

The Conference Board of Canada
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Report **April 2005**



Creating Wealth and Employment in Aboriginal Communities

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY



Creating Wealth and Employment in Aboriginal Communities
by *Stelios Loizides and Wanda Wuttunee*

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Preface

This study highlights the factors that contribute to successful wealth and employment creation in 10 Aboriginal communities. Identifying strategies for job and wealth creation is important, not only because these communities have traditionally suffered from high unemployment, but also because the size of the Aboriginal working-age population is expected to increase, amplifying the problem.

The 10 geographically distinct Aboriginal communities we feature share the desire to become self-reliant and control their economic development. To achieve these goals, they have chosen to establish community-owned businesses that they believe will create wealth and employment while preserving their cultures and maintaining respect for traditional values.

Although there are privately owned businesses in Aboriginal communities, this study focuses on the activities of community-owned businesses.

The findings of this research report will be useful to other Aboriginal communities as they pursue their economic development options.

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Methodology

The report is based on a comprehensive literature review as well as on-site and telephone interviews with Aboriginal leaders in 10 geographically distinct communities.

The communities were chosen in consultation with Aboriginal experts, academics and staff at Indian and Northern Affairs Canada. Each community was selected on the basis of its unique approach to creating wealth, its stage of economic development and its geographic location.

Acknowledgements

The Conference Board of Canada acknowledges the contributions of the Aboriginal leaders interviewed for this study. Their insight, expertise and experience have enriched this report. Communities participating in the study included:

Prince Albert Grand Council, Sask.
Moose Deer Point First Nation, Ont.
Whitecap Dakota First Nation, Sask.
Millbrook Mi'kmaq First Nation, N.S.
Waswanipi Cree, Que.

Dogrib Nation Group of Companies, N.W.T.
Inuit, Baffin Region, Nunavut
Tribal Council Investment Group, Man.
Ktunaxa Kinbasket Tribal Council, B.C.
Siksika Nation, Alta.

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Wanda Wuttunee assisted with the literature review and documented three case studies. Ricky Fontaine undertook four of the case studies. Ms. Wuttunee and Mr. Fontaine both contributed to the initial planning of the research, selection of the case studies and preparation of the interview questions. Prem Benimadhu, Alison Dempsey, David Brown and Robert Anderson provided useful comments.

Responsibility for the methodology and content of the report lies with The Conference Board of Canada.

Creating Wealth and Employment in Aboriginal Communities

Despite considerable efforts by Aboriginal leaders, governments and other organizations, the unemployment rate in Canada's Aboriginal population—particularly in traditional Aboriginal communities—is high. The lack of employment prospects for Aboriginal people will likely become more serious with time. Given these factors, the creation of wealth and employment in Aboriginal communities is a priority for their Aboriginal leaders.

There is general consensus among leaders in traditional Aboriginal communities that economic self-sufficiency must come about through the establishment and growth of business enterprises within the communities. These Aboriginal leaders argue that the status quo—high unemployment and dependency on government funding—is not acceptable. They are committed to creating business enterprises in order to address a serious unemployment problem and improve socio-economic conditions in their communities.

Leaders in traditional Aboriginal communities agree that economic self-sufficiency must come about through the establishment and growth of business enterprises within the communities.

The Conference Board of Canada undertook a study of 10 Aboriginal communities to examine the role of wealth and employment creation in Aboriginal economic development. This report examines how these

communities have established community-owned business enterprises as foundations for their economic and social development, enhanced self-reliance and autonomy. Each Aboriginal community has its own unique profile, but all share the same approach to wealth and employment creation. These communities use sound governance and management practices in their business enterprises to meet market demand. In addition, they incorporate the values of sharing, community decision-making and respect for tradition that are expressions of Aboriginal culture.

This report identifies six key factors that contribute to the success of Aboriginal community-owned enterprises. We explore these factors in the context of the 10 community case studies set out in the appendix of this report. They are:

Strong leadership and vision: Strong leadership is an important element of successful economic development in Aboriginal communities. Aboriginal leaders provide a vision of what the community needs to do to create wealth and employment. They search for business opportunities and join forces with corporations and governments to build better futures for their communities.

A strategic community economic development plan: Aboriginal leaders, in consultation with their communities, must develop strategic community economic development plans. The strategic plan takes into account the community's strengths (e.g., location, human capital, access to land and resources) and provides an assessment of the business opportunities available to the community.

It also includes the creation of community-owned business enterprises to meet market needs and, ideally, should contain decisions about how profits from wealth creation will be distributed.

Access to capital, markets and management expertise: Aboriginal communities must be able to gain access to capital, markets and management expertise in order to establish and grow their business enterprises. Many communities are creating development corporations in order to gain access to capital, manage their businesses and enter into joint ventures with corporations.

Good governance and management: Good governance and management are key components of a successful Aboriginal business enterprise. The board of directors and those in charge of the day-to-day operations of the business enterprise must work in a cooperative and unified way. There should be ongoing communication and flow of relevant and timely information between the board and management.

Transparency and accountability: To be accountable to the community, the board of directors and management must ensure that the operations of their business enterprise are transparent. They must put in place effective systems of governance, transparency and accountability that emphasize community control and fiscal responsibility.

The positive interplay of business and politics: In Aboriginal community-owned enterprises, the interplay of business and politics is complex and dynamic. Aboriginal political leaders are often involved as members of the enterprise's board of directors, and problems can arise when they try to manage the day-to-day business of the enterprise. Acceptable protocols must be established to clarify the roles and responsibilities of board members and reduce political interference.

Aboriginal community-owned enterprises are successful in creating wealth and employment. These enterprises reinvest their profits to improve business performance and pursue growth opportunities. Furthermore, they use a portion of their earnings to address community needs, such as improved health, education and infrastructure.

Unemployment in Aboriginal Communities

The Royal Commission on Aboriginal Peoples found that “Aboriginal people endure ill health, run-down and over-crowded housing, polluted water, inadequate schools, poverty and family breakdown at rates found more often in developing countries than in Canada.”¹ According to the Department of Indian Affairs and Northern Development’s *First Nations Community Well-Being Index*, half of First Nations communities score in the lower range of the index compared with 3 per cent of other Canadian communities. Only one First Nation community appears in the top 100 Canadian communities, while 92 appear in the bottom 100.²

Despite considerable efforts by Aboriginal leaders, governments and other organizations, the unemployment rate in Aboriginal communities remains high. In his report *Aboriginal People in Canada’s Labour Market: Work and Unemployment, Today and Tomorrow*, Michael Mendelson notes that in 2001, the Aboriginal unemployment rate was almost three times the national rate, while on reserves it was almost four times the Canadian average.³ Aware of their increased chances of employment in urban areas, many Aboriginal people are migrating to cities in search of jobs. Deciding whether or not to move, however, may not be easy. Aboriginal communities—which are legally and geographically defined, as compared to urban communities—usually have clear rules of membership and residency as well as a fairly homogeneous culture. Benefits such as community housing are often provided. Geographically distinct Aboriginal communities (on reserves, in the Northwest Territories, and in the Yukon and Nunavut) offer a greater sense of community as places where one can find the support of family

and friends. Aboriginal leaders recognize that because of these factors there will continue to be push and pull pressures for their people—to stay in their communities or migrate to the cities.

Despite considerable efforts by Aboriginal leaders, governments and other organizations, the unemployment rate in Aboriginal communities remains high.

The lack of employment prospects for Aboriginal people will likely become more serious with time.⁴ Due to higher birth rates and increasing life expectancy for this group, the Aboriginal population is the fastest growing segment of Canadian society. Its growth rate is more than three times that of all Canadians. According to projections of the Royal Commission, the Aboriginal population was expected to grow from 720,600 in 1991 to 959,000 by 2006, and to reach 1,093,400 by 2016.⁵ But, based on the 2001 Census data, those projections have underestimated the growth of the Aboriginal population, which reached 976,305 in 2001.⁶ With half of the total Aboriginal population under the age of 25, including almost 60 per cent of the Status Indian population, there will be an increasing need for jobs in Aboriginal communities. Traditional economic activities—such as hunting, trapping and fishing—will not be sufficient to provide employment for the increasing numbers of young people, even if they are bolstered by the burgeoning Aboriginal business sector. Unless more jobs are created, Aboriginal unemployment is likely to increase.

1 Royal Commission on Aboriginal Peoples, *People to People, Nation to Nation* (Ottawa: Minister of Supply and Services Canada, 1996), p. 59.

2 Indian and Northern Affairs Canada, *First Nations Community Well-being Index* (INAC, October 2004). Available at <www.ainc-inac.gc.ca>.

3 Michael Mendelson, *Aboriginal People in Canada’s Labour Market: Work and Unemployment, Today and Tomorrow* (Ottawa: Caledon Institute of Social Studies, March 2004).

4 Stelios Loizides and Janusz Zieminski, *Employment Prospects for Aboriginal People* (Ottawa: The Conference Board of Canada, 1998).

5 M.J. Norris, D. Kerr and F. Nault, *Projections of the Aboriginal Identity Population in Canada, 1991–2016* (Ottawa: Royal Commission on Aboriginal Peoples, 1995), p. 40.

6 Statistics Canada, 2001 Census, Aboriginal Peoples of Canada.

Community Capitalism: A Study of 10 Aboriginal Communities

What will it take to address the lack of employment opportunities for Aboriginal people? In its report *The Promise of the Future: Achieving Economic Self-Sufficiency Through Access to Capital*, the National Aboriginal Financing Task Force argued, “The most effective way (and probably the only way) for Aboriginal communities to address their current socio-economic challenges is to create wealth through business activity.”¹ Stephen Kakfwi, former premier of the Northwest Territories, provides a politician’s perspective on why Aboriginal people are trying to improve their socio-economic conditions through business development, wealth and employment creation in their communities: “We have two choices. We can hide away in our communities and live simple little lives, but there will still be huge social problems. Or we can embrace development and build a better future.”²

Aboriginal people want to become self-sufficient while preserving their traditional values in the process.

There is general consensus among Aboriginal people that economic self-sufficiency must come from the establishment and growth of business enterprises.³ Aboriginal people want to become self-sufficient while preserving their traditional values in the process. Aboriginal communities in Canada embrace many customs and cultures, but a common thread joins them. The values of respect, pride, dignity, sharing, hospitality and mutual aid are at the root of Aboriginal culture in all its expressions. These values are reflected in the desire for Aboriginal communities to balance their traditional communal ownership of land and resources with the capitalist tradition of private property ownership.

The concept of community capitalism involves a business culture that incorporates the best of capitalism and Aboriginal values.

Capitalism is an economic system characterized by private or corporate ownership of capital goods. Investment decisions are made by individuals or businesses rather than by the state. The production and distribution of goods are determined mainly by competition in a free market. Differences exist between the key tenets of capitalism—such as individualism, profit maximization, accumulation of wealth and the market economy—and the Aboriginal values of harmony, balance and reciprocity. The head of a prominent First Nation organization told the Auditor General that “underdevelopment is not simply the natural state of First Nations economies; it is happening because market forces are not operating properly on First Nation lands.”⁴

Ted DeJong, chief executive officer for the Prince Albert Development Corporation, used the term “community capitalism” to describe how community-owned enterprises can create wealth and employment in Aboriginal communities. Inherent in the concept of community capitalism is the nurturing of a business culture that incorporates the best of capitalism and Aboriginal values. It incorporates effective business principles and focuses on profits and jobs while giving weight to socio-cultural factors in the business planning and implementation phases.

The Conference Board of Canada undertook a study of 10 Aboriginal communities to examine the role of wealth and employment creation in Aboriginal economic development. This report presents 10 exceptional cases of community capitalism at work in Aboriginal

communities. Each Aboriginal community has its own unique profile, but all share the same approach to wealth and employment creation. All of the communities use sound governance and management practices in their business enterprises to meet market demand. In addition, they incorporate the values of sharing, community decision-making and respect for Aboriginal culture. The 10 communities that participated in this research are:

- the Prince Albert Grand Council, Saskatchewan;
- the Dogrib Nation Group of Companies, Northwest Territories;
- the Moose Deer Point First Nation, Ontario;
- the Inuit of the Baffin Region, High Arctic and Belcher Islands, Nunavut;

- the Whitecap Dakota First Nation, Saskatchewan;
- the Tribal Council Investment Group, Manitoba;
- the Millbrook Mi'kmaq First Nation, Nova Scotia;
- the Ktunaxa Kinbasket Tribal Council, British Columbia;
- the Waswanipi Cree, Quebec; and
- the Siksika Nation, Alberta.

The following pages contain the insights and perspectives of the political and business leaders of these communities. Their ideas provide inspiration for other Aboriginal communities in their efforts to create wealth and employment.

1 National Aboriginal Financing Task Force, *The Promise of the Future: Achieving Economic Self-sufficiency through Access to Capital* (Ottawa: Government of Canada, 1996), p. 14.

2 Stephen Kakfwi, "Rough Trade," *The Walrus* (April/May 2004), p. 49.

3 R.B. Anderson, *Economic Development among the Aboriginal Peoples in Canada: The Hope for the Future* (Concord, Ontario: Captus Press Inc., 1999).

4 Auditor General of Canada, *Economic Development of First Nations Communities: Institutional Arrangements* (Ottawa: Auditor General, 2003), p. 7.

Aboriginal Enterprises: Community Capitalism at Work

This study identifies six factors that contribute to the success of Aboriginal community-owned enterprises:

- strong leadership and vision;
- a strategic community economic development plan;
- access to capital, markets and management expertise;
- good governance and management;
- transparency and accountability; and
- the positive interplay of business and politics.

STRONG LEADERSHIP AND VISION

Strong leadership is an important element of successful economic development in Aboriginal communities. An Aboriginal leader provides a vision of what the community needs to do to create wealth and employment for its young and growing population. All of the Aboriginal communities documented in this study had dedicated leaders who were committed to economic self-reliance. These leaders are searching for business opportunities to create wealth, and are determined to join forces with corporations and governments to build better futures for their communities.

Chief Lawrence Paul is an inspired leader with a strong vision for the Millbrook Mi'kmaq First Nation of Nova Scotia. He has said, "We are going forward in the field of economic development and free enterprise, and we are going to continue to go forward and expand . . . I would predict success after success after success."¹ The dynamic and trusted leadership of Chief Lawrence Paul and the Millbrook Council has proved to be a key catalyst for the community's economic success. The Truro Power Centre, owned and operated by the Mi'kmaq First Nation, is a highly successful commercial development in the middle of the Halifax–Moncton growth corridor.

Gary Merasty, Grand Chief of the Prince Albert Grand Council (Saskatchewan) has a similar vision for his community. He describes previous attempts at eco-

nomics as short-sighted in terms of youth investment and wealth creation; job creation based on short-term projects did not address unemployment issues effectively. Grand Chief Merasty told the Conference Board, "If children really are our future, then we need to stop the rhetoric and devise a long-term plan focusing on employment and wealth creation. It is wealth that will allow us to be independent and self-reliant. It is a new approach to economic development that is much more supportive of success."² Grand Chief Merasty works closely with the chief executive officer of the council's development corporation to identify and cultivate good investment opportunities.

Strong leadership is an important element of successful economic development in Aboriginal communities.

Chief Sophie Pierre, a respected leader of the Ktunaxa Kinbasket Tribal Council (British Columbia), believes that "self-determination through economic self-reliance works to reduce poverty."³ Chief Pierre and the five bands of the Tribal Council have worked hard to convert a residential school into a first-class holiday resort. The project is owned by the five Ktunaxa bands and has generated 240 direct and 240 indirect jobs, as well as revenue from the business.

A STRATEGIC COMMUNITY ECONOMIC DEVELOPMENT PLAN

Developing a strategic community economic development plan is important for Aboriginal communities. Aboriginal leaders, in consultation with community stakeholders, do develop such strategic plans for their community. They conduct an assessment of the business possibilities available to the community, taking into account the community's strengths, weaknesses and

opportunities, and external advice is often sought. The strategic plan includes the creation of community business enterprises to meet market needs. These enterprises take advantage of the best features of the community, such as location, access to land and resources, human capital and partnerships with corporations. In addition, the community strategic plan includes decisions about how the benefits of wealth creation will be distributed.

The Prince Albert Grand Council has an example of a well-thought-out strategic plan. Its vision is to improve the socio-economic situation of its communities and to create 585 jobs each year for 10 years, guaranteeing 50 per cent employment. The council's strategic plan combines internally generated ideas with external opportunities to create jobs and promote self-sufficiency. The Council is currently focusing on youth and education. The strategic plan targets industries with high employment needs, such as hotels, and it fast-tracks interested youth into suitable educational opportunities. Today, more than 400 band members are employed in community-owned businesses.

The Whitecap Dakota First Nation's strategic community economic development plan includes a land use plan, which designates land for residential and commercial development. Already, a number of community-owned enterprises have been established: a golf course, a casino, RV parks, a hotel and a training centre. It is important to the Whitecap Dakota First Nation that these businesses be compatible with community values and have little or no negative impact on the environment. Moreover, the strategic plan ensures that the community development corporation's profits are reinvested in community culture and language.

ACCESS TO CAPITAL, MARKETS AND MANAGEMENT EXPERTISE

Aboriginal communities use different strategies to gain access to the capital, markets and management expertise needed for their business enterprises. These communities seek government funds, reinvest retained earnings and put programs in place to raise tax revenue. They create development corporations to gain access to specific sources of government funding, manage their business enterprises and enter into joint ventures with corporations. Gaining access to these resources—equity, markets and management skills—enables Aboriginal enterprises to become viable and grow.

The Ktunaxa Kinbasket Tribal Council of British Columbia provides a good example of how to gain access to capital, markets and management expertise. The Council has successfully brought together a number of stakeholders to collaborate on the St. Eugene Mission holiday resort. The five Ktunaxa bands, as well as Columbia Basin Trust and the Government of Canada, were investors. The Royal Bank of Canada, Western Economic Diversification Canada, Delta Hotels and Peace Hills Trust provided loans. Delta Hotels and the British Columbia Lottery Corporation contributed their management expertise.

The Dogrib Nation Group of Companies' joint venture with SNC-Lavalin has been instrumental in providing access to capital, technology and management know-how. Similarly, the Waswanipi Cree community's joint venture with Domtar provided equity capital, management expertise and access to markets.

The Moose Deer Point First Nation benefited from investment funds and technical expertise from Husky Injection Molding Systems Ltd. This investment was critical to the establishment of the community-owned business Niigon Technologies Inc.

The Whitecap Dakota First Nation is a small community with limited access to capital to finance its infrastructure and other needs. To generate the revenue needed, the community started charging a goods and services tax on fuels, cigarettes and alcohol.

GOOD GOVERNANCE AND MANAGEMENT

Good governance and management are key components of a successful Aboriginal business enterprise. The board of directors responsible for governance and the management team in charge of the day-to-day operations of the business enterprise must work in a co-operative and unified way. The board of directors provides strategic direction and oversight, making sure management runs the enterprise effectively and efficiently. Management, for its part, needs to keep the board well-informed about business operations and factors that could influence performance. There should be ongoing communication and flow of relevant and timely information between the board and management to establish the transparency, accountability and trust that are so critical to the successful performance of any organization.

The board of directors and management team need to find an optimum mix of distributing the profits to community members, using profits to address community needs and/or reinvesting earnings into the enterprise to improve and expand operations. Many Aboriginal business leaders who participated in this study believe they need to pay more attention to the bottom line and profitability—which, in turn, will enable their enterprises to grow and thus create more wealth and employment in their communities.

It is difficult to achieve the optimum mix of distributing, spending and reinvesting profits.

In the case of the Prince Albert Grand Council, the board of directors includes chiefs from each of the First Nations that makes up the Council. The grand chief acts as the chair of the board of directors. The board oversees the activities of the chief executive officer of the development corporation, who is responsible for the management of the council's enterprises.

The Moose Deer Point First Nation has used a unique governance and management approach in order to ensure the success of its major community enterprise, Niigon Technologies. Five out of the seven directors on Niigon's board come from outside of the community, and their business expertise has been invaluable to Niigon. The other two board members are the chief and the president of the community trust fund. The general manager and production supervisor, although they come from outside the community, have the business knowledge and technical expertise to manage the business.

The Tribal Council Investment Group is a tightly run, lean management company representing the business interests of the seven tribal councils of Manitoba. Each tribal council appoints a member to the Group's board of directors. The Group follows a comprehensive assessment process when approving investment, believing that time spent on upfront investigation reduces the risk of poor investments. Management examines all investment opportunities and brings them to the board of directors for approval. This investment decision-making process reflects the Group's commitment to Aboriginal community shareholders.

TRANSPARENCY AND ACCOUNTABILITY

To be accountable to the community, the board of directors and management must ensure that the operations of their business enterprise are transparent. They must establish effective systems of governance, accountability and transparency that emphasize community control and fiscal responsibility. The trust and confidence of the community are closely linked to effective reporting that provides a clear picture of business affairs, financial status and the distribution of benefits.

Darcy Bear, Chief of the Whitecap Dakota First Nation, believes that to be transparent and accountable, the board and management must establish structures that provide the community and outside organizations with a clear picture of the status of the enterprise. "First, analyze your in-house operations," he said in an interview with the Conference Board. "Have a good financial system in place and good people to give relevant financial information . . . Regular meetings will encourage community members to feel that they are part of the decision-making. They will come up with ideas that you never thought of, and they are a great sounding board . . . A solid community foundation will help you build credibility with outside businesses. The Government wants that foundation, too. Who would want to be your partner without that solid foundation? You'll have earned trust and respect when everything is in order. You'll have shown you are accountable, you have good governance and no one is protesting every day outside your office, because you're keeping them involved."⁴

The Council of Whitecap Dakota puts these ideas into practice by holding regular monthly meetings with the elders and circulating weekly newsletters to members.

Two other councils strive to be transparent and accountable:

- The Prince Albert Grand Council produces an annual report and a web-based newsletter, and board members attend community meetings upon invitation.
- The Tribal Council Investment Group circulates minutes and financial statements to its tribal councils and community members. It also offers a weekly radio program about its activities.

THE POSITIVE INTERPLAY OF BUSINESS AND POLITICS

American research has found that Aboriginal community-owned business enterprises in the United States that are subject to undue political influence frequently fail to thrive. This finding suggests that separating business and politics leads to more effective business operations.⁵

For Aboriginal community-owned enterprises in Canada, the interplay between business and politics is complex and dynamic. There is an ongoing effort to use politics to promote the profit goals of a development corporation. Leaders support businesses through effective intervention and lobbying of industry and government. However, problems can arise when political leaders try to manage the day-to-day business of the enterprise, overriding the intentions of management. For example:

- Decisions are often made by board members who are also political leaders representing their communities.
- Business principles may be superseded by other interests, such as when the board is considering the results of the investment due diligence process.
- Rather than focusing on ensuring a profitable investment, discussion sometimes strays to who has control, how much money there will be and who is being hired.

The Aboriginal business leaders who participated in this study acknowledge the complexity of the relationship between politics and business. They view supportive political and business arrangements as important to the pursuit of their goals: wealth and employment creation and improved quality of life for their community. They recognize that Aboriginal political leaders are often involved as members of a business enterprise's board of directors. That is why it is important to establish acceptable protocols: to clarify the roles and responsibilities of board members and reduce political interference. These measures will enable boards to reach important business decisions in a timely fashion. In addition, an orientation for new board members and guidance by seasoned board members are critical to this approach.

The Millbrook Mi'kmaq First Nation takes a pragmatic approach that blends business and politics so that they support each other. The band has learned that such a blend allows the chief and council to be closely involved in the decision-making process regarding business enterprises. At the same time, the band continuously strives for good governance in order to ensure that power and control are exercised with accountability and transparency.

1 Chief Lawrence Paul, Interview.

2 Grand Chief Gary Merasty, Interview.

3 Chief Sophie Pierre, Interview.

4 Chief Darcy Bear, Interview.

5 Miriam Jorgensen and Jonathan B. Taylor, *What Determines Indian Economic Success? Evidence from Tribal and Individual Indian Enterprises Development* (Boston: Harvard Project on American Indian Economic Development, June 2000).

The Benefits of Community-owned Enterprises

Aboriginal community-owned enterprises are proving to be an effective way of creating employment and wealth. Aboriginal leaders are determined to create more jobs, particularly in view of the large number of young people who are now old enough to begin working. Here are some examples of community-owned enterprises that have created employment opportunities for Aboriginal youth:

- The St. Eugene Mission resort project of the Ktunaxa Nation has generated approximately 240 direct and 240 indirect jobs for community members.
- Whitecap Dakota's larger enterprises have created 600 jobs for the community.
- More than 400 band members of the First Nations of Prince Albert Council are employed by Aboriginal community-owned enterprises.

Aboriginal community-owned enterprises are generating wealth and profits for their communities. The profits generated by these enterprises can be distributed directly to community members, reinvested to expand existing businesses, or used to develop new lines of business, creating additional employment opportunities. Aboriginal leaders also expect a portion of the profits to be used to address community development needs, such as better housing, and improved health and recreation facilities, education and infrastructure.

Aboriginal communities are seeking the optimal balance between distributing business profits and reinvesting them to expand business operations. To illustrate, Millbrook ensures that band members profit directly from their enterprises' business successes: all band members receive \$2,500 annually regardless of where they live.¹ In terms of profit distribution and reinvestment of retained earnings, the Prince Albert Grand Council, for

example, has determined a formula: for each dollar of net profit, 33 per cent is paid as dividends to shareholders; 33 per cent is for new investments; and 33 per cent is used to upgrade investments and assets. In contrast, the Tribal Council Investment Group took many years to determine that a 50/50 formula was the best balance between reinvestment and distribution of profits to tribal council shareholders. Finally, Whitecap's reinvestments will yield profits for distribution in the future.

There is often an internal tension regarding using income from the enterprise to reinvest and grow the business and returning it to the community to support other critical needs, such as housing or social services. Many of the Aboriginal communities that participated in this study addressed this problem by establishing policies on how business income or other investments would be managed. These policies usually state that income or profits from businesses and investment must first be used to sustain the business. Income from the business is returned to the communities for other needs only once the sustainability of the business is assured.

Whitecap Dakota plans to make investment in the community a priority. Chief Darcy notes that there will be no per capita distribution program. "We want to make our people proud, so the next generation will see the success and carry it forward. We will invest in schooling, post-secondary students, the Elders program, enhanced health care, our language, and in infrastructure, such as paved roads."² Millbrook is also using the profits of its enterprise successes to improve services in the community. In the past year, the band has spent approximately \$4 million on a new band administration building and health centre.

1 "Millbrook Makes Magic; Band's Power Centre Proves to Be Major Springboard," *The Chronicle-Herald*, Jan. 11, 2005.

2 Chief Darcy Bear, Interview.

CONCLUSION

Meeting Community and Market Needs—and Generating Profit

A boriginal communities want to become self-reliant and control their economic development. To do this, they are establishing community-owned businesses that seek to create wealth and employment while maintaining respect for traditional values. These community enterprises use business management principles to meet market needs and generate profits. But their governance and accountability structures differ from those of other Canadian businesses: they seek to ensure that there is community representation on their boards and that their decisions reflect the needs, expectations and values of the communities they represent. At the same time, their management strategies and decision-making processes are based on fundamental business principles of performance and are not generally affected by political interference. Good governance, accountability, transparency and the trust of community members are fundamental to the continued existence and performance of these enterprises.

These communities are clearly benefiting from a community capitalism type of business development.

This study examined 10 Aboriginal communities and their community-owned business enterprises. The results were impressive. These enterprises have been successful in creating wealth and employment in their communities. Their profits are reinvested to improve business performance and to grow other community-owned businesses that will create still more jobs. A share of the profits is used to address community needs, such as infrastructure, housing, and health and recreation centres. These 10 Aboriginal communities are clearly benefiting from this special type of local business development. We hope the ideas and insights derived from their experience will be useful to other Aboriginal leaders as they explore their economic development options.

Case Studies of Aboriginal Communities

1. WASWANAPI CREE, QUEBEC

Waswanipi Cree leaders realized that given their young and growing population, there was a strong need to create jobs for young people who were just entering the labour force. They decided that their community economic development strategic plan, based on existing forestry, silviculture and traditional economic activities, would not be sufficient to sustain their communities over the long run. They were originally interested in building a lumber mill, but the cost of establishing one was beyond the community's means. In addition, funding sources demanded a demonstration of technical expertise and management experience in running a commercially viable mill. The Waswanipi Cree came up with a creative and successful solution: to expand their forestry operations by entering into a joint venture with Domtar Inc., a large forestry company based in Montréal.

The Waswanipi Mishtuk Corporation is the forestry business arm of the Waswanipi community. It is responsible for forest management, silviculture and timber harvesting. The corporation's activities attempt to strike a balance between the need to create jobs and the need to maintain the Cree's relationship with the land and traditional activities such as trapping. The Waswanipi Mishtuk Corporation's joint venture with Domtar is called "Nabakatuk Forest Products." Nabakatuk's board of directors includes three directors from Domtar and four from Waswanipi.

The joint venture with Domtar has provided much-needed equity capital, management expertise and access to markets. Funding came from the Waswanipi Band, Domtar and Industry Canada. The venture operates to generate profit while addressing the needs and expectations of the community: employment and training, and respect for trapping and burial sites.

As part of their strategic community economic development plan, the Waswanipi Cree are selling some community-owned businesses to individual entrepreneurs in the community. They want to generate the equity needed to enable the community to pursue economic development through community-owned businesses that cater to tourists.

2. PRINCE ALBERT GRAND COUNCIL, SASKATCHEWAN

The Prince Albert Grand Council represents eight First Nation communities in northern Saskatchewan. The Prince Albert Grand Council follows a strategic planning approach that accommodates internally generated ideas and external opportunities to promote economic self-sufficiency. To improve the socio-economic situation significantly in these communities, the Council hopes to create 585 jobs per year for 10 years, guaranteeing 50 per cent employment.

It took the Prince Albert Grand Council more than 24 years to establish a business culture. It has taken the past decade to establish real trust among the various community stakeholders, as well as a track record of successful partnerships and the training and retention of professional management. There has been continuity in board leadership; a long record of re-election has translated into consistency in the approach to investment and business development. The board includes chiefs from each of the First Nations that makes up the Council. The grand chief acts as the chair and works with the chief executive officer of the development corporation to identify and cultivate investment opportunities. Investment guidelines and policies guide the work of the development corporation.

The Prince Albert Grand Council is currently focusing on youth and education. It targets industries with

high employment needs, such as hotels, and fast-tracks interested youth into suitable educational opportunities. Today, more than 400 band members are employed in community-owned businesses.

3. DOGRIB NATION GROUP OF COMPANIES, NORTHWEST TERRITORIES

The Dogrib Nation Group of Companies was established to create wealth and employment for Aboriginal people and to develop business partnerships with corporations. The Group works for, and on behalf of, the communities of the Dogrib Nation.

Proximity to natural resource development sites is a considerable advantage on which the Dogrib Nation is capitalizing. In particular, the Dogrib Nation Group of Companies is tapping into the business opportunities created by diamond mines, the oil and gas industry, and pipeline development in the region. The Group is involved in hydroelectric generation, forestry, heavy equipment supply, aviation, construction and catering in the Northwest Territories. It has used impact and benefit agreements as mechanisms to build relationships with industry players. The Group's accomplishments are prime examples of what can be done to establish and operate businesses successfully. These businesses employ top-quality managers and operate at arm's length from political leaders. In addition, the board of directors representing the Dogrib Nation communities provides governance oversight, ensuring accountability to the communities.

The Nishi-Khon/SNC-Lavalin joint venture provides access to capital, technology and management know-how. In 2002, this joint venture and Diavik Diamond Mines Inc. were awarded the Canadian Council of Professional Engineers' National Award for Engineering Achievement for the design and construction of a 3.9-kilometre dike.

The Dogrib Nation Group of Companies has been responsible for significant wealth and employment creation in the Dogrib communities. Profits made by the Group are reinvested either to improve and expand their business operations or to address community needs.

4. MOOSE DEER POINT FIRST NATION, ONTARIO

Niigon Technologies Inc. was the result of a vision and plan developed by the chief and Council of the Moose Deer Point First Nation. With the encouragement and financial support of Robert Schad, chairman of Husky Injection Molding Systems Ltd., the Nation decided on a business in which community members could work year-round instead of being seasonally unemployed and dependent on welfare. (Most of the other employment opportunities were seasonal, such as small businesses that serve cottages.)

Niigon produces quality injection molded products. The manufacturing facility is state-of-the-art, with minimum impact on the environment. Over time, the firm has specialized in fewer products in order to exploit economies of scale.

Niigon has five directors on its board who have business experience and expertise but who are not part of the Moose Deer Point First Nation community. The other two directors are the chief and the president of the community trust fund, both elected by members of the Moose Deer Point community. Niigon's general manager and production supervisor are also from outside of the community, only because the technical expertise and business management knowledge required for the job did not exist within the community.

Niigon has been in operation for two and a half years, and is still running at a loss. However, the company expects to break even next year. Management is trying to convince workers that if their wages increase too much, Niigon will not be as competitive as other suppliers. Niigon's main challenge is training employees in the technical aspects of the operation as well as building employees' self-confidence in their abilities to run and manage the business.

5. KAKIVAK ASSOCIATION, NUNAVUT

The Kakivak Association is the community economic development division of the Qikiqtani Inuit Association, representing the interests of the Inuit of the Baffin Region, High Arctic and Belcher Islands.

Despite the remoteness of these communities, Kakivak staff visit communities to find out what their needs and expectations are and to establish programs to meet those needs. Kakivak provides financial, technical and marketing assistance to help Inuit people establish businesses. In addition, Kakivak helps to train the Inuit to own, manage and expand their businesses.

Kakivak has established a skilled technical team, good management and political leadership, and strong community support. The Kakivak board of directors is diverse and reflects the community's expectations, values and needs.

Kakivak has contributed to small-business entrepreneurs' business skills, preparing them to make sound investment decisions. These entrepreneurs are using capitalist management principles that are compatible with Inuit values and culture. Many of these business people need help gaining access to markets beyond their communities. Art businesses require marketing support, while tourist sector businesses need an improved infrastructure that will enable tourists to visit their communities.

6. WHITECAP DAKOTA FIRST NATION, SASKATCHEWAN

Chief Darcy Bear of the Whitecap Dakota First Nation described the rationale for creating wealth and employment in his community when he explained that “without hope and opportunity, you can have all the social programming you want, but if people don't have a job at the end of the day, how are you going to create a healthy lifestyle?...We are opening our borders and saying, ‘we want to be part of that economy, we want to be part of that solution, and we are going to be part of that solution.’ I think that is what it's going to take in order for us to move ahead as First Nations.”¹

This First Nation community is forging ahead to get things done. It consulted community members and drew up a strategic plan designating land for residential and commercial development. The community then pushed ahead on large projects, including a golf course, a casino, RV parks, a hotel and a training centre. These projects produced a total of 600 jobs and were made possible through partner investments and lease opportunities.

Whitecap's recent economic success is the result of a long period of reconstruction coming after the

community experienced serious financial difficulties. Through wealth and employment creation, the basic needs of the community are now being met. Because Whitecap members have access to good careers, they can provide comfortably for their families. Whitecap continues to charge a goods and services tax on fuels, cigarettes and alcohol in order to maintain the tax base it requires to address community needs.

7. TRIBAL COUNCIL INVESTMENT GROUP, MANITOBA

The Tribal Council Investment Group (TCIG) is owned by the seven tribal councils of Manitoba (representing their First Nation communities) and is dedicated to the economic development of its member communities. It invests in businesses that provide a reasonable return, generate wealth and employment, and create a capital pool for community economic development. These businesses include food and beverage services, health benefits and health management services, financial services, and food and dry goods distribution and retailing.

The TCIG is a tightly run, lean management company with an intimate knowledge of community needs, a stable board and a dynamic management team. It acts as a vehicle to gain access to larger investment projects through joint ventures. Each tribal council appoints a member responsible for economic development to the TCIG's board. The board and management team work together to achieve unity of purpose.

The TCIG's efforts have generated a solid foundation of wealth and employment and created a capital pool of more than \$40 million for community economic development. Among its most successful investments is a Pepsi franchise that has grown across northern Canada. It has expanded the product lines to include water and juice, as well as diversified into frozen dairy products.

Philip Dorion, chairman of TCIG, comments on the performance of his organization: “Is it making a big profit? Is it providing adequate returns to shareholders? Is it achieving financial independence? Is it generating wealth? Is it doing all of those? I think we have done all of those. We want to continue doing all of those things in order to be successful in working with our First Nations. We want to build on our respect in the business community and be recognizable, too. We are proud when we say Tribal Council Investment Group.”²

8. MILLBROOK MI'KMAQ FIRST NATION, NOVA SCOTIA

The Millbrook Mi'kmaq First Nation is located in four reserve areas in and around Truro, Nova Scotia. Millbrook is the largest of the four communities. The nation has been very successful in pursuing economic independence and has established a number of enterprises that create wealth and employment.

Millbrook's biggest business initiative is the Truro Power Centre, a commercial development in the middle of the Halifax–Moncton growth corridor. This centre has been highly successful in attracting a number of businesses and jobs to the area. As Millbrook Chief Lawrence Paul said, “We are going forward in the field of economic development and free enterprise, and we are going to continue to go forward and expand. I think, in about five years, things are going to look completely different at the Power Centre. There is no doubt in my mind it will be a mini ‘Bayers Lake’ development. I would predict success after success after success.”³

The Millbrook Council's approach to the management of their economic development is entrepreneurial in nature. The Council has a very impressive record of business development that enables it to attract private sector investors. Millbrook Council members believe that it is important and useful to combine business and politics. Although they are aware of the potential difficulties of this approach, they emphasize good governance and the need to build sustainable business enterprises. The community's faith and trust in the Council's members is reflected in their continued re-election.

The combination of good location with the dynamic leadership of the chief and Council has proved to be the catalyst for the Nation's economic success. Other factors include: being flexible about emerging opportunities; being involved in regional business networks; taking risks; hiring people who have the right skills; and building business management capacity. Millbrook has created more jobs than needed for the size of the available labour force. The community is closing the socio-economic gap between itself and other Canadian communities. Recently, the Council distributed the profits from band-owned enterprises to members of the community, both on- and off-reserve.

9. KTUNAXA KINBASKET TRIBAL COUNCIL, BRITISH COLUMBIA

The Ktunaxa Kinbasket Tribal Council represents the five Ktunaxa bands and their respective First Nation communities. Chief Sophie Pierre, leader of the Tribal Council, believes that “self-determination through economic self-reliance works to reduce poverty.”⁴ Chief Pierre and the five bands of the Tribal Council have undertaken a huge project to convert a residential school into a first-class holiday resort.

The St. Eugene Mission enterprise is a public–private partnership whose stakeholders include: investors (the five Ktunaxa bands, Columbia Basin Trust and the Government of Canada); lenders (Royal Bank of Canada, Western Economic Diversification Canada, Delta Hotels and Peace Hills Trust); and operators (Delta Hotels and the BC Lottery Corporation). The enterprise is owned by the five Ktunaxa bands through two trust corporations of which the bands are the sole beneficiaries. The resort is managed by Delta. The resort's board of directors includes an equal number of members from each Ktunaxa Band. To promote consistency in decision making, each band shares rights and obligations, has an equal share (20 per cent interest) in the resort, and has a voice in how it is run and managed. The resort's ownership and management principles encourage the separation of business and politics.

The St. Eugene Mission enterprise has generated up to 240 direct and 240 indirect jobs—and a stream of cash flows from the business. However, the enterprise faces financial difficulties due to its inability to service its debt. The board is now discussing an equity partnership with two other organizations. They point to several lessons learned: investment in a business carries risk, so it is important to know the industry and your comfort level with risk; leadership should have ongoing communication and consultation with the community; and it is crucial to ensure that the enterprise has sufficient working capital for the first few years.

10. SIKSIKA NATION, ALBERTA

The Siksika Blackfoot community in Alberta occupies a reserve of 70,985 hectares and is situated 80 kilometres east of Calgary. It is a member of the Blackfoot Confederation, which comprises the Blood, Peigan and Blackfoot First Nations. The Siksika community has nearly 6,000 members, slightly more than half of whom live on the reserve. The 2001 Census data show that the community's unemployment rate was 23.5 per cent, while the provincial rate was just 5.2 per cent.

The Siksika Nation has two strategic community goals in relation to wealth and employment creation. First, the Nation hopes to achieve self-government and control over key areas of jurisdiction such as economic development and taxation. Second, the Nation plans to establish business enterprises that will enable it to become self-reliant.

Siksika Resource Development Ltd. (SRDL) was established by the Siksika Nation to manage the band's renewable and non-renewable resources through business and investment strategies, including joint ventures. SRDL has been successful in establishing and managing a number

of community-owned business enterprises that create wealth and employment for the community. SRDL has maximized the return on its investment by establishing joint ventures and partnerships with corporations.

SRDL management balances stakeholder interests through a representative board of directors. The board's investment and audit committees review, select and vet investment opportunities before submitting proposals to the Nation. Various checks and balances relating to business decisions and SRDL's relationship with the Nation are built into the company's organizational structure. It also has a system of internal controls in place to prevent errors, fraud and the inefficient use of resources. SRDL recognizes the importance of community ownership and participation to the success of its business strategy.

SRDL has successfully created employment opportunities for the members of the community through its business involvement in the commercial, industrial, tourism and hydrocarbon sectors. It is profitable, and survives independently of government or other funding sources. SRDL's good working and business relationship with the Siksika Nation ensures the separation of Nation politics from Nation-owned businesses.

1 Chief Darcy Bear, Television interview. Aired by CBC on *The National*, Sept. 24, 2003.

2 Philip Dorion, Interview.

3 Lynn Curwin, "Centre means move towards economic independence," *The Halifax Chronicle-Herald*, Jan. 28, 2004, p. E6.

4 Chief Sophie Pierre, Interview.

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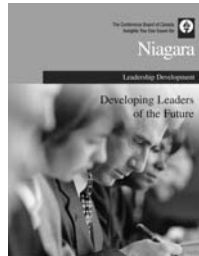
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