AWAKENING THE ‘SLEEPING GIANT’: THE HIDDEN POTENTIAL OF INDIGENOUS BUSINESSES

Indigenous enterprise is key to ‘closing the gap’, argues Sara Hudson

The Indigenous business sector has been compared to a ‘sleeping giant’ because of the hidden potential lying beneath the surface. While the rate of Indigenous entrepreneurship is still low compared to that of other Australians there has been a threefold increase in the number of Indigenous businesses in Australia in the last 20 years—from 4,600 in 1991 to 12,500 in 2011. Even in remote communities there are Indigenous businesses doing well; for example, the Gumatj Clan Corporation, which operates a timber and construction business on the Gove Peninsula in East Arnhem Land. In fact, recent academic research has found that Indigenous business owners in remote areas earn more than their non-Indigenous counterparts. Yet most people in Australia would be unaware of this because the dominant portrayal of Indigenous people in the media is so negative.

In his latest Closing the Gap speech, the Prime Minister acknowledged the need to develop policy approaches that ‘nurture hope and optimism rather than entrench despair’. One of the ways he envisages this happening is by supporting Indigenous enterprise, noting the potential for innovation amongst Indigenous entrepreneurs and the fact that Indigenous businesses are about a hundred times more likely to employ Indigenous people than other businesses.

Instead of viewing Indigenous Australians through a deficit lens, as the Closing the Gap campaign and other government programs do, it is much more empowering to focus on stories of success. Unfortunately, low expectations of Indigenous Australians have led to a crisis of imagination when it comes to perceptions of what Indigenous people are capable of. Many Australians are probably unaware that a number of Indigenous Australians are independent business people and employers.

Of the 550,000 Indigenous people identified in the 2011 Census, the majority—65% (360,000)—are working and relatively successful, 22% (120,000) are welfare dependent, with lives similar to other welfare-dependent Australians, and 13% (70,000) are welfare dependent and live on Indigenous land where economic opportunities are limited. This latter group experiences the most disadvantages and requires the most support.

To date, government policies and programs for Indigenous Australians have tended to group all Indigenous people together, ignoring those who have achieved success and downplaying the real levels of disadvantage experienced by others. As David Pollard, a former Senior Assistant

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Secretary with the NSW Ministry of Aboriginal Affairs, wrote 25 years ago:

So long as policies target Aborigines as a group, rather than the most disadvantaged of them, or indeed, the most disadvantaged of the community as a whole . . . those policies will further advantage already employed members of the Aboriginal subgroup and leave unaffected the long-term unemployed and welfare dependent.8

This article argues that supporting Indigenous businesses is preferable to sinking more money into yet more poorly designed and untargeted programs. At the same time, safeguards need to be in place to ensure support is effective and directed to those who need it the most. Any unintended consequences of this support must also be recognised and addressed.

Characteristics of Indigenous businesses and how to measure success

Most Indigenous entrepreneurs or self-employed business people are in the south-east corner of Australia, where Indigenous education outcomes are better and where there is greater demand for goods and services.9 The majority of Indigenous businesses operate in mainstream industries; for example, freight transport, construction, building and cleaning services, carpentry, creative arts, and domestic or personal services.10 Indigenous entrepreneurs also tend to have higher rates of adoption of internet and social media than other small businesses in Australia.11

Opinion differs on what constitutes an Indigenous business, with some defining an Indigenous business as one where 51% of the business is owned by an Indigenous person or people while others define it as one where there is 50% Indigenous ownership.12 Although the 1% difference may seem insignificant it can mean that a husband and wife business, where one partner is Indigenous and the other is not, is not eligible for assistance through programs that use a majority equity definition.13 Others go even further and define an Indigenous business as one that gives something back to the Indigenous community in some way—either by employing other Indigenous people or by providing financial support to the community.14

Factors underpinning Indigenous business success are the same factors that contribute to any successful business enterprise—namely, good management skills (including accounting and financial management), high quality staff, reliability of suppliers, location of the business, and the prevailing economic conditions.15 In many cases, Indigenous businesses experiencing the greatest success do not have a specific Indigenous cultural focus.16 For example, two of the most recent Supply Nation ‘Suppliers of the Year’ award recipients were businesses that are not immediately recognisable as Indigenous—Outback Global and Young Guns. Outback Global specialises in uniforms, work wear and personal protective equipment while Young Guns specialises in the packing and unpacking of shipping containers.

At the same time, a recent report by Supply Nation—a not-for-profit organisation that connects Indigenous-owned businesses with opportunities in corporate and government supply chains—suggests smaller businesses producing cultural products have higher Social Return on Investment (SROI) ratios.17 A SROI is a specialised form of cost-benefit analysis that places a monetary value on the social impact of an activity and compares this with the cost incurred in creating that benefit. In a stratified sample of a pool of Supply Nation Certified Suppliers the average SROI was $4.41; however, for BNYM (pronounced ‘Binum’) Indigenous Designs, a family arts and gifts business specialising in high quality pottery and ceramics—located in rural Victoria—the SROI was $10.93.18 Yet, while these results appear impressive, there are questions about the methodology used to conduct this SROI (see my forthcoming paper on Indigenous programs due to be released in May 2016).

In determining what constitutes a successful Indigenous business, some argue that success should not necessarily be defined by the level of profits made but rather by the benefits provided to the community.19 At the same time, evidence suggests that the extra demands that some Indigenous business people may face can impact on the success
and viability of their business, such as requests from family for loans. Interestingly, the most successful Indigenous businesses, from a financial perspective at least, tend to be those that operate outside of Indigenous communities. One such example is the aforementioned Outback Global, which has offices in Shanghai and Denver, Colorado in addition to their Sydney office.

The benefits of Indigenous enterprise

Indigenous businesses play a vital role in the economic development of Indigenous communities. Although it is important to recognise that not every person wants to become a business owner, the potential social and economic benefits from Indigenous enterprises are great. A multiplier effect occurs when people own a business that goes beyond the financial benefits to the local economy. A recent study of 324 Indigenous entrepreneurs found that nine out of ten acted as positive role models for young people in their communities. As one Indigenous business owner who took part in the study said:

[It’s] positive for the kids to see and be in a working environment . . . my kids can see that they can be anything that they want, they can do anything that they want, as well. And it’s not just a job and they see that they can create or be whatever they want as they get older.

Likewise, a 2015 evaluation of Many Rivers—a microfinance initiative which provides loans to help disadvantaged Australians establish their own business—found that children of business owners were more likely to complete high school and gain employment than those whose parents were unemployed. (See Anthony Dillon’s article in this issue of Policy for a more detailed discussion of the non-economic benefits of employment.)

Support for Indigenous businesses

Governments are increasingly recognising the important role that Indigenous enterprises play in improving the social and economic outcomes of Indigenous Australians. A wide range of federal, state and territory government policies and programs offer support to Indigenous businesses. These include statutory authorities such as Indigenous Business Australia, which provides grants, low-cost loans, business mentoring and business development assistance. There is also growing recognition that Indigenous people are ‘land rich but dirt poor’; for instance, the latest Social Justice and Native Title report recommends identifying options for leveraging Indigenous property rights for economic development purposes.

Last July, the federal government implemented a new Indigenous procurement policy that aims to award 3% of its business to Indigenous suppliers by 2020. In 2014, the government spent approximately $39 billion a year on various contracts, but only a small proportion of these contracts (less than $6 million) went to Indigenous businesses. The government hopes that the number of federal contracts awarded to Indigenous businesses will rise from 250 to more than 1500 a year by 2020.

In addition to government support for Indigenous businesses, there has been a noticeable increase in the level of corporate and philanthropic support provided to Indigenous businesses. While governments play a role in creating an enabling environment for Indigenous enterprise, governments do not create jobs. As the World Bank notes, nine in every ten jobs are created by the private sector. In the quest to improve Indigenous economic outcomes, partnerships with the business sector are essential because businesses create wealth, generate employment and give rise to demand for a supply chain of other businesses. Examples of corporate and philanthropic initiatives include Jawun, the Business Council of Australia’s Indigenous Engagement Task force, Reconciliation Action Plans and—as briefly discussed earlier—Supply Nation and Many Rivers microfinance.

Jawun is a partnership model that emphasises working with Indigenous people rather than
simply providing services to them. Support generally consists of non-financial assistance such as secondments and mentoring arrangements. Supply Nation aims to connect Australian corporate and government organisations with Indigenous business suppliers. Although initially established with government funding, it is now a fee-for-use service. The Business Council of Australia’s (BCA) Indigenous Engagement Taskforce is comprised of CEOs from some of Australia’s largest companies and aims to identify, promote and share the experiences of member companies in supporting Indigenous economic development. The BCA’s latest Indigenous Engagement Survey found that collectively its members had spent over $1.7 billion on Indigenous enterprises and joint ventures whilst contributing $72 million towards education initiatives.

Businesses and organisations with RAPs have also provided $100.4 million in pro bono support to Indigenous organisations, $77.7 million for Indigenous education scholarships and $32.6 million in goods and services from Supply Nation certified businesses.

Various peer support business networks also exist to support Indigenous businesses, such as First Australians Chamber of Commerce and Industry and its regional and state counterparts as well as Koorie Women Mean Business (KWMB) Incorporated. KWMB is an organisation of and for Indigenous women living in regional, rural and metropolitan Victoria. It provides services to support Indigenous women in their businesses. Helping such peer-support initiatives could be an economical way for the government to provide assistance to fledgling Indigenous businesses.

Benefits and impact of government and corporate support to Indigenous businesses

Government programs tend to be a passive form of support whereas supporting Indigenous businesses is a form of active assistance. When Indigenous people receive support for a business initiative, they actually have to do something. Most of the time, they are the ones who came up with the business idea and it is something they are passionate about. But they do not have the funds to get the idea off the ground or the business acumen to know where to start. Supporting Indigenous businesses can therefore help to foster individual responsibility and personal accountability.

A case in point: A former Indigenous government employee who worked on Indigenous education and employment programs for more than ten years became very disheartened by the ineptitude and lassitude she witnessed every day. Her experience was that very few senior bureaucrats, either identifying as Indigenous or not, had any first-hand experience of working and living in remote Indigenous communities. As a result, they implemented unsuitable programs and services. Tired of observing this, she left her government job to establish her own business creating luxurious silk fashions featuring authentic dreamtime designs. This endeavour has delivered more benefits to remote Indigenous people than anything she was involved in whilst working as a government bureaucrat.

Although government support for Indigenous businesses appears to have many benefits, there is no guarantee that the support will be effective and there are always unintended consequences of any government action. A recent Ernst & Young review of Indigenous Business Australia found that it was not providing access to capital in a timeframe or of a scale required to effectively stimulate Indigenous economic development. The range and number of different government programs have also been criticised as ‘confusing and daunting to emerging Indigenous entrepreneurs’.
Since the implementation of the federal government’s Indigenous procurement policy, some Indigenous leaders such as Nyunggai Warren Mundine and Leah Armstrong have also expressed concern about ‘black cladding’ businesses—that is, businesses pretending to be Indigenous to win federal contracts. Although no specific examples of ‘black cladding’ businesses have been reported in the media, this highlights the need to ensure that where there are joint ventures, Indigenous business partners have a genuine role in management of the business.

In many cases, Indigenous businesses are competing successfully in the open market without any government support. A recent study of 120 Indigenous businesses leaders found on average that Indigenous enterprises had an annual revenue of $2.7 million and employed about 23 workers, of which approximately 60% were Indigenous. These successful businesses may not need or want any government support.

Sometimes when government has tried to support Indigenous economic development, it has created an un-level playing field. For example, when the NSW National Parks and Wildlife Service (NPWS) established an ‘Aboriginal Discovery Tours’ business in Mungo National Park to provide employment to Indigenous people, it caused financial hardship to a private Indigenous business, Harry Nanya Tours, which had been operating in the Park for over 20 years. Government-run businesses do not tend to be as profit-orientated as their privately-run counterparts, as there is always the expectation the government will step in and prop up the business if it fails. Because NPWS’s ‘Aboriginal Discovery Tours’ did not have to pay licensing fees to use the National Park nor other operating costs such as public liability insurance, they were able to charge less for their tours than the private tour companies. Not able to compete on price or against the marketing power of NPWS, Harry Nanya Tours had to scale back the number of people it employed from seven employees to two, and another tour operator closed down.

This example illustrates the need for government to investigate the potential impact of any actions taken to ‘help’ support Indigenous employment and economic development.

It is tempting to argue that government should get out of the way and not try to ‘help’ Indigenous economic development. However, there is a role for government to play in supporting Indigenous businesses, particularly when it comes to creating a climate conducive to business through regulatory reform. Removing some of the restrictions on land use in remote Indigenous communities and investing in human capital would be a good start.

Overall, though, the most positive partnerships tend to be those with other businesses—Indigenous and non-Indigenous. The business sector has particular strengths it can share with Indigenous enterprises such as the ability to invest for long-term gains and the freedom to take risks and innovate. Successful business people learn from their mistakes and are not afraid of failure. At the same time, the responsibility that comes from owning a business creates an incentive for business people to succeed. These are traits not present in government bureaucracies.

A wide variety of partnership arrangements exist to meet different needs. Examples of partnerships include shared ownership, joint ventures, and business to business partnerships. One example of a successful joint venture is the partnership between the Larrakia Development Corporation and IndiEnergy in Darwin. This has provided over 200 Larrakia people with shares in the business, and the financial and social benefits that flow from it.

While the motivation for most business partnerships is increasing revenue, many non-Indigenous business partners may also be motivated by a sense of social responsibility. For example, the non-Indigenous partner of Yaru Water—an Indigenous bottled water company—decided to go into business with two Indigenous brothers because he realised that philanthropic support alone rarely leads to sustainable change. The partnership has been mutually beneficial. Because Yaru water is...
an Indigenous-owned company, it is eligible for membership of Supply Nation. This has helped the company secure significant distribution deals and increase sales. Proceeds from the sale of Yaru water have been used to help support education and training programs for local Indigenous youth.\(^5^0\)

For Indigenous businesses there can also be many benefits from partnerships with non-Indigenous businesses including the potential to qualify for contracts otherwise not accessible to them, access to new markets and capital, employment opportunities, and knowledge transfer and skills development.\(^5^1\)

Significantly, however, a recent study of 324 Indigenous businesses found that whilst business mentoring can assist older more established businesses, it had less of an impact on earlier-stage businesses.\(^5^2\) This raises questions about the value and effectiveness of mentoring and secondment type programs, which many corporates are committing to through their Reconciliation Action Plans. Some Indigenous entrepreneurs argue that the most valuable partnerships between non-Indigenous businesses and Indigenous businesses occur when people invest money and have ‘skin in the game’.\(^5^3\)

Conclusion

Indigenous academic Marcia Langton has called the Indigenous business sector ‘the frontier of radical change’ and there is a growing number of successful Indigenous businesses in Australia.\(^5^4\) Government, and the corporate and philanthropic sector, have recognised the important role that Indigenous businesses play in improving the socio-economic outcomes of Indigenous communities, but less attention has been paid to what forms of support are most effective and appropriate. Currently, the federal government’s Indigenous procurement policy is targeted at all Indigenous businesses with 50% ownership but whether this is fair and equitable in the long term remains to be seen. The introduction of targets for Indigenous procurement has identified a capability gap in the supply side and currently there is a shortage of Indigenous businesses to meet these new procurement requirements. Building capability in the Indigenous business sector will take time and may require additional support for start-ups and greater acceptance of the risks and failure rates inherent in earlier-stage businesses. Currently most of the funding and support for Indigenous businesses is going to already established businesses.

Likewise, the corporate sector has provided a large amount of pro-bono support to Indigenous businesses (as well as Indigenous organisations in general) but evidence is lacking on whether this form of support is truly effective. There are also questions about whether the corporate sector should view supporting Indigenous businesses and economic development activities as a purely philanthropic exercise or whether it should take a more business-minded approach and seek out investment opportunities with some financial as well as social return. Nyunggai Warren Mundine’s article in the pages that follow provides some answers to these questions.

Endnotes

6 As above.


Morrison et al, Determining the Factors Influencing the Success of Private and Community-Owned Indigenous Businesses.

Urbis, Enabling Prosperity.

Morrison et al, Determining the Factors Influencing the Success of Private and Community-Owned Indigenous Businesses.


Urbis, Enabling Prosperity.


Burton and Tomkinson, The Sleeping Giant.


Morrison et al, Determining the Factors Influencing the Success of Private and Community-owned Indigenous Businesses.

Long, 'Loaded'.

Morrison et al, Determining the Factors Influencing the Success of Private and Community-owned Indigenous Businesses.

As above.


Urbis, Enabling Prosperity.


As above.


Urbis, Enabling Prosperity.

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Urbis, Enabling Prosperity.

Personal communication.

Ernst & Young, Review of the Indigenous Land Corporation and Indigenous Business Australia (Canberra: Ernst & Young, 2014).


Long, ‘Loaded’ (see note 16).


As above.

As above.

Urbis, Enabling Prosperity.


Urbis, Enabling Prosperity.

IndiEnergy, no date, Indigenous Impact Investment.

Urbis, Enabling Prosperity.

As above.

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Marcia Langton, Twitter comment (2015), https://twitter.com/marcialangton/status/675269278975844352
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