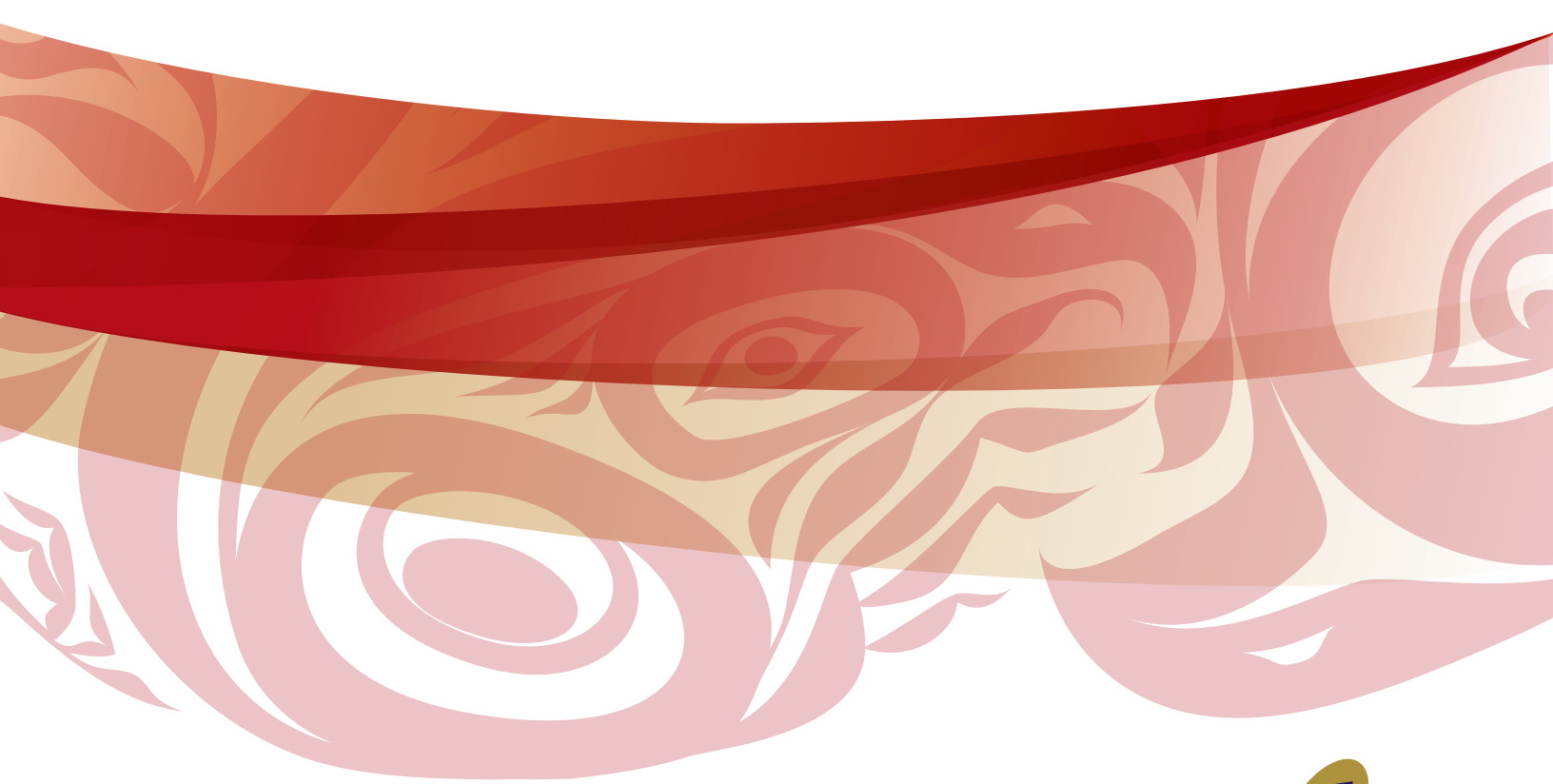


Canadian Council for
ABORIGINAL
BUSINESS



Community and Commerce

A Survey of Aboriginal Economic
Development Corporations



In partnership with

ENVIRONICS
RESEARCH GROUP

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About CCAB

The Canadian Council for Aboriginal Business (CCAB) was founded in 1984 by a small group of visionary business and community leaders committed to the full participation of Aboriginal people in Canada's economy. A national non-profit organization, CCAB offers knowledge, resources and programs to both mainstream and Aboriginal-owned member companies that foster economic opportunities for Aboriginal people and businesses across Canada.

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Unless otherwise noted, all of the numbers in the charts are percentages.

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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.



Successes and challenges

EDCs frame their success to date in terms of specific project achievements, financial growth and community benefits like employment and infrastructure. They perceive their main challenges to be employee- and capital-related.

Organizational successes

EDCs' primary business achievements to date include specific projects, financial growth and benefits for the community.

When reflecting on their organizations' biggest successes, executives tended to focus on three often inter-connected themes: **specific projects**, **growth factors** and **positive effects on the community**. Participants who identified **specific projects** mentioned the construction of new community facilities, processing or extraction facilities for natural resources, and in some cases, more large-scale developments such as hydro-electric power stations and airports.

Other participants focused on the **growth** itself, noting that their profit or revenue had steadily increased, allowing them to expand into other industries or ventures.

"[Biggest success has been] increased sales against the previous three years. We have changed our work schedule to make our workers happy. Their performance has improved. We've been trying to increase profitability."

"[Biggest success has been] every year profitability, every year growth, and every year 80-percent Aboriginal involvement."

While most respondents focused on specific projects or organizational growth, a few framed their discussion of success primarily in terms of **the positive effects on the community**. To these participants, the main indicator for success is the development of the community itself, and the chance to create employment opportunities for Aboriginal people. In addition, some of those who discussed their success primarily in terms of specific projects or growth also noted how this has allowed them to expand, grow, and foster the economic and social development of their communities.

"These [projects] have been very successful. And we have invested these monies into the communities – day cares, recreational facilities, radio station, poverty fund, sports. Close to \$100 million has been put into this infrastructure."

Investing in its people's future: Makivik Corporation

Makivik, which in Inuktitut means "to rise up," has lived up to its name during its 35-year history. The Inuit economic development corporation has built a solid economic foundation with its ownership and operation of several large profitable subsidiaries that span many industries and generate jobs. Makivik also continues to build a sustainable future through its Investment Committee. This committee looks beyond regional markets at the global economy and advises on potential future investments. Using strict criteria, Makivik invests wisely and strategically, and also devotes a small portion of its investment funds as venture capital.

Makivik does not only support economic prosperity in Nunavik, the Inuit region of northern Quebec, but it also invests profits into its communities. Through biannual community consultation, Makivik distributes money evenly to Nunavik communities, depending on their needs on an individual community basis.

Biggest challenges

Employee-related issues and problems accessing capital are the challenges EDCs most commonly face.

When discussing their successes, most of the participants offered very positive pictures of their organizations. All were able to offer examples of development and growth. This positive picture notwithstanding, all of the organizations experience certain challenges related to their size, funding model or their organizational structure.

When asked what challenges their corporations face, the two most common are finding and keeping qualified employees, and financing. Employee-related issues include the challenges associated with training (22%), recruiting (20%) and retaining (14%) talented employees. Many noted that they have had problems accessing capital (46%), securing the funding needed to cover their day-to-day operating costs and managing their cash flow. Smaller proportions say that they face challenges dealing with community politics (20%) and industry-specific issues (14%).

Two participants mentioned having to deal with “overcoming prejudices” or the “stigma of being First Nations, with the stereotype that quality is not good,” suggesting that some EDCs continue to come up against negative attitudes among the broader Canadian population.



Business performance

EDCs were asked about recent sales, and expectations for both future sales and capital investments.

A slim majority saw their gross sales revenues grow over the previous year, and even larger majorities anticipate sales and capital investment growth for the coming year. EDCs believe that difficulties accessing capital would be most likely to derail these plans.

Sales and revenue

Just over half of EDCs report increased sales revenues in the past year, and the large majority predict growth for 2011.

Past year change in revenue. Canada's Gross Domestic Product grew by around two percent in 2010, driven primarily by strong performance in goods-producing industries such as oil and gas extraction, manufacturing and construction, industries in which many of the Aboriginal EDCs in Canada participate. Among EDCs, increased sales were more common in 2010 than either stable or lower sales. A slim majority (54%) of executives report that their sales had increased, usually by around 10 to 20 percent. One in five (20%) report their sales held steady, while one quarter (26%) say their sales have decreased, often by approximately five to 15 percent. (Q.11)

Most (68%) of these EDCs report total sales revenues for the previous fiscal year of \$1 million or more, including one-quarter (28%) that earned \$10 million or higher. (Q.3)

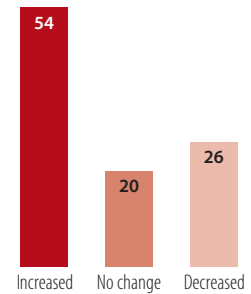
Future revenue outlook. Moreover, there is widespread optimism about revenue growth in 2011. Eight in ten (78%) predict their sales will increase over the coming year, in most cases by between 20 and 50 percent, although one in six (16%) envision an increase of 100 percent or more. One in ten or fewer think their sales will remain the same (8%) or will decrease (6%) over the next year, usually by between five and 15 percent. (Q.12)

Capital investments

A sizeable majority of EDCs anticipate capital investment growth over the coming year, primarily in terms of their workforce. Access to capital is viewed as the primary constraint to growth.

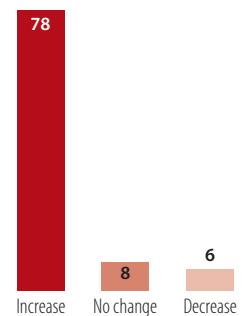
Consistent with their expectations for growth, a majority of EDCs expect to expand their capital investments in 2011. Two-thirds (66%) say they intend to increase capital investments, usually by 10 to 20 percent, although one in ten (10%) envision a dramatic expansion by 100 percent or more. One-quarter predict their level of investment will remain stable over the coming year. Only two percent expect to spend less over the coming year. (Q.13)

Past year change in gross sales revenues



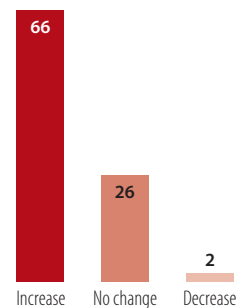
Q.11 – In the past 12 months, by what percentage did your enterprise's gross sales revenues increase or decrease? Why?

Expected change in sales over next 12 months



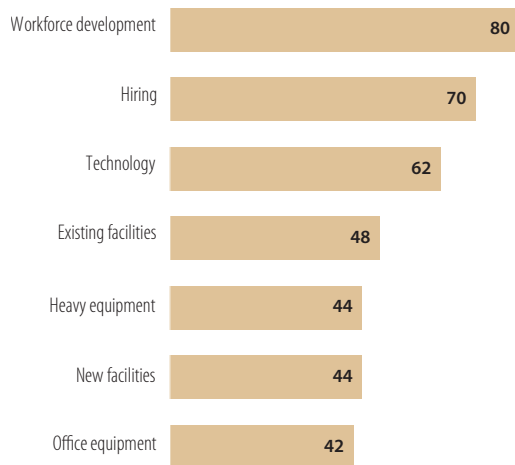
Q.12 – And in the next 12 months, by what percentage do you expect your sales to increase or decrease?

Expected change in capital investment over next 12 months



Q.13 – And over the next 12 months, by what percentage will your company's capital investments increase or decrease?

Planned increase in capital investments



Q.15 – In which of the following areas, if any, are you likely to make increases in capital investments in the next 12 months?

Investment increases planned. When asked in which areas their organizations planned to increase capital investments, most executives reported that they intend to increase investments in their workforce – by developing and training employees (80%), and by hiring new talent (70%). Many also expect to invest more in technology (62%). Smaller but still notable proportions anticipate spending more money to maintain or upgrade existing facilities (48%), to purchase heavy equipment (44%), to construct new facilities (44%) and to purchase new office equipment (42%). (Q.15).

Potential constraints to capital investment. Although most executives of Aboriginal EDCs are optimistic about their ability to maintain or expand capital investments in the coming year, they identify some notable constraints, aside from the economic climate, that could make it difficult to follow through with their intended investments. In particular, many company executives identify issues **accessing capital** or the funding necessary to undertake capital investment projects. Indeed, this is perceived to be the primary impediment to capital investment, and it can have significant effects on other initiatives, including expansion and employment. (Q.14)

“[The main constraint is] limited finances because we have these loans that we are paying off. We would like to expand to potentially another province. There is a need to employ Aboriginal people from urban centres.”

“Securing capital funds; new lending rules crippled us for new growth.”

Access to capital is clearly the main issue constraining capital investment, though a few executives identified other issues, including the **weather, human resources issues, politics** – both internal (within the Aboriginal Government) and external (between the corporation, the government and financial partners) – and **government bureaucracy**.

“Government red tape through applying for loans. Financial institutions are better.”

“Politics – we are band-owned. Sometimes the board changes and people have different views. The band is going to change for the first time in 10 years. I’m not too concerned – on a scale of one to ten, a two.”

“INAC: freeing up land, may take two years and therefore we will likely lose an investor.”

3

Financial management

This section of the report explores the perspectives of EDCs on financial management issues. EDCs have a variety of financial management priorities for the coming year, related to their industry, size and financial situation. At the same time, there is a common concern about cash flow management, which is shared by the large majority of EDCs. EDCs have the support of a positive, and in some cases very close, relationship with their financial institutions.

Priorities, concerns and risks

EDCs identify a range of financial management priorities, each uniquely related to their particular situation. Cash flow management is their greatest financial concern over the next 12 months.

Financial management priorities. When discussing their organization's financial management priorities for the coming year, a variety of priorities were identified, including planned business model changes, employment changes, debt management improvements, budget changes and cash flow management improvements. In general, each organization's priorities appear to be uniquely suited to their industry, financial situation and size. Some mentioned more broad strategies related to future investments or debt management, while others focused on a specific issue such as employee retention or hiring. Many of the participants spoke about their priorities positively, appearing optimistic about their organization's financial management practices. (Q.16)

"Investment committee looks at world economy, advises on potential future investments (Chinese), strategy is about looking forward to future investments."

"Building their own funds for ongoing operations rather than relying on lending institutions; being able to self-finance opportunities."

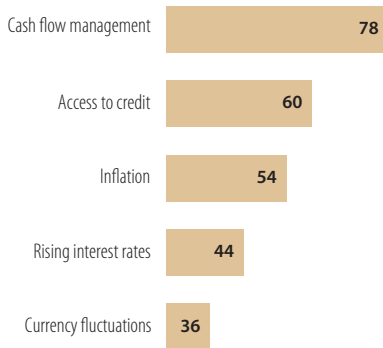
"Cash flow and employee retention. (A lot of people come and go; a lot of people leave for other opportunities.) Decrease costs. [We are] creating a training program to help employees to understand and like their jobs more."

"Switching accounting systems – hiring a manager to oversee the new accounting system."

"Good partnering with Band Council. Access to sizeable funds. Ability to complete with municipalities on mini power plant proposals."

“Maximizing the leverage of our existing equity. Outside investment dollars. Focus on our return on investment for existing businesses. And managing cash flow.”

Financial concerns
Very or somewhat concerned



Q.17 – Please indicate whether you are very concerned, somewhat concerned, not very concerned, or not at all concerned about...

Financial concerns. Despite participants’ optimism about their financial management priorities for 2011, many nonetheless expressed concern about specific financial issues. Participants are most apprehensive about cash flow management, with eight in ten (78%) who are very or somewhat concerned. Majorities are also anxious about access to credit (60%) and the effects of inflation (54%) on their business. Slightly smaller proportions express concern about rising interest rates (44%) or currency fluctuations (36%). (Q.17)

Risks to cash flow. Consistent with the diversity of financial management priorities identified by executives, most participants also focused on a variety of risks to cash flow that are particular to their business model, size and industry. A sizable minority (30%) noted that **reduced sales** are the biggest risk to their company’s cash flow over the next 12 months. Close to one in ten executives each identified the economy and economic downturn (14%) or reduced margins and profitability (12%) as the biggest risk to their company’s cash flow in 2011. (Q.18)

Best financial management decision

The best financial management decisions are those related to capital or other investments, and internal policy or management changes.

When discussing their company’s best financial management decision of 2010, participants identified a wide range of successes, each one unique to their particular business, though most within two main areas: **investment** and **internal management and policy changes**. Executives who focused on **investments** often identified specific capital investments such as investing in a new multi-purpose facility, building an administration building, purchasing new equipment and, to a lesser extent, increasing employment. Others noted that their companies made **changes to their internal policies or management structure** that included pursuing more partnerships, making managers more accountable or reviewing (and at times reorganizing) their board of directors. (Q.19)

Relationship with financial institution

EDCs generally have positive relationships with their financial institutions, some of which go above and beyond a typical business relationship.

How do Aboriginal EDC executives view their relationships with their financial institutions? Most enjoy positive, collaborative relationships with their financial institutions, though some experience problems. Half (52%) of executives say they enjoy a close and valued relationship with their financial institutions. Four in ten (38%) report that they have a typical business relationship. One in ten (8%) have a more difficult relationship than usual, while six percent say the relationship is strained or acrimonious. (Q.20)

Most executives say they have a good relationship with their primary financial institution because they **communicate** well, because they have built a great deal of **trust**, or because their institution **understands their unique situation**. A few focus on the **length of their relationship**, noting that their history with the institution is their primary strength. (Q.21)

“They’ve come to us to assist us in any way they can. They understand our unique situation.”

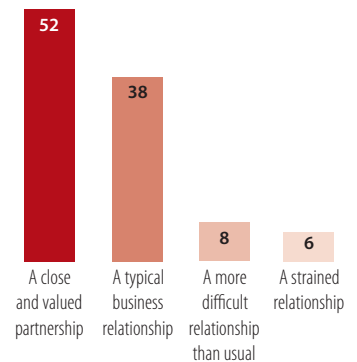
“They’re constantly talking to us and making suggestions to us. Constant discussions. Always room for improvement.”

“Have an excellent banker – a First Nations kind of banker. Lots of one on one contact. Trusted advisor.”

Some participants are more reserved, suggesting their relationship is not that close, or that there are a few issues with their financial institution (such as a lack of understanding). One participant noted that they have experienced problems finding a reliable financial institution because their band is located so far North.

While relatively few participants offered a primarily negative picture of their relationship with their financial institution, some of those who did noted that the institution was not doing much for them and was not communicating effectively. Some also mentioned that the bank had experienced a lot of turnover, making it difficult to forge the partnerships necessary to enjoy a close relationship. One participant offered a more high-level assessment of the situation, noting that the nature (and structure) of debt itself makes it difficult for all parties involved.

Relationship with financial institution



Q.20 – Which of the following best describes your relationship with your financial institution during this period. Was it...

4 Leadership, strategy and relationships

This section of the report explores the leadership qualities, relationships and strategies that are perceived to contribute to the success of an EDC. The results reveal the need for leadership expertise in many areas, including communication and collaboration, strategic thinking, and business and political experience. When it comes to a business partner, the key ingredient is trust, followed by financial success, but many also value previous experience working in an Aboriginal context. EDCs view their relationships with financial institutions and other Aboriginal businesses as more central to their success than their relationships with non-Aboriginal businesses and governments. The recent economic recession demonstrated to EDCs the need for strong financial, debt and risk management.

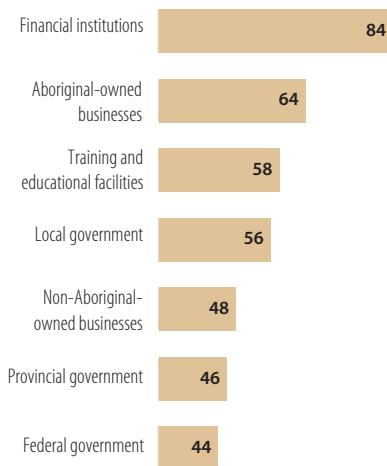
Leadership traits

A variety of leadership skills are considered essential to running an EDC well, such as communication skills, strategic thinking, and being community-focused and collaborative.

EDC executives identify a wide range of leadership qualities they believe are important when running this type of organization.

Expert communication is perceived to be most valuable leadership trait, with four in ten (42%) who identify it as essential to running an effective EDC. Three in ten (30%) executives mention strategic thinking as an important quality, while one-quarter each note that effective leaders are community-focused (26%) and are excellent collaborators (24%). Others contend that good leaders need a solid business background (22%), should be results-oriented (16%) and should have well-developed political acumen (14%). One in ten executives each think leaders need to act with integrity (10%), should have excellent management skills (10%), and should have an understanding of Aboriginal and Northern issues (10%). (Q.22)

Importance of institutions to EDC's success
Very important



Q.23 – Please tell me if relationships with the following entities are very important, somewhat important, or not so important to the success of your business.

Important relationships

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

Aboriginal EDCs often rely upon partnerships and relationships with other institutions in order to finance or complete projects, pursue contracts or expand their operations.

In general, executives are more likely to value their partnerships with financial institutions and other businesses over governments. Over eight in ten (84%) executives think their relationships with financial institutions are *very important* to their organization's success. Majorities also value partnerships with Aboriginal-owned businesses (64%), training and educational facilities (58%), and local governments (56%). Half or fewer, consider relationships with non-Aboriginal-owned businesses (48%), provincial governments (46%) or the federal government (44%) to be very important to their organization's success. (Q.23)

Relationships with Aboriginal businesses. What do Aboriginal EDCs go to other Aboriginal businesses to provide?

Aboriginal EDCs who have important relationships with other Aboriginal businesses say they develop these relationships to create shared prosperity and a stronger community network (44%), or to access new resources (both human and material; 44%). Three in ten (30%) report that Aboriginal businesses are their main clientele, while two in ten (20%) develop relationships with Aboriginal businesses in order to access their expertise and specialized knowledge. (Q.24)

Relationships with non-Aboriginal businesses. What do relationships with non-Aboriginal businesses provide for EDCs?

Aboriginal EDCs who have important relationships with non-Aboriginal businesses most commonly say they provide access new human or material resources (44%). Expertise and specialized knowledge is also a more common reason for reaching out to these businesses (38%) than to Aboriginal ones (20%). Some executives report that non-Aboriginal businesses are important clients (24%) or financial or contracting partners (12%). (Q.25)

Joint ventures. Most Aboriginal EDCs participate in joint ventures. Eight in ten (80%) executives report their organization has at least one such partnership, including three in ten (32%) who have partnered with only one or two other organizations. Two in ten (22%) are involved in six or more joint ventures. (Q.26)

Important qualities in a business partner

Trust is the most vital ingredient when considering a potential business partner, followed by the firm's degree of financial success.

Which qualities do executives of Aboriginal EDCs look for when considering a potential business partner?

Progressive Aboriginal Relations (PAR) certification program

Establishing strong relationships with Aboriginal communities does not happen overnight and while there are table stakes in Aboriginal relations, there is not a replicable approach that guarantees good relationships with every community. Companies need to adapt their Aboriginal relations to address the unique opportunities in each community. When it comes to building new relationships, certification in CCAB's Progressive Aboriginal Relations program can signal in advance to Aboriginal stakeholders that companies are good business partners, great places to work, and are committed to prosperity in Aboriginal communities.

The PAR logo provides a high level of assurance to communities because the designation at the bronze, silver or gold level is supported by an independent, third-party verification of company reports on outcomes and initiatives in four performance areas – employment, business development, community investment and community engagement – and a juried review by Aboriginal business people.

To learn more about PAR, please go to: www.ccab.com/programs.

Importance of qualities in a business partner
Very important



Q.27 – When considering a potential business partner, are the following qualities very important, somewhat important, or not so important to your decision?

Trust is clearly the most important quality, with executives almost unanimously agreeing that trust is *very important* when considering potential partnerships (92%). Financial success is also highly valued by three-quarters (76%) of participants. Close to half feel that experience working with Aboriginal communities (52%), and a company’s history and longevity (46%) is vital in a potential business partner. (Q.27)

Aside from those qualities discussed above, executives also noted a number of other important qualities in a potential business partner, including the **firm’s experience, financial management skills and reputation**, and the degree to which the organization displays **cultural sensitivity and knowledge**. Participants who identified the company’s experience as an important characteristic tended to frame their discussion in terms of qualifications or industry experience. (Q.28)

“Partners that specialize or are experts in the particular work or contracts that we get.”

“We also look for industry experience. The ability to grow the relationship.”

“Experience: but you have to weigh partnership on many different qualities. Credibility, past achievements. It would be nice to give preference to an Aboriginal partner.”

Other participants asserted that potential partners need to be **financially responsible**; these executives appreciate fiscal stability and sustainability because they can bring long-term benefits to their communities and increase profitability.

“Bring long-term benefit to the band. Sustainable financially. Integrity (vital). Strong safety records.”

“Experience in financial management.”

“Financial viability. Return on investment.”

A prospective partner’s **reputation** is also valuable to some executives; to these participants, credibility, integrity and reliability are of the utmost importance. As one participant noted, he looked for partnerships with companies with a good “reputation (staff relations) [as well as] their integrity, ethics, honesty, fairness how well their equipment is maintained.” Some executives also noted that **cultural sensitivity and knowledge** is a vital quality in a business partner, specifically a sensitivity to and understanding of First Nations or Aboriginal issues.

“Experience with Aboriginal business and the sector that they’re in.”

“Corporate culture – must demonstrate sensitivity to Aboriginal peoples and be compatible.”

“Cross-cultural respect.”

Agreements and business

Three in ten EDCs have benefitted from agreements with industry designed to give Aboriginal businesses preferential access to contracting opportunities.

Many Aboriginal communities negotiate Impact and Benefit Agreements (IBAs) and Participation Agreements (PAs) with corporations interested in harvesting natural resources on their traditional territories. These agreements provide benefits and opportunities to Aboriginal communities through environmental and cultural provisions, training and employment, revenue sharing and concrete dispute resolution procedures.

Three in ten (32%) Aboriginal EDCs say they have benefitted from agreements of this kind whereby their community negotiated with industry to include provisions for contracting or subcontracting to local Aboriginal businesses. Participants noted that these agreements ensured that community members could gain access to reliable employment and training opportunities while EDCs could gain first access to all contracting opportunities. (Q.29, 30)

Lessons from recession

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

During the economic downturn that began in late 2008, many businesses were forced to make changes to their employment structure and fiscal management practices in order to stay afloat. EDCs were asked if there were any important lessons that businesses should have learned during this period.

Most noted that businesses need to be careful and exercise **good fiscal management**, though they had a variety of ideas about what good fiscal management entails. Some noted that planning ahead and conserving for the future would allow companies to handle recessionary periods, while others advocated careful, cautious investment. Other participants highlighted the need to **diversify** or, as some put it, to avoid “putting all of your eggs in one basket” – they considered a diversified portfolio key to transitioning through a recession and emerging strong enough to move forward once the economy recovers. Exercising effective **debt management or reduction** strategies also help businesses succeed in tough economic times; as one participant noted, successful businesses “have a strong balance sheet: don’t have too much debt, have strong cash reserves.” And lastly, participants argued that prudent businesses focus on **risk management**, which allows them to prepare for long-term financial stability. (Q.31)

“Good credit management. Don’t operate in isolation; be aware of the larger economic world.”

Creating a stable investment environment: Whitecap Dakota First Nation

Located 26 km south of Saskatoon, Whitecap Dakota First Nation has leveraged its proximity to the thriving city to become one of Canada's foremost First Nation success stories. This success could not have been achieved, however, without a number of key factors in place: responsible governance; transparent legislation, laws and policies; a strategic land use plan; and fully equipped commercial infrastructure. These community conditions have created an environment conducive for business. While Whitecap Development Corporation, the First Nation's economic development corporation, is able to generate business development and employment, the community is able to further increase its revenues through commercial property tax, consumption taxes, land leasing and utility payments.

"I think you need to try to manage your debt. Even in some good times, some companies grow too fast and diversified too much."

"Have a strong investment strategy. Not be lured to 'easy money'."

"Manage cash flow. Don't become over extended. Do due diligence on projects."

5 Employees and community

EDCs are highly involved in their community, drawing investment interest, employing and training community members, and supporting small business owners.

Drawing investment

EDCs draw business investment interest into their community in a variety of ways, including networking, engaging local industry, and actively seeking partners.

Many Aboriginal economic development corporations are actively engaged in generating investment interest in their communities, primarily by engaging with nearby industry (28%), or networking with other business people or potential investors (24%). Seeking out partners who have experience working with Aboriginal communities is also an important approach (22%), although an equal proportion (22%) of executives contend that they do not need to seek out investors, because investors seek them out. Fewer (16%) focus on more general marketing, often by prioritizing Internet and social media initiatives. (Q.32)

Community employment

EDCs are a major source of employment in their communities. Aboriginal representation is highest among smaller EDCs, but Aboriginal peoples also comprise the majority of employees in larger organizations.

Aboriginal EDCs are vitally important to the employment market in their communities. In many cases, they are the main company providing employment opportunities to local residents. Four in ten (38%) executives report that they are the major employer in their communities. (Q.33)

The number of employees within these EDCs (taking into account all locations, but excluding the respondent themselves) varies widely, ranging from only one to 2000 (with a median of 35 employees¹). Using Industry Canada definitions for business size, the majority (68%) of these EDCs would be categorized as small businesses (i.e., fewer than 100 employees), while two in ten (18%) are medium-sized (i.e., between 100 and 499 employees) and 12 percent are large businesses (i.e., with 500 or more employees). (Q.5)

Similarly, the number of Aboriginal employees also varies. Almost all EDCs have at least one Aboriginal employee, with three-quarters (74%) having fewer than 100 Aboriginal employees, compared to two in ten (20%) that have 100 or more. (Q.6)

On average, 72 percent of the employees within these EDCs are Aboriginal. However, as one would expect, the larger the organization overall, the smaller their proportion of Aboriginal employees. Among EDCs with 100 or more employees in total, an average of 59 percent of their workforce is Aboriginal. By comparison, an average of 82 percent of the workforce of smaller EDCs has an Aboriginal identity.

Employee management priorities

Training, professional development and employee retention are the main employee management priorities for EDCs. Most spend between two and five percent of their operating budget on employee training.

Because of their significance to the communities in which they operate, the employee management practices and priorities of Aboriginal EDCs are important contributors to the economic success of their community.

Executives tend to focus on three interconnected priorities for employee management: **training, skill and professional development**, and **employee retention**. When discussing their **training** priorities, some executives noted that a workforce that is properly trained makes the workforce stronger, not only because it minimizes workplace risks related to health and safety, but also because training allows employees to develop the experience and expertise necessary to grow alongside the business. Similarly, **professional development** encourages employees to become better managers, to become more fiscally involved and responsible, and encourages them to stay at a particular organization longer. Participants who focused on **employee retention** noted that they wanted to encourage skilled, talented employees to stay with the company by developing performance management incentives, by creating and enforcing positive human resources policies, and by providing employee development opportunities. While relatively few executives identified Aboriginal-specific priorities, those who did stressed the importance of bringing in and fostering Aboriginal talent. (Q.34)

¹ The median is the point where exactly one-half of the population has fewer employees and the other half has more employees.

Empowering the Aboriginal community: Primco Dene LP

From its humble beginnings in 1999 as a single business entity, Primco Dene, the economic development corporation of Cold Lake First Nation, now owns and operates a number of successful businesses that offer logistical services, security, management consulting, payroll service and safety auditing.

While growth and profit are important to Primco Dene, the company manages to grow and stay in the black while maintaining a minimum of 80-percent Aboriginal employment. To put this achievement into perspective, Primco Dene employs approximately 400 people, with over 300 self-identifying as Aboriginal. These Aboriginal employees are not solely from Cold Lake First Nation; Primco Dene hires from over 40 different Aboriginal communities. Through supporting its staff to undergo training in administration, culinary arts, emergency medical courses, journeyman certification and safety certifications, Primco Dene upholds its competitiveness and quality.

Primco Dene does not limit its community support to employment, it also works with the over 30 private enterprises owned and operated by Cold Lake First Nation members to make the community a “one-stop shop” for resources.

Acting as a business incubator: Onion Lake Business Development Corporation

Onion Lake Business Development Corporation (OLBDC), located 50 kilometres north of Lloydminster on the Saskatchewan-Alberta boarder, has become an instantaneous First Nation business success story. Established in only September 2005, OLBDC now has seven subsidiaries providing top quality services in industries such as: construction, oil and gas, retail and property management.

In addition to contributing to substantial employment for the community, OLBDC nurtures the entrepreneurial spirit that resides in some of its members. The business development corporation provides to Onion Lake Cree Nation entrepreneurs: business support services, small business management training, basic computer training, small business accounting training and small business loans.

"Move more Aboriginal people up through the ranks. Better succession planning. Support in financial literacy. Better communication among senior management."

"To actually have Inuit people running our investments. Focusing on training of our Aboriginal employees. Competitive labour market-making [our corporation] competitive for Inuit employment."

"Increase knowledge and train. Ensure they receive professional development."

"Our percentage of Aboriginal employment is good. We want to diversify our employees' representation. We want our employees to have advancement opportunities through capacity building."

"Ensuring that employees are trained – workplace health and safety is up to par."

"Training – it is our number one goal."

Money spent on training. Most Aboriginal economic development corporations allocate between two and five percent of their operating budget for employee training, though some spend upwards of 20 to 30 percent, while others spend nothing or do not include training costs in their budget. Notably, many of the corporations who do not allocate funds for training have partnerships with other companies, organizations or government programs that provide training opportunities for their employees. (Q.35)

Executives of EDCs who invest in training for their employees note that they choose to spend a portion of their budget because they need to ensure that their employees have **up-to-date professional and technical skills**, and because **many employees do not have the necessary skills without training**. (Q.36)

Support for community entrepreneurs

EDCs support small business owners in their community with preferred supplier relationships, as mentors and by providing financial assistance.

Aside from their fiscal, community and employment responsibilities, Aboriginal EDCs often provide direct support to entrepreneurs within their communities. The bulk of this support comes in the form of preferred supplier relationships and agreements (38%), where these corporations prioritize partnerships with other businesses from the community. Many also act as mentors to local entrepreneurs, providing guidance and advice when needed (30%), or provide financial assistance to allow entrepreneurs to start new ventures or expand their services (26%). A few corporations provide community-based training programs (12%) or assistance with business plan development (10%). (Q.37)

6

Methodology

The results of the 2011 ABS Survey of EDCs are based on interviews conducted either in person or by telephone with senior executives of 50 Aboriginal economic development corporations across Canada.

In an attempt to gain insight into a little known and important dimension of the Aboriginal business community – Aboriginal community-owned businesses – a separate survey was conducted with Aboriginal economic development corporations (EDCs). For the purpose of this research, an Aboriginal economic development corporation was defined as:

The economic and business development arm of a First Nation, Métis, or Inuit government that pursues economic opportunities that will benefit the Aboriginal citizens that the economic development corporation represents. Economic development corporations invest in, own, and/or manage subsidiary businesses. All Aboriginal economic development corporations are owned by the respective Aboriginal government or governments. These corporations have a governance structure that consists of a Board of Directors and voting/non-voting members.

The reason for focusing on this community-owned business structure was for consistency and reliability. Additionally, many of these Aboriginal EDCs have become business success stories and merit a study of this scale. Since community-owned businesses are managed and operated quite differently compared to entrepreneur-owned businesses, Environics developed a separate questionnaire for this unique study population.

Of the 260 active Aboriginal economic development corporations in Canada estimated by the CCAB, contact information was found for 193 on Aboriginal community and government websites or Aboriginal business directories. Within this sample frame, the sample was stratified by identity group (First Nation, Métis, and Inuit) and region as follows:

Number of interviews by region

Region	Target	Actual
Atlantic Canada	2	3
Quebec	7	4
Ontario	5	5
Manitoba	4	6
Saskatchewan	3	4
Alberta	4	4
British Columbia	10	12
Yukon	4	2
Northwest Territories	9	9
Nunavut	2	1
Total	50	50

Number of interviews by identity group

Region	Target	Actual
First Nations	46	42
Métis	1	2
Inuit	3	6
Total	50	50

Most (72%) of these EDCs have been around for 10 years or longer, including some (18%) who have been around for 30 years or more. The average length of operation across these EDCs is 18 years. Only one in ten (12%) of these corporations grew out of provisions in a land claim settlement agreement.

The survey was conducted with the President, CEO, General Manager, or Chair of the EDC. Each EDC initially received a letter from the CEO of CCAB inviting them to participate in the survey. Acosys Consulting Services, a 100 percent Aboriginal-owned and operated firm, was retained to schedule the interviews with EDC representatives. A draw was held for a prize sponsored by IBM Canada Ltd as a thank you for participating.

All 193 EDCs were contacted by telephone to solicit their participation, and 50 representatives were interviewed between September 13, 2010 and January 18, 2011. This represents a 26-percent response rate, which is reasonably good for this type of survey with busy senior professionals. The majority of the interviews were conducted over the telephone by Acosys, Environics or CCAB, although representatives from CCAB and Environics made select trips to conduct a few interviews in-person.

Canadian Council for
ABORIGINAL
BUSINESS



250 The Esplanade, Suite 204, Toronto, Ontario M5A 1J2
T 416-961-8663 F 416-961-3995 E info@ccab.com

www.ccab.com



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