IBE's in the pilot i.e.
 - revenue and profitability growth,
 - employment growth
 - strengthening of “going concern” status,
 - growth in value / valuation.
- Demonstrate the positive impact that Supplier Diversity strategies have on the people within the IBE's i.e.
 - Experience levels of senior IBE management
 - Scope for IBE entrepreneurs to be role models for Indigenous Australians
- Demonstrate the increase in diversity of the AIMSC members supply chain stakeholders i.e.
 - more inclusive of the Australian Indigenous community,
 - more representative of the population of Australia.
- Demonstrate growth in AIMSC member purchases from IBE's: [based on 17 members]
 - 2009 \$1m
 - 2010 \$8.5m [being average each member purchasing \$0.5m from IBE's]
 - 2011 \$17m [average 17 members purchasing \$1m from IBE's]

MESSAGE STICK GROUP

Message Stick is an Indigenous business which has the following Objectives:

- To remain financially independent by producing sustainable and distributable profits for shareholders – without the need for any grants, subsidies, or other “socially based” concessions whatsoever.
- To promote understanding and awareness of the Indigenous community in Australia within the non-Indigenous business community.
- To contribute to the process of Reconciliation by providing a working example, in the business environment, of how positive relationships between Indigenous and non-Indigenous Australian’s can thrive and produce meaningful outcomes.
- To support and develop successful Indigenous business executives as role models for the Indigenous community – particularly for the youth within the community.

The Vision of the Message Stick Group is:

- That the first three decades of the 21st century are seen as the period in which economic participation and economic independence for the Australian Indigenous community was substantially achieved.
- That the achievements of economic participation and independence was the result of a planned and co-ordinated effort on behalf of the Indigenous communities themselves, the non-Indigenous business community and our State and Federal Governments.

Message Stick Communications was registered as a private limited company in 2004. At the time of writing, the annual turnover of the business is approximately \$3m. The business has no debt and is highly profitable. The company has two Indigenous Directors and shareholders and one non-Indigenous Director and shareholder. No Government funds or grants have been accepted by the Message Stick Group.

The principal founder, Michael McLeod is a member of the stolen generation and a recovering alcoholic and heroin addict.

Message Stick directed its business and brand at major corporates and Government agencies – aiming to test whether big business would give Indigenous owned and managed businesses an opportunity to engage on a business to business level. This test has produced good results. Message Stick’s customer list is attached to this submission.

ATTACHMENT A

**HARRIET MICHEL HONORED AS ONE OF
MOST POWERFUL WOMEN IN BUSINESS**

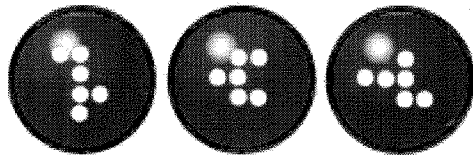
Harriet R. Michel, president of the National Minority Supplier Development Council, was honored as one of the 50 Most Powerful Women in Business, during an awards luncheon sponsored by *Black Enterprise* magazine in Phoenix, Arizona, on February 3. Gayle King, editor-at-large of *O, the Oprah magazine*, served as mistress of ceremonies for the event.

Ms. Michel also was profiled in February's *Black Enterprise* along with Ursula Burns, president, business group operations for Xerox Corporation; Jerri Devard, senior vice president of Verizon Communications; Ann Fudge, chairman and CEO of Young & Rubicam Brands; Ingrid Saunders Jones, senior vice president of The Coca-Cola Company; Debra Lee, chairman president and CEO of Black Entertainment Television; and 32 other senior managers of multinational corporations.

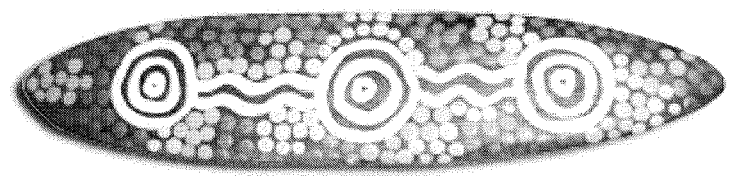
Executives of Black-owned businesses were also honored including Janice Bryant Howroyd, CEO of Act 1 Group; Melody Hobson, president of Ariel Capital Management; Cathy Hughes, founder and chairman of Radio One; Linda Johnson Rice, president and CEO of Johnson Publishing Company; Sheila Johnson, CEO of Salamander Hospitality; JoAnn Price, general partner of Fairview Capital Partners; Suzanne Shank, president and CEO of Siebert Brandford Shank & Co.; Gwendolyn Smith Iloani, chairman president and CEO of Smith Whitley & Co.; Carol Williams, president and CEO of Carol H. Williams Advertising; Oprah Winfrey, chairman of Harpo, Inc.; and Deborah Wright, chairman and CEO of Carver Bancorp.

"The powerful women on our list, including cover subjects Jerri Devard, Renetta McCann and Debra L. Lee, clearly demonstrate that American businesses need contributions from a diverse group to remain a vital competitive force in the global economy," said Earl "Butch" Graves, Jr., president and CEO of *Black Enterprise*.

Ms. Michel has been the president of the National Minority Supplier Development Council (NMSDC) for 17 years. NMSDC is a private non-profit organization that expands business opportunities for minority-owned companies. NMSDC encourages mutually beneficial economic links between minority suppliers and the public and private sectors, and helps build a stronger, more equitable society by supporting and promoting minority business development. The NMSDC Network, which includes 39 affiliated regional councils, matches more than 15,000 certified minority businesses (Asian, Black, Hispanic and Native American) with its more than 3,500 corporate members that want to purchase their goods and services. In 2004, NMSDC member corporations' purchases from minority-owned businesses were \$87.4 billion.



MESSAGESTICK

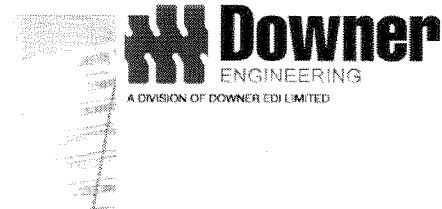
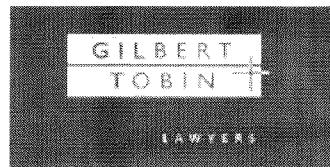
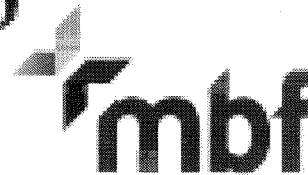
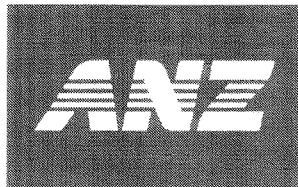
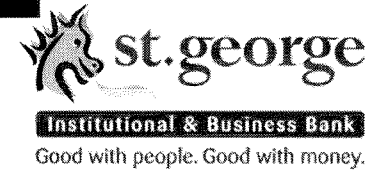
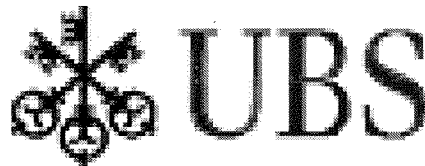


Message Stick Communications Pty Ltd

**Indigenous TCM Services Provider
(Technology Communications Media)**

www.messagestick.com.au

CORPORATE CLIENTS



STATE & LOCAL GOVERNMENT CLIENTS



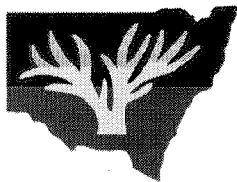
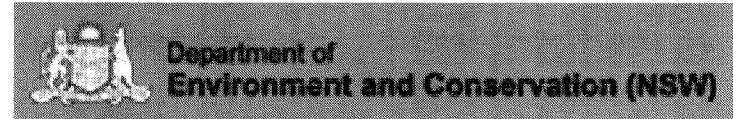
MINISTRY OF TRANSPORT



NEW SOUTH WALES GOVERNMENT
FARMER'S DEPARTMENT



Department of State and
Regional Development



NSW Aboriginal Land Council

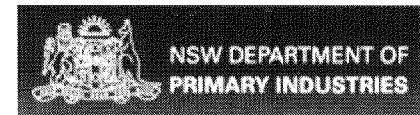


The Cabinet Office
NEW SOUTH WALES GOVERNMENT



Department of Ageing,
Disability & Home Care

Promoting opportunities to participate in community life

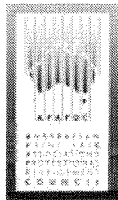


emergencyNSW

FEDERAL GOVT, CLUBS, ASSOCIATIONS & "NOT FOR PROFIT"



FEDERAL MAGISTRATES COURT OF AUSTRALIA



AUSTRALIAN
PRINCIPALS
ASSOCIATIONS
PROFESSIONAL
DEVELOPMENT
COUNCIL

