

Executive summary

About the *Survey of Aboriginal Economic Development Corporations*

The development of viable business opportunities is essential to the future prosperity of Aboriginal peoples, and for improving Aboriginal employment prospects, especially for the growing number of young Aboriginal job-seekers entering the labour market.

Aboriginal economic development corporations (EDCs) are an important dimension of the Aboriginal business community. EDCs are the economic and business development arm of a First Nations, Métis or Inuit government, and are a major economic driver in Aboriginal communities. These community-owned businesses invest in, own and/or manage subsidiary businesses with the goal of benefiting the Aboriginal citizens that they represent.

Many EDCs have become business success stories, and the dynamism in Aboriginal economic development appears to come as much from community-owned as from privately-owned businesses. Yet the available data on Aboriginal businesses does not include businesses that are community-owned.

The Canadian Council for Aboriginal Business (CCAB) embarked upon the *Survey of Aboriginal Economic Development Corporations* to address this significant information gap, and contribute to the understanding of EDCs' success factors and limitations.

This report provides insights into EDCs' successes, challenges and strategies. The research also examines EDCs' relationships with other organizations (including government and private sector) and their role in the community.

As part of this research initiative, a unique and complementary survey, entitled the *Aboriginal Business Survey*, was conducted with Aboriginal owners of privately-owned small businesses.

The CCAB's goal is to widely communicate the findings of this research so it can be used by Aboriginal people, businesses and communities, as well as by the mainstream business community and governments, to develop new tools and practices that fully realize the potential of Aboriginal business in Canada.

Reports for both the *Survey of Aboriginal Economic Development Corporations* and the *Aboriginal Business Survey* are available for download at www.ccab.com.

The CCAB wishes to thank the supporters of the research; without their contribution, this initiative would not have been possible:

- Indian and Northern Affairs Canada
- IBM Canada Ltd.
- Royal Bank of Canada
- Canadian Education and Research Institute for Counselling
- First Air

Research highlights

Aboriginal economic development corporations are relatively small but long-term, revenue-generating enterprises, and many are experiencing growth.

Most (72%) of the EDCs surveyed have been around for 10 years or longer; the average length of operation is 18 years. The majority (68%) are small businesses (i.e., based on the Industry Canada definition of less than 100 employees). Close to half (46%) had total sales revenues of \$5 million or more for the previous fiscal year.

Many EDCs are also growing. A slim majority (54%) of EDCs saw their sales revenues grow over the previous year; sales remained stable for another one in five (20%).

Community-wide benefits are an important element of how EDCs evaluate their success.

EDCs describe their success not only in terms of specific project accomplishments (e.g., construction of facilities or large-scale developments) and financial growth, but also in terms of the economic and social benefits for the community.

EDCs are a critical source of employment for community members. Four in ten (38%) EDCs report that they are the major employer in their community. Aboriginal peoples comprise, on average, 72 percent of EDCs' employees.

EDCs create opportunities in addition to employment. These include drawing business investment interest into their community by networking, engaging local industry and actively seeking partners, and supporting small business owners in the community, with preferred supplier relationships, and by mentoring and providing financial assistance.

The focus on creating employment opportunities, in addition to the growth of these enterprises, creates challenges in terms of hiring, training and retaining qualified employees.

Employee-related issues are one of the most common challenges facing EDCs. As a result, among EDCs who anticipate capital investment increases over the coming year, large majorities intend to invest in their workforce by developing and training employees (80%) or by hiring new talent (70%), ahead of facility or equipment upgrades.

The larger the organization, the more challenging it is to find qualified Aboriginal employees. Aboriginal peoples comprise an average of 82 percent of the workforce of smaller EDCs (i.e., those with less than 100 employees), but an average 59 percent of the workforce of larger EDCs (i.e., 100 or more employees).

Problems related to accessing capital are another significant concern for Aboriginal EDCs.

Access to capital is identified as another key challenge facing EDCs (together with employee-related issues), and is viewed as the primary potential constraint to planned capital investments for 2011.

When it comes to financial issues, EDCs are most concerned about cash flow management (78% express at least some concern), followed by access to credit (60%) and the effects of inflation (54%) on their business.

EDCs prioritize their relationships with financial institutions over other businesses (Aboriginal and non-Aboriginal) and governments.

The relationship between EDCs and their financial institutions is considered central to their success (84% say it is very important). Fewer, but still majorities, similarly value partnerships with Aboriginal-owned business (64%), training and educational facilities (58%), and local governments (56%). Half or fewer place the same degree of importance on their relationships with non-Aboriginal businesses (48%), or the federal (44%) or provincial (46%) governments.

Most EDCs say they have a positive relationship with their financial institutions, many (52%) of which go above and beyond a typical business arrangement to become a close and valued relationship.

Consistent with the optimism expressed by privately-owned Aboriginal small business owners, EDCs are similarly confident about the future of their organizations.

There is a notably widespread sense of optimism about the future. Eight in ten (78%) EDCs predict revenue growth over the coming year, in most cases between 20 and 50 percent. Consistent with their expectations for growth, a majority (66%) of EDCs plan to increase their capital investments in 2011.

Lessons learned in the recent economic recession include the importance of strong financial, debt and risk management, and the need for diversity.

Research advisory board members

Leanne Belgarde

Director, Aboriginal Strategy,
Potash Corp.
of Saskatchewan

Dr. Susan Black

Chief Human Resources Officer
and SVP Strategic Planning,
Intact Financial Corporation

Trevor Ives, CA

Chief Executive Officer,
Peter Ballantyne Developments
Limited Partnership

Sonya Kunkel

Director, Diversity and Inclusion,
Talent Strategies and Executive
Resourcing, BMO Financial
Group

Nicole Ladouceur

Director General, Aboriginal
Entrepreneurship, Indian and
Northern Affairs Canada

Mary Jane Loustel

National Aboriginal Program
Executive, IBM Canada Ltd.

Jennifer Morse

A/Director, Procurement &
Aboriginal Business Promotions,
Indian and Northern Affairs
Canada

Dr. Doug Norris

Senior Vice President
and Chief Demographer,
Environics Analytics

Dale Sturges

National Manager, Aboriginal
Market, Royal Bank of Canada

Julie Tipene-O'Toole

Research & Evaluation Officer,
Koori Business Network
(Australia)

Karen Young

Owner, KB Jodan Inc.

Methodology

These results are based on interviews conducted either in person or by telephone with senior executives of 50 Aboriginal economic development corporations across Canada, between September 13, 2010 and January 18, 2011. A working definition of EDCs used for this research is provided in the Methodology chapter of the full report.

The research was conducted by Environics Research Group, one of Canada's leading public opinion research firms and the organization that conducted the *Urban Aboriginal Peoples Study* on behalf of the Environics Institute. Support was also provided by Acosys Consulting Services, a 100 percent Aboriginal-owned and operated firm.

Contact information was identified for 193 of the estimated 260 active EDCs in Canada, through Aboriginal community and government websites or Aboriginal business directories. All 193 EDCs were contacted by telephone to invite their participation, and 50 completed the survey during the research period, representing a reasonably good response rate (26%) for this type of survey with busy senior professionals. A questionnaire was developed specifically for this unique study population, separate from the main ABS questionnaire for small business owners.

The design and interpretation of the *Survey of Aboriginal Economic Development Corporations* was guided by a Research Advisory Board of recognized experts from the private sector and government.