

Buying from verified Māori businesses.

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Buying organisations need to know that they are genuinely spending money with an Indigenous business. Not having this certainty defeats the purpose of targeted spending for this group and does not ensure that the benefits of supplier diversity flow back to the intended beneficiaries. In Aotearoa, that's Māori businesses and their whānau.

Indigenous procurement and supplier diversity is creating tangible contract opportunities for Indigenous, and minority-owned businesses around the world. With mandated spending and targets becoming part of policy/legislation in different countries we are seeing an incredible amount of money now being directed into Indigenous and minority communities.

Aotearoa is just at the starting line and has the opportunity to leapfrog the international learnings of our tuakana that have been implementing supplier diversity for over 50 years.

The purpose of supplier diversity is to lift the prosperity of minority groups that have been excluded from the economic growth and success of the country. This purpose is crucial and should be held at the heart of all decisions made regarding the implementation of supplier diversity initiatives, especially verification.

In this article, we will cover the importance of verification, the role of supplier diversity intermediaries, and some of the risks of not verifying business ownership.

The importance of verification - The International Precedent

The message internationally is clear and simple - verification of business ownership is key.

Globally, verification is a robust process done by verification bodies called supplier diversity intermediaries.

There are supplier diversity intermediaries in:

- [Australia](#) (verifies Aboriginal and Torres strait islander businesses)
- [Canada](#) (verifies First Nations (Indians), Inuit or Métis and other minority businesses)
- [America](#) (verifies Native American, Asian-Indian, Asian-Pacific, Black, and Hispanic businesses)
- [South Africa](#) (verifies Black businesses)
- [Aotearoa](#) (verifies Māori and Pasifika businesses)
- And other countries

Some of these intermediaries have been operating for over 50 years and have learned along the way that their key offering is verification and/or certification of business ownership.

The National Minority Supplier Development Council (USA) states that:

(Following Executive Order 11458) "It soon became apparent that to prevent fraud, rigorous third-party certification was required; hence the National Minority Supplier Development Council (NMSDC) was formed in 1971 to determine which organisations qualified for minority business enterprise (MBE) status".

Supply Nation (Australia) states that:

"The veracity and integrity of the businesses on Indigenous Business Direct is essential to Supply Nation. If Supply Nation finds that a business should not be registered, the business will be immediately de-registered. In cases where there may have been fraudulent activity leading to registration, legal proceedings, or referrals to the police in relation to suspected criminal offences, may also be considered".

[The Australian government has recently recommended that Supply Nation look at strengthening its certification process even further to avoid black cladding.](#)

As evidenced above, internationally, verification is taken extremely seriously as there have been cases of fraud in relation to improper identification and spending with businesses that are not Indigenous, or minority-owned (see further below).

The international learnings and rationale give Aotearoa great insights into the critical role of verification and how, when not taken seriously it can be harmful to supplier diversity as a movement but also to the communities they are seeking to support.

Falsified Identity to access diverse supplier contracts.

Falsified identity is when a person purposefully identifies as a minority when they are not. This fraudulent behaviour has become increasingly prevalent with the implementation of supplier diversity initiatives globally.

In the United States of America, non-Indigenous people have capitalised on commercial opportunities by wrongly identifying as Indigenous. Since 2000, the federal government and authorities in 18 states, including California, have awarded more than \$300 million under minority contracting programs to companies whose owners made unsubstantiated claims of being Native American, a Los Angeles Times investigation found. Unfortunately, this is also seen in Australia as well.

["It has become increasingly trendy in recent years for white Australians to adopt a First Nations identity"](#)

A Parliamentary report in Australia has called for independent audits into how Indigenous Procurement Policy (IPP) contracts are awarded to ensure Indigenous peoples are benefitting from the scheme. This is in response to growing concerns about black cladding and falsified identity.

"The Indigenous procurement policy is a billion-dollar industry... we need to do financial audits on where the money's gone, we need to follow the money," - Bill Bashford, Solid Aboriginal Consultancy

Falsifying your ethnicity is not uncommon in other parts of the world as well. Below are some examples of falsified identity to purposely gain supplier diversity contracts:

[Falsifying Indigenous American heritage](#)

[Caucasian man claims to be African American](#)

[Lying about being Disabled and Veteran-owned](#)

[New York contractor pleads guilty to minority fraud](#)

[Governments Struggle to Root Out Fake Minority Contractors](#)

[Construction and Minority Business Fraud](#)

Black Cladding

'[Black cladding](#)' is 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.

Black Cladding is one of the real risks of not verifying businesses and is well understood and actively managed in Australia:

[Calls for probe into black cladding of businesses](#)

[Indigenous entrepreneurs urged to verify their businesses to weed out black cladding](#)

[Indigenous Procurement Policy: minister finally cracks down on 'black cladding'](#)

Self-identification and its risks

Many organisations chose to develop options for businesses to self-identify as an Indigenous business. Self-identification is much easier for organisations to implement. It takes less time as it's usually a simple tick box question, it is easier to maintain as there are no checks and is therefore much lower cost.

However, it's fraught with risks. The biggest risk is that the purpose of developing the database of businesses is defeated and spending occurs with non-Indigenous businesses.

If a business wrongly identifies as a Māori business, self-identification means there is no way to call this out and stop organisations from spending with non-Māori businesses. Data integrity is poor.

Businesses are sold, closed, and merged each year. This affects the ownership of companies and is not reviewed accordingly in self-identification processes.

Having an independent verifying body has proven to be the best way to mitigate the risks of self-identification of Indigenous businesses the world over. International learnings show that people cannot be trusted to correctly/truly self-identify, particularly where there is any ambiguity around what constitutes an Indigenous business.

Self-identification is a high-trust model in a billion-dollar market. We know that when large values are involved, there is a need for a more robust model than 'trust' alone. This requires more than a one-time tick of a box and a surface-level review.

Self-Identification risks:

- Higher risk of false information or fraud as organisations aren't in an immediate position to validate the authenticity of diverse suppliers
- Data is less reliable
- Organisations may spend with non-Indigenous businesses as there are no checks
- Over-inflating Māori business numbers and success
- Over-inflating how well public sector organisations are doing in supplier diversity
- Verified Māori businesses missing out on contract opportunities
- Well-intended non-Māori businesses getting backlash for misinterpreting the definition
- Buyer reputational damage for spending with non-Māori businesses

Conclusion

The purpose of supplier diversity in Aotearoa is to lift the prosperity of those who have been excluded from the economic growth and success of this country. This purpose is crucial and should be held at the heart of all decisions made regarding the implementation of supplier diversity initiatives, especially verification.

It is vital that organisations use supplier diversity intermediaries to source verified businesses to avoid risks in buying from non-Māori businesses. In Aotearoa, that is Amotai. It's also important that Māori businesses verify their ownership to build a trusted database of verified businesses.

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About us

Puna Awarau is a Māori consultancy firm working at the forefront of Indigenous procurement in Aotearoa. With unrivaled expertise in supplier diversity, we are your specialist support. Generating Māori (and Pasifika) socio-economic outcomes within organisations and major projects.

We work with government agencies, local body authorities, Iwi, Māori land trusts, private enterprises and charitable trusts that want to better understand what social value they can create through their spending.

We understand the power of procurement in creating change and believe a more equitable Aotearoa is possible. We offer independent expert advice and support to organisations working towards broader outcomes through social procurement, progressive procurement and/or supplier diversity.

- We are 100% Māori owned
- We are 100% wāhine owned

Puna Awarau founders have whakapapa links to Ngaati Te Ata Waiohua, Te Rarawa, Te Waiariki, Ngāti Tūtae, Ngāi Tuupoto, Ngāti Reinga, Te Hikutu, Te Aupouri, Ngāti Kahu.

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