

More than business.

How corporate & government buyers can make it easier for Indigenous suppliers to do business with them.

Prepared by Inside Policy for Supply Nation
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Executive Summary

In 2016, on behalf of Supply Nation, Inside Policy undertook qualitative research to identify strategies that corporate and government buyers can employ to make it easier for Indigenous business to do business with them.

The research involved interviewing 17 Supply Nation certified / registered Indigenous businesses seeking their experiences dealing with corporate and government buyers and an analysis of previous research undertaken by Supply Nation of 'buyers views and experiences'. The interviews were completed with Indigenous business owners or staff and the businesses were diversified by industry and location, representative of all states and territories except Tasmania.

Findings

The findings of the research suggest that the answer to the question, "what can corporates & government buyers do to make it easier for Indigenous business to do business with them" is to understand that doing Indigenous procurement well requires more than just business.

"More than business" requires both buyers and suppliers to meet on commercial terms, for robust yet inclusive procurement systems to be put in place as well as a solid relationships to be formed based on mutual respect and understanding.

A critical ingredient for a solid relationship is one of trust. To form this trust, buyers must let go of negative stereotypes and unrealistic expectations of Indigenous business. Similarly, Indigenous suppliers must engage in the procurement process with a willingness to learn and on the basis of good faith.

Specifically, where Indigenous suppliers reported positive procurement experiences this seemed to result in a virtuous cycle where suppliers grow and buyers get more value. Conversely, where suppliers reported negative experiences this seemed to result in a vicious cycle where suppliers stagnate, being restricted from moving into or up the value chain and procurement activity is limited.

The research concluded the following issues be addressed to allow a virtuous cycle:

1. The importance of understanding the business case for Indigenous procurement, specifically:
 - There is limited understanding of the shared value it can create for both suppliers and buyers beyond corporate social responsibility.
 - It is perceived that buyers prescribe to negative stereotypes of Indigenous supplier capability.
2. Few buyers have in place a coherent system to support its Indigenous procurement commitment, specifically, Indigenous suppliers perceive:

Executive Summary

- Few contracts are set aside for Indigenous suppliers (especially in the corporate sector).
 - There is no visibility within corporate buyers of current and future opportunities.
 - They are not given useful feedback to improve their bids.
 - Few corporate buyers have Indigenous procurement target setting and reporting measures.
 - They are assumed to be higher risk by buyers because they are Indigenous.
3. Contracts rarely enable the growth of smaller suppliers, specifically:
- Suppliers are required to offer personal or bank guarantees and have in place stringent pre-qualifications to be eligible to propose.
 - Suppliers are required to agree to lengthy payment terms and rigid intellectual property ownership terms.
 - Churn in contract managers erodes the supplier relationship and can damage the quality of the delivery.
4. Opportunities to network and build relationships are critical, specifically:
- Suppliers value Supply Nation Connect events to meet and deepen relationships with buyers.
 - It's often challenging to find the right buyer to pitch to or build a relationship with.
 - Some buyers have taken on a mentoring role which has helped improve the suppliers business.

Buyers can help Indigenous suppliers do business with them by:

- | | |
|--|--|
| 1. Having a clear business case | 3. Offering contract terms that enable growth |
| 2. Having a coherent system to support their commitment | 4. Networking & building relationships |

Implications

The findings suggest corporate buyers, government buyers and Supply Nation consider employing the following strategies:

- Identifying the competitive advantage of Indigenous procurement.
- Setting aside contracts for Indigenous suppliers.
- Openly promoting these opportunities.
- Connecting functional buyers to suppliers.
- Always giving direct and useful feedback.
- Removing burdensome contract terms.
- Paying invoices in less than 30 days.
- Understanding the business and person.

The above actions will help to build a larger pool of competitive Indigenous suppliers, improve the quality of buyer-supplier relationships, and ultimately, increase the volume and value of contracts awarded to Indigenous suppliers.

Introduction

This report outlines the findings of research that sought to answer the question, “how can corporate and government buyers make it easier for Indigenous suppliers to do business with them?”

The purpose of this research was to:

1. seek the views and experiences of a diverse range of Supply Nation certified and registered suppliers who have done or are doing business with large purchasing organisations, and
2. focus on the full breadth of the buyer-supplier relationship and experience including finding opportunities, pitching for contracts, executing contracts and managing customer relationships.

It is intended that the research findings will help corporate and government buyers deepen their commitment to Indigenous procurement.

To undertake this research, Inside Policy sought the views of 17 Supply Nation certified / registered Indigenous businesses. These businesses represented eight different industries and were located in all states and territories, except Tasmania.

The remainder of the report is structured accordingly:

- **Findings:** identifies the four key themes and specific findings of the research.
- **Implications:** what these findings mean and why its important to address.
- **Appendices:** Method & Interviewee Profiles.



Deepen buyers' commitment to Indigenous procurement



17 Indigenous businesses interviewed



All either Supply Nation certified or registered

8

Industries represented



All States / Territories represented (except Tasmania)

Findings: key insights

As the title of this report suggests, making it easier for Indigenous suppliers to do business with corporate and government buyers requires approaches that are more than business.

This research found, that in addition to having the right policies and processes in place to do Indigenous procurement well, buyers and suppliers must invest in building a trusted relationship. This trusted relationship is underpinned by buyers letting go of negative stereotypes of Indigenous business, valuing the Indigenous-specific content and advice of Indigenous suppliers, understanding Indigenous cultures and recognising the lived experience of many Indigenous business owners is one of exclusion and rejection by mainstream society.

Similarly, Indigenous suppliers have a role to play in fostering this trusting relationship which involves understanding the corporate culture that frames a buyers procurement activity.

The research found examples of where buyers and suppliers engaged in a “more than business” manner which resulted in a virtuous cycle being created. This is a cycle where suppliers enter and move up value chains, in turn growing and adding value to buyers.

Conversely, where the relationship is based on commercial terms and is solely framed by the corporate culture, this tended to foster a vicious cycle. This type of cycle is one where Indigenous business stagnate due to poor communication and a lack of constructive feedback to consider, which will continually restrict moving into or up the value chain and procurement activity will be limited for suppliers.

Failing to build relationships and understand Indigenous suppliers past experiences, both culturally and historically, coupled with non-existent systems to support Indigenous procurement commitment leads to a strong perception that rhetoric of Indigenous procurement does not match the actions of corporate and government buyers. This largely impacts smaller suppliers leaving them feeling disadvantaged.

This research identified four areas that enable either a vicious or virtuous cycle:

1. Understanding the business case for Indigenous procurement.
2. Implementing a coherent system which supports Indigenous procurement.
3. Contracting to enable supplier growth.
4. Building valued networks and relationships.

Each of these themes and their related findings are detailed on the following pages.

1. The importance of understanding the business case for Indigenous procurement.

The challenge

There is a perception that buyers believe Indigenous procurement is about corporate social responsibility rather than a shared value which helps the buyer build its competitive advantage and comply with government procurement requirements. This results in a perception that buyers' commitment is tokenistic, buyers have unrealistic expectations of Indigenous suppliers' value and promotes a "tick a box" approach to Indigenous procurement.

The supplier experience

- Very few buyers understand the compliance & competitive advantage benefits of supplier diversity, with most driving Indigenous procurement from a corporate social responsibility angle.
- Related to the above, buyers have a higher expectation of Indigenous suppliers than non-Indigenous suppliers regarding Indigenous employment and training outcomes.
- There has been a positive shift in Australian Government procurement activity since the launch of the Indigenous Procurement Policy.
- Knowledge of a buyer's Indigenous procurement commitment (e.g. as outlined in the Indigenous Procurement Policy for Australian Government buyers or Reconciliation Action Plan for corporate buyers) is significantly reduced or non-existent the further down the organisational hierarchy the buyer is placed.
- That some corporate or government buyers only engage Indigenous businesses to "tick a box" to show they have tried to implement their organisation's Indigenous procurement commitment without having to award a contract to an Indigenous business.
- Where they are engaged specifically to provide Indigenous content, this specific Indigenous traditional cultural or community knowledge and advice is not valued.

The opportunity

Improving the understanding of the business case and seeing Indigenous procurement as an activity that can create shared value will help buyers and suppliers to build a virtuous cycle of procurement. This is one where suppliers enter and move up the value chain and buyers are being provided added value goods and services.

“

Because we are Indigenous-owned it is assumed that we will have more Indigenous employees and if we don't, we're not valuable. Are non-Indigenous suppliers held to the same high standard?

”

“

We believe we've been approached to pitch for contracts so they can say they've assessment a quote from an Indigenous business without any real intention of awarding an Indigenous business the contract.

”

2. A coherent system which supports Indigenous procurement.

The challenge

Indigenous suppliers find it challenging to identify off-market opportunities and opportunities within corporates as well as successfully propose for opportunities. This results in a perception that the action of Indigenous procurement does not match the rhetoric of buyers' Reconciliation Action Plan and Indigenous Procurement Policy commitments.

The supplier experience

- Opportunities within corporates are impossible to find. Finding procurement opportunities within corporations relies on either a buyer reaching out to suppliers or suppliers expending a large amount of resource on cold-calling buyers to find opportunities.
- The methods by which corporates procure goods & services has not changed. They still apply the same, often onerous, tender processes making tendering a challenging, costly and complex process for smaller suppliers.
- There is a perception amongst buyers that Indigenous suppliers are less reliable, more costly, have a sub-standard product / service and overall are more risky to do business with.
- Indigenous suppliers still compete against incumbent suppliers, who seem to be preferred.
- Related to the above three points, buyers don't seem to be pre-identifying or setting aside opportunities specifically for Indigenous suppliers.
- With the exception of the Australian Government, Indigenous procurement policies do not have any accountabilities in place such as staff/team targets, organisational targets and reporting measures.
- It extremely challenging to find the right buyer to talk to. Often the key buyer contact is not the person who issues the contracts and suppliers want access to functional buyers.
- A buyer generally does not provide useful feedback as to why a supplier was unsuccessful in a bid. Suppliers noted that where they have won contracts in the future it has been off the back of the buyer providing them with constructive feedback in past unsuccessful bids.

The opportunity

Implementing systems to help procurement activity that open up set-aside procurement opportunities, connect suppliers to the right buyers and provide buyers with constructive feedback on their bids will help build a virtuous cycle.

“ The action of Indigenous procurement does not match the rhetoric. More needs to be done to drive Indigenous procurement, like, set asides, promoting opportunities and giving useful feedback to suppliers. ”

3. Offer & manage contracts that enable the growth of smaller suppliers.

The challenge

Some contract terms are often onerous which ultimately lead to smaller suppliers having to meet additional requirements that are unnecessary for the size and level of risk of the contract.

The supplier experience

- Buyers tend to buy through purchase order rather than contract. This means that suppliers are less able to plan their growth or forecast their cashflow, which is critical for small business. It also increases the difficulty in accessing business finance.
- Many contracts – issued by government and corporate buyers – have unfavourable terms for small suppliers i.e.:
 - lengthy payment terms: e.g. over 30 days and in some examples 90 day terms.
 - bank or personal guarantee requirements
 - unnecessary policy, pre-qualification, insurance requirements: e.g. requirements to have environmental policies and accreditations in place or high coverage amounts for professional indemnity and public liability insurance for contracts of small values.
 - treatment of intellectual property e.g. complete ownership by the customer for design or creative works that involve Indigenous artistry
- Constant changes in the buyer contract manager disrupts the buyer-supplier relationship and the delivery of the contract.
- The most successful contracts are where there is constant communication between customer and supplier.
- It is highly valuable when a customer provides a "heads up" on future opportunities. This enables suppliers to plan their response well ahead of a request for tender.

The opportunity

Collaborating with suppliers to discuss appropriate terms and conditions – particularly on smaller, lower risk contracts – is critical for creating a virtuous cycle. This will enable Indigenous business to successfully compete for and execute on contracts that would otherwise be challenging.

“ We are receiving work, but it's by purchase order rather than contract. We can't plan our business growth on purchases alone. Yet we are expected to be positioned to grow. ”

4. Engagement, networking & building relationships.

The challenge

Indigenous suppliers value their relationships with buyers, with many acknowledging strong relationships with buyers contributed to their overall success. Networking opportunities for Indigenous business, including events provide opportunities to establish, and build on, relationships with buyers.

The supplier experience

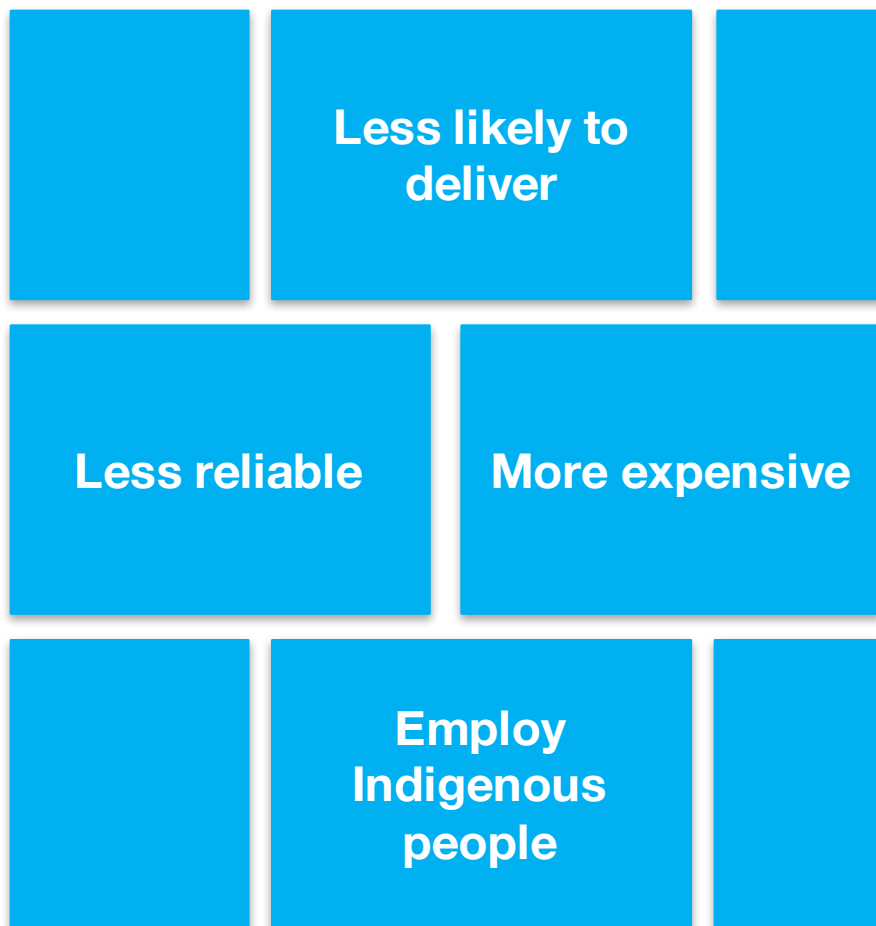
- Being introduced to the right buyer contact is critical but very hard to get. At a minimum having access to these details through the Supply Nation website would be helpful to suppliers.
- Networking events and conferences are useful for forming and enhancing relationships. Many suppliers noted Supply Nation's Connect Conference and Tradeshow being a great example of this.
- Success comes from client feedback as well as mentoring relationships with key contacts from corporates and government agencies.
- Sharing good news stories and testimonials about the contracts suppliers have executed goes along way to raising awareness of supplier capability amongst the buyer community.

The opportunity

Enabling a buyer-supplier community with alleviate communication challenges and key persons risk, leading to supplier growth and buyer value, through relationship building between buyers & suppliers, a requirement in the virtuous cycle.

“ Buyers who provided feedback from the early stages of engagement not only helped the business grow & succeed, they formed highly valued relationships with some becoming mentors to the suppliers. ”

Overall, suppliers feel they are ill-equipped to conquer a great wall of buyer expectation.



A perception of the buyer's view of Indigenous business



A supplier's perception of doing business

Implications: how can corporate & government buyers can make it easier for Indigenous suppliers to do business with them?

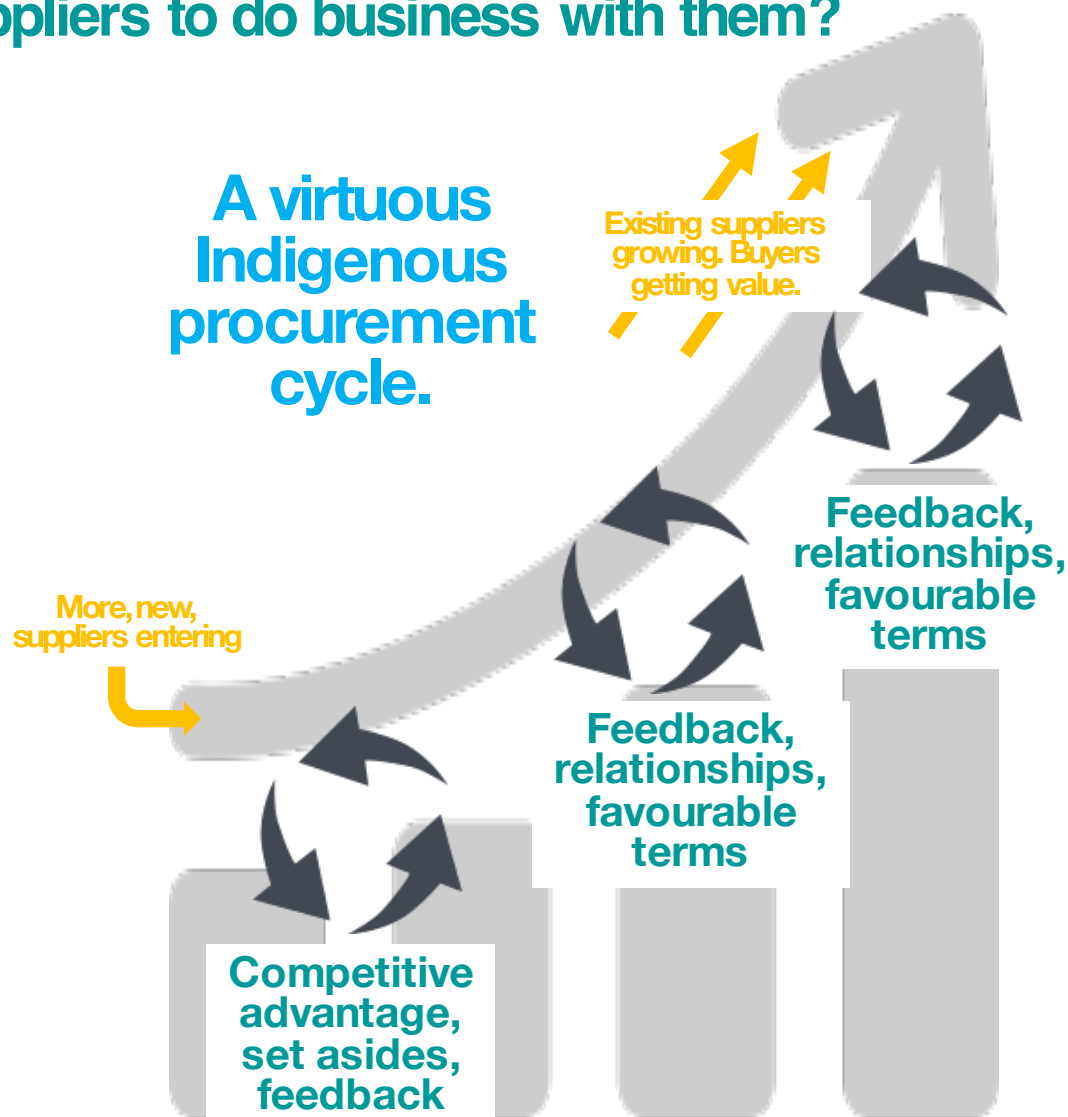
Focus organisational efforts to build a virtuous Indigenous procurement cycle which creates shared value for buyers and suppliers.

This involves increasing access to genuine procurement opportunities. But it is more than this.

It also involves buyers and suppliers building a trusting relationship which is underpinned by mutual respect and understanding.

Buyers let go of negative stereotypes and unrealistic expectations of suppliers.

Suppliers participate in procurement with good faith.



1. The importance of understanding the business case for Indigenous procurement.

What does this mean?

This refers to corporates & government having limited understanding of supplier diversity and the shared value it can create.

Why is this important?

The research showed that while corporates & government may have policies or commitments to Indigenous procurement, there is a need to educate to fully appreciate the compliance & competitive advantage attached to supplier diversity.

What can be done?

Corporate & government buyers to improve the understanding of the business case for Indigenous procurement by:

- Developing the competitive advantage business case for Indigenous procurement.
- Providing staff training / information sessions on how Indigenous procurement gives the company a competitive advantage.
- Developing and promoting a “cheat-sheet” on the compliance and competitive advantage reasons for Indigenous procurement.
- Promoting Supply Nation’s “Sleeping Giant” research.
- Ensuring all staff who engage with Indigenous suppliers undertake cultural awareness training.

Sessions should be conducted regularly, keeping staff well informed of changes and also educating new staff dealing with procurement activities.

How will this benefit Indigenous businesses?

It will provide clarity & a better understanding for managing procurement expectations.

2. A coherent system which supports Indigenous procurement.

What does this mean?

This refers to improving Indigenous business access to procurement opportunities, providing suppliers with constructive feedback increase their competitiveness & exploring how procurement methods can be changed to be more inclusive of Indigenous suppliers.

Why is this important?

The research showed that Indigenous suppliers perceived that the rhetoric to buy from Indigenous business was not matched by the actual activities of buying organisations.

What can be done?

Corporate buyers, in particular, can introduce systems that result in Indigenous buyers accessing contracts such as:

- Developing an online Indigenous Procurement Portal Portals which where suppliers can search for open market and set aside opportunities, find information about how to propose for contracts and obtain the contact details of functional buyers.
- Identifying in advance future procurement opportunities to be set aside for Indigenous suppliers.
- Setting and monitoring Indigenous procurement targets.

Both corporate and government buyers can enhance their Indigenous procurement activities by:

- Providing Indigenous suppliers with clear and useful feedback when they are unsuccessful in winning a contract.
- Developing communications for staff to de-bunk the myths and negative perceptions of Indigenous business.

How will this benefit Indigenous business?

It will aim to provide Indigenous business with more insights to opportunities available and strengthen relationships from initial contact

3. Offer & manage contracts that enable the growth of smaller suppliers.

What does this mean?

This refers to being flexible with contract terms or tender requirements to provide more opportunities for smaller Indigenous suppliers.

Why is this important?

Smaller Indigenous suppliers report some contract management activities – requiring them to take on larger insurance coverage, personal or bank guarantees, accept lengthy payment terms, or constant changes in contract managers – are counterproductive and serve to stifle their growth rather than enable it.

What can be done?

- Build flexibility into contract terms for Indigenous SMEs including less than 30 day payment terms and removing the need for personal guarantees / ISO accreditation depending on size and risk of contract.
- Ensure there are comprehensive handover processes should the contract manager change.
- Contract Managers are encouraged to build strong working relationships with Indigenous suppliers.

How will this benefit Indigenous business?

It aims to reduce the burden on Indigenous businesses when pitching for contracts and executing contracts.

4. Engagement, networking & building relationships.

What does this mean?

This refers to increasing networking & relationship building opportunities between Indigenous businesses and corporate & government.

Why is this important?

The research showed that Indigenous businesses prosper from well maintained relationships with buyers and highly value networking opportunities to form new or build on existing relationships, leading to successful buyer-supplier relationships.

What can be done?

Match-making & networking enable SMEs to form relationships with potential buyers which could lead to identifying & match opportunities, and also a way to seek feedback. This could be done through hosting of regular events and information of buyer & suppliers profiled online.

How will this benefit Indigenous business?

It will aim to strengthening relationships & increase supplier confidence.

Summary: the eight (8) actions buyers can do now to make it easier for them to do business with Indigenous suppliers:

1	Identify the competitive advantage	5	Give direct & useful feedback, always
2	Set aside future contracts for Indigenous suppliers	6	Remove burdensome contract terms
3	Openly promote all and set aside opportunities	7	Pay invoices in less than 30 days
4	Connect functional buyers to suppliers	8	Understand the business & the person

Appendix A: Method & Interviewee Profile

Method

The research conducted was purely qualitative. Supply Nation certified / registered Indigenous businesses were invited to participate in a 45 min semi-structured interview.

The experiences and insights provided by suppliers were taken at face value and no validation of these insights was conducted. No quantitative data analysis was conducted.

Interview questions

Suppliers who participated in the interviews were asked the following questions:

Opportunities

1. How do you identify business opportunities?
2. What feedback have you received on why you've been unsuccessful in opportunities you've pitched for?
3. Why do you think you win new contracts (with new or existing clients)?
4. What's the most challenging aspect of finding / pitching for new contracts?

Delivery

1. Can you tell us about a time when you successfully executed a contract - what was the contract, who was the client and what made the contract a success
2. Can you tell us about a time when a contract your business won was executed unsuccessfully - what was challenging about the contract?
3. Overall, what are the top 3 ingredients for the successful execution of a contract?

Relationships

1. How do you build relationships with your clients?
2. Thinking about your strongest client relationships, what makes this / these relationship(s) strong?
3. What challenges have you experienced in developing relationships with clients / prospective clients?
4. What's one thing that prospective and current clients can do to help your business:
 - win more work with them?
 - win larger projects with them?
 - better execute contracts with them?

Final Insights

1. What else does your business need to be successful in winning more contracts?

Interviewee profile

- 17 Indigenous businesses were interviewed.
- All 17 businesses were either Supply Nation certified or registered.
- All 17 businesses had been awarded government and / or corporate contracts.
- The 17 businesses represented all States & Territories except Tasmania and a range of industries including:
 1. Building & Construction
 2. Business & Administration Services
 3. Communication & PR
 4. Design & Print Services
 5. Employment & Training
 6. Environmental
 7. Retail
 8. Transportation



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