

BUSINESS CASE FOR SUPPLIER DIVERSITY

COUNTRY: AUSTRALIA

Definition of a minority business in Australia:

Supply Nation only works with businesses that are owned by Indigenous Australians (Aboriginal and/or Torres Strait Islanders). We have two categories of businesses – Registered = 50 ownership; Certified = 51% owned, managed and controlled.

There is not a widely accepted broader definition of a minority business but these would include any business that is disadvantaged based on the characteristics and background of the business owner/s, and has not had level playing field in accessing or gaining business opportunities in the market place.

IN COUNTRY DEMOGRAPHY/ STATISTICS

Australian population is about 23,986,900.

- **Different categories of recognised minority groups:**

- Aboriginal and Torres Strait Islander people
- Non-English Speaking Background people; Some ethnic population
- People with a disability, and
- Women

- **% of total minority population:**

- Aboriginal and Torres Strait Islander people – 2.5%
- Ethnic population (residents who were born outside Australia) – 28%
- People with a disability - 15% with a physical disability
- Women – 50.02%

- **Individual break down by ethnicity:**

According to the Australian Bureau of Statistics, on 30 June 2014 there were 6.6 million residents who were born outside Australia, representing 28% of the total population. The Australian resident population consists of people who were born in the main countries as below:

Source: Australian Bureau of Statistics	
Country of Birth (main countries)	Estimated Resident Population
 United Kingdom	1,221,300
 New Zealand	617,000
 People's Republic of China(Excluding SARs and Taiwan)	447,400
 India	397,200
 Philippines	225,100
 Vietnam	223,200
 Italy	201,800
 South Africa	176,300

 Malaysia	153,900
 Germany	129,000
 Greece	119,950
 Sri Lanka	110,520
 United States	104,080

Top five regions/ cities where they are based:

Indigenous Australians:

Today, most of Australia's Indigenous population live on the east coast of Australia, where almost 60% of Indigenous Australians live in New South Wales (208,476) and Queensland (188,954) which roughly represents 2–5% of those state's populations. The Northern Territory has an Indigenous population of almost 70,000 but represents about 30% of the total Northern Territory population.

Ethnic Population:

Sydney

- China (excludes SARs and Taiwan) (3.4%)
- India (2.0%)
- Vietnam (1.6%)

Melbourne

In the aftermath of the Second World War, Melbourne experienced unprecedented inflows from Mediterranean Europe and the Balkans, primarily Greece, Italy, Bosnia, Croatia, Serbia, Macedonia, and West Asia, mostly from Lebanon, Cyprus and Turkey. According to the 2001 Census, there were 151,785 ethnic Greeks in the metropolitan area. 47% of all Greek Australians live in Melbourne. Ethnic Chinese and Vietnamese also maintain significant presences.

Canberra

More than a quarter of Canberra's population were born overseas. 28.6% of the population were born elsewhere, a large majority which come from North-West Europe, Southern and Eastern Europe and South-East Asia.

Total Number of Minority Businesses in Australia:

- Indigenous businesses on Supply Nation's directory, [Indigenous Business Direct](#), has a total of 1009 suppliers including Registered suppliers (50% Indigenous owned) and Certified suppliers (51% or more Indigenous owned)
- Number of other minority business groups is unknown.

Industry break-up:

- Main industries that are represented on the Indigenous Business Direct are: Construction and Building related services; Specialised educational services; Management Advisory services; Human resources services; and Mining services.
- Industry break-up of other minority business groups is unknown.

Top five locations/regions where they are based:

- Indigenous businesses are predominantly based in New South Wales and Queensland. Followed by Western Australia, Northern Territory and Victoria.
- Location of other minority business groups is unknown.
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Size of businesses:

- Indigenous business break up by business revenue of Certified suppliers on the Indigenous Business Direct:
 - 12% earn 0-\$50,000
 - 35% earn \$50,000 - \$200,000
 - 38% earn \$200,000 - under\$2mil
 - 15% earn \$2mil and over
- Size of businesses of other minority business groups is unknown

Key drivers for supplier diversity in your country:**Legal: Australian Government's Mandatory [Indigenous Procurement Policy](#)**

The Indigenous Procurement Policy (policy) commenced 1 July 2015. It applies to all non-corporate Commonwealth entities subject to the Commonwealth Procurement Rules (CPRs). The policy has three parts including:

- A number of contracts that need to be awarded to Indigenous businesses. 3% of new domestic Commonwealth contracts will be awarded to Indigenous suppliers in 2019-20.
- A mandatory set-aside of contracts for Indigenous businesses to apply in certain situations.
- Mandatory minimum requirements for Indigenous employment and Indigenous supplier use apply to certain Commonwealth contracts.

An Indigenous business is any business that is 50 per cent or more Indigenous owned.

Commonwealth buyers can also purchase directly from Indigenous small to medium enterprises (SMEs) for contracts of **any** size and value using the Indigenous business exemption (Exemption 17) in the CPRs.

Driver for Indigenous Procurement in Corporates and Non-profit Organisations

Mandatory minimum requirements as above will apply to all contracts delivered in Australia that are valued at \$7.5 million or more, where the majority of the goods or services are in certain industries. In addition, where part of the contract is to be delivered in a remote area, the government agency and the contractor will agree to significant Indigenous employment or supplier use requirements in that area.

Social: Corporate Social Responsibility:

The commitment to Corporate Social Responsibility (CSR) in Australia is about organisations integrating corporate responsibility into their business to enhance their brand equity and stakeholder value, and achieve their financial, social and environmental responsibilities in a sustainable manner. CSR has resulted in improving community relations and general well-being in the economy, while encouraging a supplier base reflective of the organisation's customer base.

Reconciliation Action Plans (RAP):

Part of an organisation's corporate social responsibility has also been a commitment to reconciliation with Australia's Indigenous community, through a Reconciliation Action Plan which has been endorsed by [Reconciliation Australia](#). A RAP articulates an organisation's commitment to building an understanding through cultural awareness, and implementing education, training and employment initiatives for ATSI people, while extending business opportunities to them.

Social Return on Investment:

On 18 September 2015, Supply Nation launched a Social Return on Investment (SROI) report that assessed the impact its Certified Suppliers have on their community, families, employees and owners. Key findings of the report include that for every dollar of revenue, Certified Suppliers create \$4.41 of economic and social value; Indigenous businesses employ more than thirty times the proportion of Indigenous people than other businesses; and Owners of Indigenous businesses reinvest revenue in their communities.

[Download the Report](#)

Economic:**Economic benefits of Supply Diversity:**

More and more companies are finding that the benefits of Supplier Diversity can go beyond social good. The companies that focus on supplier diversity have the ability to generate a greater return on procurement investments than the typical business, as their operating costs could be lower. Organisations that are implementing supplier diversity programs are also experiencing stronger relationships with their supply base, new business opportunities through access to a wider pool of talent, and a more agile supply chain. In addition, Supply diversity programs are helping organisations to connect more effectively with certain groups of their customer base, such as Indigenous communities.

Furthermore, all tiers of government in Australia are recognising that Indigenous enterprises can be a key driver of Indigenous employment and economic development. Hence developing and nurturing the Indigenous business sector are ways to sustainability, wealth generation and economic stability and empowerment in the Indigenous communities, while tapping into the growing and dynamic Indigenous business sector for mutual business gains.

Federal and State Governments are also starting to develop and measure policies, including exemptions to engage indigenous suppliers. For tier one corporates to access Federal government contracts, demonstrating Indigenous engagement through employment and sub-contracting arrangements is a requirement in the tender process.

Those companies (particularly resource companies) that operate on Indigenous land can either win contracts through Indigenous engagement or save significantly through permission to access land.

Business case for supplier diversity:

Supplier Diversity encourages competition within the supply chain, and increases the likelihood of finding the best supplier that can achieve greater value for money. There are 3 main driving

principles of supplier diversity which encourages organisations to invest in supplier diversity. They are:

Corporate Social Responsibility:

- Be a good corporate citizen
- Improve economic well-being of customers

Competitive Advantage - a process through which equal opportunities are provided to all businesses to compete. This brings competitiveness, innovation and cost savings to the supply chain. Also assists in developing quality, competitive, core business suppliers that will

- Lower total cost of product and
- Enhance operations

Compliance – allow organisations to comply with Government regulatory guidelines – such as the Indigenous Procurement Policy or Exemption

- Delivers compliance that is assured and transparent for both Government and key suppliers to government.

More recently a number of governments and large organisations in Australia are beginning to recognise and acknowledge that substantial socio-economic benefits can accrue through a comprehensive diverse supplier strategy which is systematic, benchmarked and quantified. This new phase in embracing supplier diversity as a fundamental way of doing business is being welcomed as a further step in leveraging the best skills and services that all Indigenous Australians and other minority groups have to offer.

About the NMSDC partner council:

Supply Nation is the Australian leader in supplier diversity, connecting our membership of Australia's leading brands and government with Indigenous businesses across the country.

Supply Nation's rigorous registration and certification processes ensure our members can be confident they are working with businesses that are legitimately Indigenous owned. With Indigenous businesses active in every state and territory, in every industry sector, Supply Nation has been central to the growth of a new economic force.

Supply Nation is proud to be the first and pre-eminent supplier diversity organisation in Australia. To assist its members in achieving their supplier diversity goals, and in fulfilling targets in the Indigenous Procurement Policy that the Australian government has mandated, Supply Nation maintains a free register of Indigenous businesses, Indigenous Business Direct, at: www.supplynation.org.au

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