

Canadian Council for
ABORIGINAL
BUSINESS



Community and Commerce

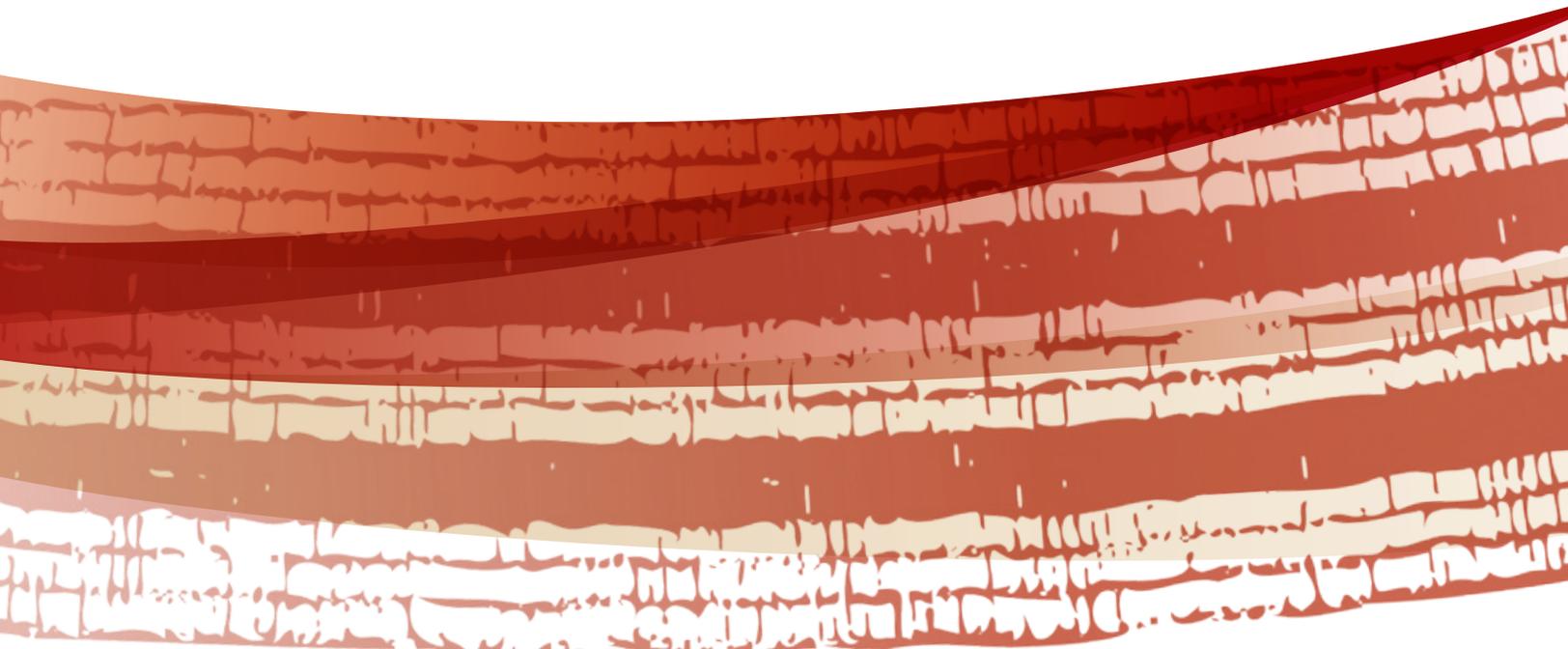
A Survey of Aboriginal Economic
Development Corporations in Ontario

Research Report Spring 2013

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 nonprofit 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.



Executive Summary

About the research

Aboriginal communities are increasingly turning to economic development to improve quality of life and build a bright future for their community members. Aboriginal economic development corporations (EDCs) are a relatively new approach, but one that has proven very successful in contributing to this goal.

EDCs are the economic and business development arm of a First Nations, Métis or Inuit government, and are a major economic driver for Aboriginal communities. These community-owned businesses invest in, own and/or manage subsidiary businesses with the goal of benefiting the Aboriginal citizens they represent. This research identified a total of 61 EDCs in Ontario that represent around 100 communities and more than 100,000 Aboriginal people.

EDCs in Ontario date as far back as the 1970s, yet very little is known about who and what they are, what makes this business model successful and what holds it back. The Canadian Council for Aboriginal Business (CCAB) embarked on a research project entitled *Community and Commerce Ontario* in partnership with the Ontario Ministry of Aboriginal Affairs (MAA), to develop a better understanding of these issues.

This research builds on a national survey of EDCs conducted by the CCAB in 2011 entitled *Community and Commerce: A Survey of Aboriginal Economic Development Corporations*, which included five EDCs in Ontario.

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 tools, initiatives and policies that fully realize the potential of Aboriginal business in Canada.

Reports for both the National and Ontario versions of *Community and Commerce* are available for download at www.ccab.com.

Research highlights

EDCs in Ontario are as diverse as the First Nations communities that own them, but a common denominator is the shift in focus from job creation to economic self-sufficiency for their communities.

There is a large range in the maturity and scope of Ontario EDCs. They vary anywhere from 20 years or more in existence (37%) to five years or less (41%). They are involved in a wide range of industries (including energy, construction, services and natural resources) and markets (including local, domestic and international).

The CCAB wishes to thank the supporters of the *Community and Commerce Ontario* report. Without their generous contribution, this initiative would not have been possible.

The Government of Ontario provided the funding for this research.

Stone Circle Consulting provided a gift-in-kind of consulting services in a draw to thank participating EDCs.

Ontario EDCs are relatively small, with three-quarters (76%) that have fewer than 50 employees, and a majority (59%) with total revenues of \$1 million or more for the previous fiscal year.

Yet, jobs and income for the community are no longer sufficient goals for Ontario EDCs. They urge a long-term strategic focus on economic development as a way for communities to become self-sufficient and independent from government support.

They have largely positive perceptions about their success to date, although younger EDCs are more apt to see room for improvement. EDCs are also optimistic about the future, with two-thirds (67%) anticipating revenue growth in the coming year.

Ontario EDCs link their success to date to best practices in organizational structuring, planning and relationship building. Vision and determination are also critical to overcoming hurdles that stand in their way.

Separating an EDC's activities from band politics while maintaining political support for its mandate is a delicate, but important, balancing act. Strong corporate governance is also critical to running an effective organization. Both of these practices have helped EDCs open doors to valuable partnerships with government and industry.

A strategic plan is a vital tool for business planning, and EDCs are no exception to this. At a broader level, planning is also required to ensure the community comes on board with the EDC's objectives and activities. The key is to involve community members as early as possible (i.e., when the EDC is first being considered), and to engage them frequently through dialogue and transparent reporting.

Some EDCs have found it very beneficial to build relationships, particularly with other EDCs, but also with industry or private sector organizations, as a way to access knowledge/information as well as business opportunities.

Relatively few EDCs feel they have adequate access to the type and level of outside support they need, a challenge that they attribute to a lack of appreciation of their business potential on the part of government and industry.

There are mixed opinions about the federal government's support to date for EDCs, and even positive ratings are qualified. Concerns include the difficulty accessing funding due to unrealistic eligibility criteria and high staff turnover that hinders understanding between the parties involved.

Opinions about the Ontario government's support for EDCs are largely positive, with a sense that opportunities are shifting to the provincial level (e.g., New Relationship Fund). There is recognition of the efforts made to engage with EDCs with the goal of developing relevant and effective policies and programs.

EDCs tap into private sector firms for knowledge transfer, as well as access to capital, although this first requires considerable investment in building trust and confidence within the corporate sector. Due in part to this barrier, there is greater reliance on government financing in the start-up phase until EDCs have the track record to access private funding sources.

EDCs have a clearly defined set of needs and priorities for the immediate future, with capacity building at the top of the list, followed by improved access to financing and a gateway for sharing knowledge (e.g., best practices).

Education and capacity building are by far the highest priority needs for EDCs, at both the EDC-level (e.g., how to set up and run an EDC; corporate governance) and for the community-at-large (e.g., job and skills training; higher education to ultimately allow them to properly evaluate the EDC's goals). Retention is also a serious issue for more experienced staff, since EDCs don't typically have the resources to adequately compensate individuals with higher levels of education and training.

Improving access to financing is not simply about increasing the amount of funding available. The more pressing concern for EDCs is having access to funding sources that are stable and ongoing (allowing them to plan for the long-term) and fair (in terms of eligibility criteria and rules for how the funding is used).

There is also a need for greater sharing of expertise, knowledge and success stories among EDCs and other experts, to speed up the learning curve and increase the likelihood of success.

Steering Committee

This research was given insightful direction from our Steering committee, who provided key insight from survey development to data analysis.

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Recommendations

1. Spread the intelligence around

The research suggests that a divide exists between EDCs, in terms of sophistication (e.g., from those accessing international markets to those limited to their local community), degree of success (from flourishing to struggling) and length of time in operation (from very experienced to start-ups). EDCs at both ends of the spectrum can benefit from transferring knowledge about what works and what doesn't work.

For start-ups, this means finding and emulating success stories by incorporating best practices into their business model. When developing partnerships with outside organizations, consider making skills and knowledge development part of the agreement.

For established EDCs, this means emulating the innovative practices of younger organizations in order to remain relevant and competitive, while ensuring their experience is passed on to EDCs that are just starting out.

2. Government as an enabler

The role of government (federal and provincial) should not be to "pick a winner," but to create an environment for success by removing restrictions that are hindering EDCs. Governments need to build long-term thinking into policies and programs that affect EDCs – and ensure there are no roadblocks, intended or not.

Right now, government can offer the most support by improving access to seed funding and helping EDCs build capacity within their communities – by streamlining application processes, and addressing eligibility criteria and the rules about funding use. The clear message from EDCs is that they highly value genuine efforts to engage communities and build relationships because they ultimately lead to policies that better reflect the needs of EDCs and their communities.

3. Gateway to community engagement

A vast amount of potential exists for private sector companies to develop business opportunities in collaboration with Aboriginal communities across the province, a prime example being the Ring of Fire in northern Ontario. However, there can be serious barriers to engaging with these communities, including a lack of cultural understanding and sensitivity on the part of industry, which can reinforce community distrust of non-Aboriginal people.

EDCs represent a vital conduit for companies looking to engage with Aboriginal communities. With one foot in the community and the other in the business world, EDCs are well-placed to serve as a bridge for private industry to gain access to investment opportunities and the Aboriginal workplace and buy-in to development plans. Moreover, EDCs are structured explicitly to engage with the corporate sector in a transparent and accountable manner (e.g., ISO certification), further minimizing the risk for industry. In return, EDCs benefit from knowledge transfer and skills building through a relationship with more experienced partners.

Methodology

These results are based on interviews conducted either in person or by telephone with senior executives of 27 First Nations economic development corporations across Ontario, between December 11, 2012 and March 25, 2013. A working definition of EDCs used for this research is provided in the Methodology chapter of the full report.

The research was undertaken as a collaboration between CCAB and Environics Research Group, one of Canada's leading public opinion research firms and the organization that conducted the *Aboriginal Business Survey* and *Community and Commerce: A Survey of Aboriginal Economic Development Corporations* (both published in 2011).

Contact information was identified for 130 First Nations communities in Ontario. All of these communities were contacted by telephone, resulting in a total of 61 EDCs identified. Twenty-seven (27) EDCs participated in the survey during the research period, representing a good response rate (44%) for this type of survey with busy senior professionals. Two Métis organizations were also identified as having EDCs and approached for their participation, but were not able to take part during the research period.

A questionnaire was developed specifically for this unique study population, although some of the questions from *Community and Commerce*, a national survey of EDCs, were repeated for comparison purposes.

The design and interpretation of this research was guided by a Research Advisory Board of recognized experts from the private sector (Aboriginal and non-Aboriginal) and government.

2

Profile of EDCs

The purpose of this section is to provide a picture of Aboriginal EDCs in Ontario, in terms of key characteristics such as maturity, structure and size, as well as their objectives and perceived success to date. EDCs have been in Ontario for more than two decades and those that are still operating today have experienced a considerable amount of success. Over time, however, the structure and approach of EDCs have been evolving. In particular, there has been a shift in focus from job creation to economic self-sufficiency for their communities.

Key characteristics

EDCs are as diverse as the First Nations communities that own them.

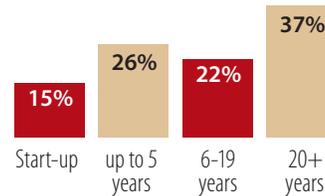
Time in existence. EDCs are not new to First Nations in Ontario. There has been a slow but steady stream of start-ups over the past few decades that continues to the present day. More than one-third (37%) of EDCs have been in existence for 20 years or more, although some of these were dormant and have only recently started up again. At the other end of the spectrum, a substantial group has been operating for five years or less (26%) or are still in the early start-up phase (15%). Another one in five (22%) fall in between these two extremes (between 6 and 19 years in existence).

Legal structure. While, typically, EDCs have been legally structured as corporations, this appears to be changing. Only one-third (36%) of newer EDCs (those in operation 5 years or less) are structured (or plan to be) as a corporation, compared to three-quarters (75%) of more mature EDCs. Newer EDCs are considering a wide range of other options, including joint ventures, trusts, limited partnerships, limited corporations or a combination of structures, none of which currently stand out as more popular than others.

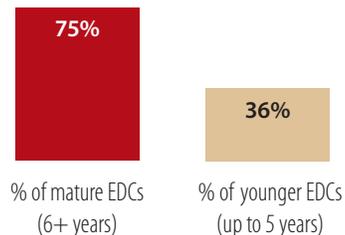
Number of communities with financial stake. The very large majority of EDCs are owned by only one First Nation. However, a small number (3 of the 27 interviewed) have several First Nations with a financial stake in them, ranging between seven to 12 communities. All three of these EDCs are located in northern or remote areas, where it is of particular benefit for relatively small and spread out communities to combine their resources.

Number of employees. EDCs are relatively small in terms of the number of staff employed. Three-quarters (76%) have fewer than 50 employees, including one-third (32%) with only one employee. There is a small group (16%) with over 100 staff employed throughout the EDC's various businesses.

Huge range in maturity (length of time in existence)



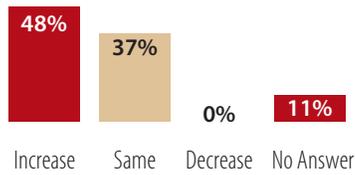
Percentage of EDCs that are legally structured as corporations is changing



Younger EDCs are also exploring:

- Joint ventures
- Trusts
- Limited partnerships
- Limited corporations
- Combination of structures

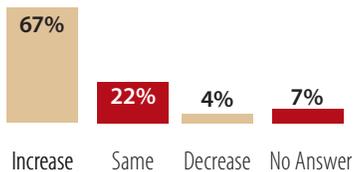
Revenue change in the last 12 months



Many of the employment opportunities benefit Aboriginal peoples. On average, two-thirds of the employees of these EDCs are Aboriginal. The proportion of Aboriginal employees is lower among larger EDCs (those with a greater total number of employees) than smaller ones, likely due to challenges filling positions entirely from the Aboriginal population (this challenge is discussed in further detail later in the report).

Revenue and growth. Of the EDCs that provided revenue estimates, a majority (59%) indicate they earned more than \$1 million in revenue in their past fiscal year.

Anticipated revenue change in the next 12 months



For about half of EDCs (48%), their current revenue level represents an increase from the previous fiscal year, compared to more than one-third (37%) for whom revenue is about the same (no EDC indicated that their revenue declined).

EDCs are even more optimistic about the revenue outlook for the coming year. Two-thirds (67%) anticipate revenue growth, compared to one in five (22%) who believe revenue will remain steady. Only four percent anticipate declining revenue in the next 12 months.

Industry and market opportunities

EDCs are open to strategic opportunities in all industries and markets.

Industry. EDCs are involved in a wide range of industries and, in most cases, in several at the same time. The most popular industries for EDCs include energy (59%), construction (41%), and services such as tourism and property management (41%). Forestry (26%), mining (26%), communications (19%) and the financial industry (7%) are also areas into which EDCs have waded.

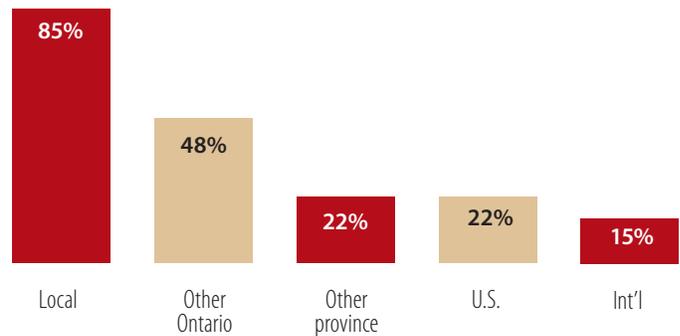
There are no obvious patterns by location (north, south or remote) or length of time in operation, in terms of the industries in which EDCs are involved. When asked which sectors have been most successful for them, there are no industries that particularly stand out. The lack of a sure bet likely reflects the complexity of factors that drive success, as well as the relatively small

number of EDCs on which to base any analysis. Looking ahead, many EDCs express openness to any sector that makes strategic sense and can generate revenue for their communities.

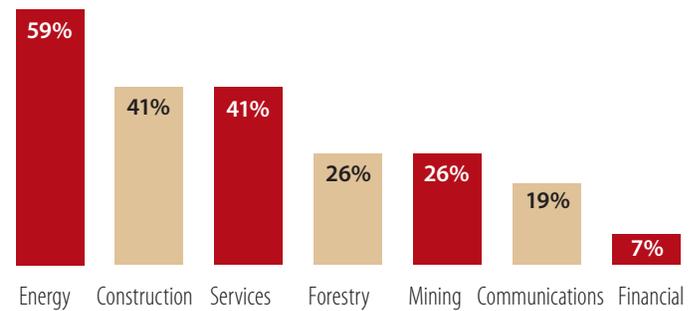
Markets. Most EDCs are operating within their local communities (85%), but many also have access to other markets. This includes clients in other parts of Ontario (48%), other provinces (22%), the U.S. (22%) and even internationally (15%). Access to non-local markets is slightly more prominent among mature EDCs, but even start-ups have clients outside their community. A few EDCs see great promise in markets outside Canada, particularly emerging economies like China, in part because these countries do not hold preconceptions about First Nations.

EDCs in remote areas are an important exception, with limited opportunity to pursue non-local markets: only one of the six included in the survey operate beyond their community. (that EDC was set up explicitly with the mandate to reach beyond local markets)

Many EDCs are operating beyond their local communities



EDCs operate in a diverse range of industries



Goals and objectives

The goal is *self-sufficiency* for First Nations communities, and most believe this will come through economic development rather than focusing on job creation.

The ultimate purpose of an EDC is to contribute to the well-being of community members. For the early EDCs, that meant investing in businesses – typically ones that were known and understood (e.g., general store, gas station) – that would provide jobs and generate income in the community.

As EDCs have matured, the vision has become much more sophisticated: to become self-sufficient communities that do not have to rely on government support. This goal is also described in terms of becoming “self-sustaining”, “independent” and “empowered”. Despite the magnitude of the issues facing

FN communities – including jobs, housing and social issues – these EDCs urge a long-term, strategic focus on economic development, which will eventually allow the communities to solve these problems on their own. Accordingly, EDCs' business investments have become more complex as they explore ways to achieve economic self-sufficiency.

“Our goal and objective has always been to be self-sustainable. For this organization, and then for the community as a whole ...We have very specific goals which we want to attain. We want a trust fund with 80 million in it. A trust fund that provides a 10% return annually, which is \$8 million through investing. Which equals to the amount of subsidy we get from Indian and Northern Affairs.”

“We have to create an economy amongst ourselves so the dollars circulate amongst our own First Nations whereas historically once there's a land claim, let's go buy cars and buy buildings and build an arena and okay, how do we maintain that, we spent all our money.”

“In my lifetime, we are going to see our people use the economic capacity we already have to become the business leaders in Northern Ontario.”

“The less dependency on the federal government, the better off we are. In fact, we generate more income for the federal government by paying taxes than we received as our entitlement or allocation.”

“Speaking about the past, they just wanted to create jobs...So I think today it's not about jobs as much as setting up companies that are going to be long-term, and focusing on the jobs it's creating owning the company, and being empowered by it. The jobs will come.”

“Job creation as a metric for success is not the right way to look at it, profitability and revenue should come first, and the jobs will follow.”

Perceptions of success

Almost all EDCs believe they have achieved some degree of success, although younger corporations in particular recognize room for improvement.

EDCs are largely positive about their success to date. More than four in ten say the EDC has been extremely (22%) or very (22%) successful, and another third (33%) say it has been somewhat successful. Very few (7%) report that the EDC has not been particularly successful.

Notably, all of the EDCs who describe themselves as “extremely successful” are mature organizations that have been around for 17 years or more. Their longevity speaks to their success at creating a new model for economic development for First Nations.

Similarly, the majority (67%) of EDCs who describe themselves as “somewhat successful” are younger corporations (in operation for 5 years or less). There is the sense among this group that they have been successful at getting started, but that there is room for improvement in terms of the actual execution and getting to the level of the larger, older EDCs.

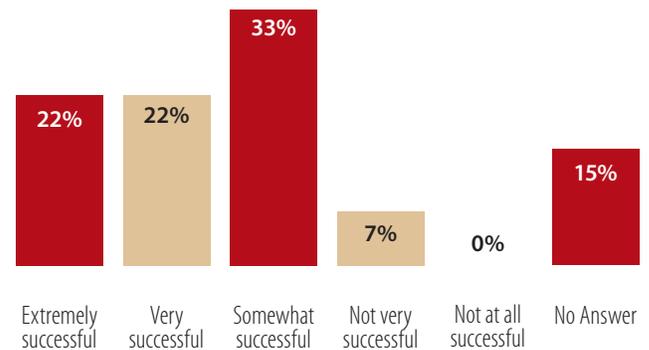
“We’ve had business success, but in terms of being a 21st century, sophisticated organization, the success is only somewhat.”

Benefits to community. Regardless of their degree of perceived success, EDCs identify three main categories of benefits their communities have seen as a result of the EDCs’ activities:

- Jobs/employment;
- Infrastructure and social services, such as roads, Internet access, buildings (e.g., community centres, band offices, schools and daycares) and health services/medical tools; and
- Intangible benefits in the form of a sense of pride, opportunity, hope and potential among community members.

Some EDCs are also starting to invest in education and training for community members, for example, by offering scholarships, to address the capacity issue they are facing (discussed later in this report).

Self-rated degree of success



3

Best Practices

Arguably, EDCs represent the dawn of a new era for First Nations who are pioneering this road to economic success for their communities. Very little has been documented about these unique organizations, particularly about the factors that contribute to their success or failure. However, in discussion with EDCs, it was evident that there are best practices that directly contribute to their success.

Political independence

It is a delicate, but important, balancing act to separate EDC activities from political influence while preserving political support for its mandate.

The separation of Band and community politics from the operation of EDCs is a thorny issue. On the one hand, community members, Chief and Council are shareholders by virtue of the fact that EDCs are entirely owned by the community. Their ongoing support and endorsement is vital to the success of an EDC (there is anecdotal awareness of EDCs that have failed due to a lack of support from the political leadership). Some EDCs identify the support of their Chief and Council as a main strength of their organization.

“So you can structure as you want, but to be effective and successful, you need support of your leadership, you cannot establish another level of government in a community and think you’ll be successful. It doesn’t work.”

On the other hand, it is widely acknowledged that there needs to be some degree of independence between the political leadership and the EDC leadership. There are several reasons for this:

- Need to avoid conflicting objectives for the EDC (e.g., jobs for community members as an immediate goal for the Chief & Council while the EDC is working towards long-term revenue growth);
- Importance of demonstrating political independence for outside parties such as potential investors; and
- Recognition of the benefit of a more inclusive Board that draws on the strengths of individuals from different backgrounds, particularly professionals with business expertise.

The reality is that most EDCs have ex officio board members (board members by virtue of their position on Band Council). Some EDCs have found ways to structure themselves to effectively balance the two entities, for example, by setting up bylaws to stagger turnover of political board members, thereby avoiding abrupt change and ensuring commitment to long-term goals. However, ultimately, the success of this model lies in the capacity of the individuals involved to understand and embrace the EDC’s goals. In a few cases, the community has taken steps to keep the two completely separate due to their overall lack of confidence in the political leadership.

Best Practices for EDCs

- Political independence
- Strong governance
- Strategic direction
- Community consultation
- Building networks/relationships
- Vision and determination

**Chippewas of Sarnia
Industrial Developments
(CIDL)
Aamjiwnaang First Nation**

***Independence through
industry***

Since opening in industrial park in 1991 on land owned by the Aamjiwnaang First Nation, the CIDL has become a model of First Nations business operating independent from government. Primary funding was provided by Chief and Council, and all operational costs and expansion are supported by internally generated revenue. The CIDL not only generates more in taxes than its community receives in all government programming, it also delivers a significant revenue stream to the community. The CIDL owns an industrial park that is home to both non Aboriginal businesses and Aboriginal entrepreneurs. The park exports beyond Ontario to the United States, Turkey and the Middle East, realizing over \$100 million in sales annually. The EDCs is also engaged in 50/50 partnerships focused on renewable energy, adding business value by manufacturing components used in solar power projects. The CIDL demonstrates how EDCs can achieve financial independence through a focus of First Nation Business Development.

"It is important to find ways to distance the political influence, but yet we recognize the need to be transparent and accountable to the band because it is the legal entity for community."

"The way to avoid it all [issues with Chief and Council]...the governance has to be independent. They can appoint, you can let them elect, but you can't have them at the table. Most of them are politicians, not businesspeople. If I was going to start a business corporation, I want the smartest people around the table. I want people smarter than me around the table. I don't want a bunch of politicians around the table that can cut me out."

"I already see that that's going to be a little bit difficult. Chief and Council want a lot of say in what happens with the businesses. It's going to have to be created in a way that keeps the political separate from the corporate. It's not a problem now, but I foresee it will be."

Strong governance

Strong governance ensures a level of professionalism that opens doors to a variety of opportunities.

Many EDCs recognize the importance of strong governance, meaning the processes an organization has in place for making decisions, getting input and resolving disputes, among other things. Governance is important in and of itself, in terms of providing the basis for an effective organization. Just as important, having recognized governance in place builds the confidence and trust of mainstream organizations with whom the EDC may want to work, such as banks, governments, and other financing sources or potential business partners.

Relatively few EDCs have sufficient knowledge of and experience with governance; this is symptomatic of a broader lack of business training and education (discussed later in this report). Ways in which EDCs are trying to improve governance include pursuing ISO certification and expanding their Board membership to include individuals with this expertise.

"The Band Council now realizes that if they want to deal with the mainstream, you need standardized approaches to planning and business. You can no longer just run social programs."

"We need to do more to operate at federal and provincial standards, even though we're on reserve. We need to meet national and international standards, not because we have to, but because it shows outside firms that we can, that we're professional, and that we operate at their level regardless of whether or not we operate on reserve."

"We have a lot of transparency happening now...Things are going to be a lot easier for the corporation because of our accountability. The government agencies are starting to recognize us...That's why we're putting things in order now so that it'll pay off in the long run."

"I would say that for any successful boards, you need non-native, professional participation. This brings expertise, access to other markets, as well as creating a more robust organization."

Strategic direction

EDCs with a strategic plan find that it provides direction, and helps manage risk and build stakeholder buy-in.

EDCs that have a strategic plan recognize it as a key tool to help them move forward effectively and remain competitive as the business landscape changes. As an extension of a broader community plan, the strategic plan is also valuable for communicating the EDC's goals and activities to community members and explaining how it will affect them. EDCs who frequently review and update their strategic plan (annually or at least every 2-3 years) tend to identify this as a strength of their organization, while those without such a plan tend to identify it as an area for improvement.

"Getting a partnership is easy. You can walk down the street and make one before you go home, but can it be sustainable, can it bring benefit to your community and to the bottom line?...[You] have to assess what you're capable of doing and what you're capable of managing, because you can drown by having too many rocks on your back, but you want to pick the ones that are going to get you to the finish line and generate some revenue."

"One thing successfully. Once you do one thing and do it well. You know how many don't do one thing successfully?...If you're going to do something, do it well and be good at it."

Naicatchewenin Development Corporation, (NDC)

Foundations of excellence

Naicatchewenin Development Corporation or NDC has been steadily developing business opportunities and realizing the potential of First Nations peoples. A dedicated and proactive attitude drives NDC to promote a culture of success for their employees and community. Willing to work small projects and painstakingly develop business capacity, NDC is now aggressively creating ever larger economic opportunities for Aboriginal and non-Aboriginal peoples alike. The goal of NDC is to provide opportunity to the community, and they are steadily building a major community trust, ensuring that the Naicatchewenin people can independently choose their own path. NDC is propelled forward by a willingness to work around the clock and a focus on meaningful, productive business relationships.

Rainy River First Nation Economic Development Corporation

Ownership and influence

The Rainy River community first entered the economic development arena 32 years ago with the goal of job creation on reserve. Their journey has led them to refocus on business growth and ownership, propelling them to become the largest landowner, and taxpayer, in their area. While earlier projects were operated outside of a formal EDC, Rainy Rivers growing success, combined with a desire to create stable companies that can be passed to future generations, has prompted leadership to restructure the community-owned companies into a development corporation. Today, when projects and policy are considered, they are one of the first groups to be consulted.

By becoming a key driver of the local economy, well beyond the reserve, Rainy River First Nation has positioned itself as an influential player in regional decision-making.

"[Strategic planning] is a strength, we review [the strategic plan] regularly. We update it annually, we review it annually. Twice a year we discuss things like that."

"[A strategic plan] provides accountability and helps communicate so people can give buy-in or not."

Community consultation

Community consultation early and often is necessary to address a general lack of understanding of EDCs and to build support for their activities.

In addition to political support, EDCs have found that community support is vital to their success. Many EDCs have encountered community suspicion at the outset; it is realistic to anticipate that there will always be opposition from someone. Lack of support from community members can be due to a variety of reasons:

- Feeling that they don't have enough information about the project (either intentionally or not), which makes it hard to build a sense of ownership;
- No framework or business knowledge on which to base an understanding of the EDC's goals and activities;
- A different vision of what the EDC's goals and activities should be; and
- Unconstructive engagement (leading to obstructive attitudes and behaviours).

The key is to involve community members as early as possible (i.e., when the EDC is first being considered) and to engage them frequently. Different EDCs do this in different ways, but the common denominators are transparent reporting back to the community and lots of opportunities for open dialogue. Political leadership is an important source of support in this area, helping communicate the benefits of the EDC to the community. Ultimately, community consultation improves the chances of success for a project and may help prevent personal attacks that can occur in close-knit First Nation communities.

"I think that, right from the beginning, if you don't have the proper communications, you're not going to get that project on the go...if even one person doesn't know what the project is, they can stop the ball rolling."

“There is a xenophobia around developments off reserve and non-native partners are met with suspicion. We hold consultation sessions, as well as quarterly reports.”

“We have monthly open meetings, to show our books.”

“The ability to have a tough conversation in a respectful way goes a long way.”

“There is a bit of negativity, which has sometimes derailed projects. It comes from a lack of understanding what the projects are.”

“Having open forums in the community to communicate the plan helps limit political influence. Everything is voiced, it’s out in the open and it’s very healthy. The more informal the setting, the more open they are...We want to hear opposition to projects now rather than when it is already underway.”

Building networks and relationships

EDCs have found it very beneficial to build relationships, particularly with other EDCs, but also with industry or private sector organizations.

Some EDCs point to the networks and relationships they have built as key factors in their business success, as these have provided greater access to information and opportunity. At a broader level, these relationships can help non-Aboriginal organizations develop a deeper, less biased understanding of First Nations.

Early in their development, EDCs have typically found that they must proactively reach out to organizations and individuals, rather than having people approach them, although this can change as the EDC grows and becomes more successful. The starting point tends to be contacts that EDC staff have developed in previous jobs, although EDCs may sometimes hire outside consultants to help identify the right people to speak to.

EDCs recommend taking a long-term view of a relationship and judging its worth not based solely on the ability to make money today, but on potential for the future. There is also recognition that EDCs cannot always be demanding something of its partners, but must bring something to the table to create a mutually beneficial relationship.

Wasaya Group, Thunder Bay

Driving growth, supporting communities

The Wasaya Group of companies has grown from a joint partnership to a wholly First Nations-owned firm operating in multiple sectors from petroleum, mining, forestry and airlines to world class industrial manufacturing.

The Wasaya Group is a partnership comprised of 12 remote northern Ontario Aboriginal communities. Not only does Wasaya provide crucial services and generate business growth in Ontario’s north, they reinvest heavily in Aboriginal social programs, health care, education and cultural preservation. This community give back includes over \$100,000 to a youth aviation camp and spearheading the drive to purchase a CT scanner for Sioux Lookout with an initial \$525,000 contribution. The Wasaya Group is an inspirational example of how EDCs can drive progress economically, as well as socially and culturally.

**Waubetek Business
Development Corporation,
Manitoulin Island**

***Investing in the Aboriginal
Entrepreneurial Spirit***

The Waubetek Business Development Corporation, meaning “the future”, has driven business development in Ontario’s north-east region for 25 years. Waubetek has provided critical support and funding to over 1,500 companies, through nearly \$55 million in investments with less than a 2% loss rate. This access to financing has allowed Aboriginal entrepreneurs to succeed despite the barriers to financing and access to credit posed by Indian Act legislation. Roughly 94% of the businesses Waubetek has supported are still operating, which beats the Canadian average. This has contributed to a drop in the local unemployment from 82% in 1989 to 23% today. The positive impact on the regional economy, Aboriginal and non-Aboriginal alike, is obvious and continues to grow. Not only are the number of Aboriginal start-ups on the rise, but the size of projects and communities involved is also increasing.

“We have developed some very strong relationships with these companies. They’re business relationships, but they’re also personal relationships. We get in their face, we let them know we’re here and let them know we’re willing to work with them. They see the benefits of having us as their friends. Because they sure as heck don’t want us on the other side of the table.”

“Our philosophy as a community has always been to building a winning relationship with all parties involved. It’s not just about money.”

“We sought them out. We knew who they were. We brought in somebody knowledgeable who knew who the people were and what to ask.”

“We looked at what other people have done, and how they did it, and were not afraid to get on the phone and get information.”

“The best asset for us has been our ability to network with other communities that do similar things.”

Vision and determination

These opportunities are being created by individuals who have the vision and sheer determination to overcome challenges.

EDCs face many barriers as they start up and then build their organization, some of which are beyond those a mainstream business would face, such as band politics and government policy. Although not always explicitly stated in the interviews, two characteristics stand out as common to these EDCs: a strong belief in what can be accomplished (vision), and the determination to overcome the hurdles that stand in the way.

“We do Ec Dev 24/7, and you have to, because if you don’t you’re not getting it done. Because it’s a long hard road, and you get beat up a lot running uphill. You have to believe in what you’re doing. It’s hard to get the right people in the same room to do the same things and that have the same work ethic. And that are willing to dig in and take the hit for the team. You know, it takes some strong people.”

4

Role of Government and Industry

EDCs face many barriers to growth and have developed best practices to increase their chance of success. To what extent do external organizations help EDCs meet their objectives? Governments and corporate Canada can, and often do, play important roles in terms of providing financing, setting policy and developing business skills. Yet, EDCs also feel they are not always well-understood or appreciated by these organizations, making it more challenging to access the type of support they need in their pursuit of economic development.

Perceptions of federal government support for EDCs

25% positive

"They are useful, but there is lots of room for improvement."

"They are what they are, there's good and bad and all kinds of personalities. How bad do you want [their support]?"

33% neutral

"Federally, [staff] turnover is a major issue."

"We want help, but it's so hard to meet their reporting criteria."

"They just need us for the numbers. They don't ensure success in your projects."

42% negative

"They have people with a high school education making decisions on proposals developed by MBAs."

"We've tried INAC, but they kept turning us down. They've actually been blocking us. And contributed to the negative hurdles for us. I would neither recommend nor work with them."

Perceptions of federal government support for EDCs

There are mixed opinions about the federal government's support to date for EDCs, and even positive comments demonstrate some reservations.

EDCs are divided in their views about the support offered by the federal government. One-quarter (25%) hold a positive view, although few unreservedly so, while one-third (33%) are neutral and four in ten (42%) have a negative view.

The main source of frustration is less about the amount of funds provided (although funding for start-ups is a concern), and more about it being tied to unrealistic criteria or too difficult to access. High staff turnover, slow turnaround times and regulatory issues stemming from overlapping funding agencies were also identified as problems.

Perceptions of Ontario government support for EDCs

Opinions about MAA's support for EDCs are largely positive, with a sense that opportunities are shifting to the provincial level (e.g., New Relationship Fund).

EDCs respond more positively to the Ministry of Aboriginal Affairs' approach to support. Six in ten (61%) hold a positive view, compared to only one in ten (13%) who are negative; the remaining one in five (22%) are neutral.

Some of this optimism stems from a sense that the Ontario government recognizes the potential of EDCs and is making a concerted effort to support them. Several EDCs also acknowledged the efforts the MAA has made to engage EDCs, visit the communities and build relationships. The expectation is that this degree of engagement will lead to a strong understanding of EDCs' needs and ultimately, to more practical and relevant policies that support rather than hinder economic development.

Role of industry

Private sector firms offer EDCs knowledge transfer, as well as access to capital, and in turn gain access to the largely untapped Aboriginal market.

EDC relationships with private industry can be a mutually beneficial arrangement, crucial for developing EDCs past incubation and serving as a valuable entry point for the corporate sector to engage Aboriginal communities.

Currently, EDCs that have developed private partnerships say they benefit primarily from greater access to capital investment and/or knowledge transfer and skills building from experienced businesses. Partnerships with off-reserve business can be an effective path to address the shortage of business-relevant skill sets in communities.

EDCs are well aware that to attract industry interest, they must operate with a high level of professionalism and transparency (in many cases, seeking ISO or other external certification), in part to dispel any doubt about the efficiencies of Aboriginal businesses. Thus, private firms can look at partnerships with EDCs as an opportunity rather than a risk, particularly in terms of gaining access to the largely untapped potential of the Aboriginal market.

"We'd like to see industry come in. We will need to partner with other companies. We don't have experience running these companies ourselves."

"You can't have this loosey goosey situation with a band office where a person can be here one day and another the next. There has to be structure around it. Industry partners and corporate partners want structure, they recognize structure, they can deal with that."

"The private sector is very good because they treat us like a business. The public sector is horrible, specifically procurement programs."

Financing sources

A majority of EDCs are largely self-reliant when it comes to financing, but government funding is also prominent until EDCs get on their feet and have the track record to access private funding sources.

Locating funding in the early stages of business development is critical. Set-up costs, including legal advice, business consulting and feasibility assessments, can mount quickly. Private financing can be difficult to access (44% of EDCs mentioned the difficulty of getting loans when they were starting up) due to a lack of credit history, *Indian Act* regulations regarding land ownership, and the

Perceptions of Ontario government support for EDCs

61% positive

"They are rolling out innovative new programs. Not necessarily just money for business, but funding to attract financing and new opportunities with private sector partners."

"They do a good job at relationship brokering."

22% neutral

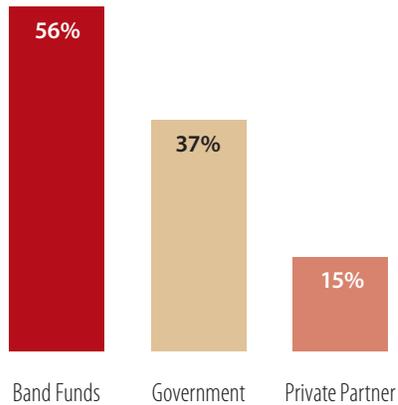
"They appear to have a genuine desire to see us launch an EDC because they understand the opportunities it creates, but they don't have the mechanisms in place [to support us]."

"I would like to see more dollars to share."

13% negative

"I would like to see them support groups filling the need for larger projects. We don't have a good source of funding for larger projects."

Main source of financing used for **start-up**



stigma surrounding Aboriginal business. Anecdotal evidence suggests that many EDCs are no longer in operation due to an inability to get past this set-up phase.

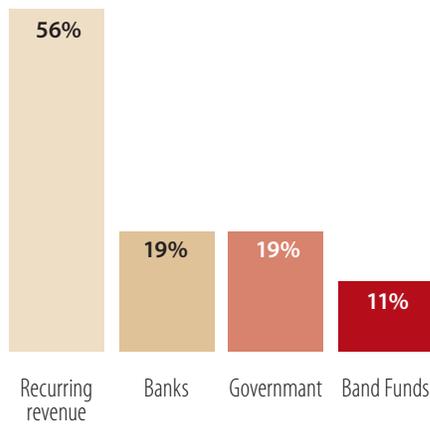
"[What are the barriers to capital?] The Indian Act; not allowing us to take land as security and restricting us from using the pent-up equity in the land. Lack of a corporate credit rating. The need to get government guarantees and assurances to secure private loans."

"Market barriers. Market conditions. Government attitudes, stigmas that First Nations can't run or operate businesses, mostly at the federal level."

"Uncertainty. In terms of timelines, resources... It's having the long-term tenure to natural resources that prevents First Nations from access to major business in that sector."

"Banks, it's based on money. What's your performance? Have you succeeded? Am I going to get my money back? Yeah, well okay, we'll lend you the money. Industry is the same thing."

Most important **current** sources of financing



A majority (56%) of EDCs have overcome this problem by accessing band money from land claim settlements, RAMA funds or already existing band owned businesses. Having "skin in the game" is seen as a point of pride. However, for many communities this is not realistic, particularly if they lack land settlements, or are smaller and hence receive less core funding. This is further complicated by the discretionary nature of community funds, which are also needed for pressing issues ranging from housing shortages to health care.

Thus, EDCs also look to government at the early stages of business development. Almost four in ten (37%) say government funding was the main source used to launch their EDC. Government support then becomes less important as the EDC matures (only 19% say it is an important source of funding at the present time), becomes self-sustaining (56% rely primarily on recurring revenue for ongoing financing) and can more easily access private funding sources such as bank financing (19%).

Important relationships

Few EDCs identify support that has been instrumental in their development, and believe this is due to a lack of appreciation for their business potential.

While some EDCs have obviously worked and benefitted from partnerships with government (both federal and provincial) and industry, when asked directly, relatively few identify specific organizations that have played, or are playing, an important role in their success.

One reason for this appears to be the amount of effort EDCs need to put into convincing others to support them. EDCs typically believe that the individuals who work in government and industry are not very knowledgeable about the business potential that they represent, and in many cases hold negative perceptions of Aboriginal peoples and businesses. Thus, to some extent, EDCs feel they are going it alone.

EDCs have found that appreciation for their capabilities is built through developing relationships and educating people, as well as by demonstrating success and accountability.

“Everyone wants short-term gains, don’t see long-term potential of these communities. There is a stigma about First Nations. To fight stigma, you need to re-educate people.”

“It’s different working with our regional office and our Toronto office. The resources we have in Thunder Bay have a better understanding of our issues. Whereas in Toronto, they ‘can’t imagine it, so I don’t know.’”

“[Any outside organizations playing a role in your success?] At the end of the day, it’s us.”

“When we educate our funders, we end up getting a good sense of support from them in return.”

“It was hard convincing banks that we’re good for it. You’d borrow a dollar one year and the next year you could borrow fifty cents more. You’ve generated that rapport with them. It just gets better.”

5 Looking Ahead

This research was designed not only to learn about what has been going on in the EDC sector, but also to identify EDCs' needs and priorities for the future. While EDCs are growing in number and size, there are several aspects of their business that require development in order for them to reach their full potential.

Education and capacity building

Education and capacity building are priorities at several levels, including for EDC staff and boards, and for the community-at-large.

Education and capacity building are, by far, the highest priority needs for EDCs. Virtually every EDC interviewed identified this as a gap that is slowing them down.

“Capacity; that’s the biggest stumbling block to hold us back. Finding educated, qualified First Nations people willing to come work in the trenches.”

“Our needs are to educate, educate, educate. We need to build capacity in the community.”

“We don’t need to start up companies here, because we don’t have the workforce. The priority is to set up infrastructure for workforce development. Never mind jumping the gun with corporations, we need the human capacity.”

The need for education exists both at the EDC-specific level and in the broader community. At the EDC level, knowledge gaps include how to set up and run an EDC and corporate governance (how boards function, etc.).

Within the community, the most obvious need is for job and skills training so that community members can benefit from the jobs being created. There is a particular need for business skills, running the gamut from management, finance and accounting to human resources, administration and computer skills. However, many EDCs also identify higher education as a prerequisite for community members to ultimately support EDCs, by raising their capacity to understand and evaluate EDC goals.

“I have a hard time finding people with even a basic finance background.”

“I’m the only one who knows how to access external funding. We have a population of 3,000, and I need at least two more people to work with.”

There is no evident pattern in the amount EDCs spend on training. Training dollars range from nothing to 25 percent of their operating budget, although the most common spending level falls in the range of one to five percent.

EDC needs and priorities for the future

- Education and capacity building
- Access to financing
- Networking and best practices
- Infrastructure

As the level of education and training increases, retention also becomes a serious issue. EDCs spend time and energy training staff who then move on. Community members who leave to get a post-secondary education often don't return to work in the community. EDCs simply cannot compete in offering the pay necessary to recruit and retain high level talent.

"I will generally train staff for eight to 10 months before they move on to bigger and better things. Every one of them has progressed, leaving me alone to train the next staffer."

"Some of the kids that have the qualifications leave the community. We simply can't compete with the wages, as we are funded by the feds or the province, and they come with clear wage restrictions and guidelines. The cost of living in the remote communities is prohibitively high. There is a clear brain drain."

Access to financing

Most EDCs self-finance their start-up and current activities. They advocate for fair, stable and ongoing sources of funding, particularly for building human capacity.

Access to financing is a well-known barrier for Aboriginal business, due in part to the constraints imposed on property ownership by *The Indian Act*, and this is also true for EDCs. However, it is notable that EDCs are sometimes reluctant to identify financing as a need, because of a strong desire to be self-sufficient, and avoid the strings attached by governments and financial institutions, but also stung by mainstream misconceptions about Aboriginal peoples' reliance on government funding.

Yet, that doesn't change the fact that lack of financing is a major risk factor and has stopped EDCs from operating in the past. The main financial needs include funds to get an EDC up and running, and funds to build capacity internally, rather than always needing to spend on external advice (e.g., legal, accounting, auditing).

"At launch, it's the funding for incubation. There's no real programs out there that are designed to incubate development corporations. To get them up and running, get them staffed, build capacity in that staff member, and get them going and starting to grow from one person to 10 people. That does not exist right now."

“The community has paid for talent, over \$100K a year. It’s critical that the community has supplemented INAC’s core ec dev dollars with community money, especially for talented individuals. Otherwise, a community will have an individual who makes \$50K making decisions on \$100-million projects.”

“Dollars to hire people is our most pressing current need.”

The issue is not simply the amount of financing available. The larger concern for EDCs is having access to funding that is: (a) stable and ongoing, allowing them to plan for the long-term; and (b) fair, in terms of the criteria used to determine eligibility and the limitations on how the money is used. The latter is particularly relevant because program rules on funding for staff and apprenticeship positions can actually impede the capacity building they have been designed to support.

“It takes time for businesses to get off the ground even with the right leadership. So [we need] ongoing dollars and support to develop the projects. To have the continuity is important.”

“[Community members] cannot take advantage of apprenticeship dollars due to insufficient formal education.”

“I have difficulty with intern funding. Trying to find somebody that meets their qualifications is tough...You might get funded, but you won’t find a candidate that fits their criteria.”

A small number of EDCs specifically mentioned the need for policy changes and programs that would allow them to use on-reserve assets. However, such changes, while currently under discussion, are not imminent enough to replace the need for other forms of financing.

Networking opportunities

There is a need for greater sharing of expertise, knowledge and success stories among EDCs and other experts.

Although there are a few EDCs that have been in operation for a couple of decades, this approach to Aboriginal economic development is still relatively new and there is little publicly available information about them. EDCs see huge value in developing a gateway for information-sharing, where they can

learn about the best practices for start-up and operation, and be inspired by success stories. The goal is to benefit from the experiences of others, to speed up the learning curve and increase each EDC's chance for success. Suggestions include:

- A tool kit covering best practices, for example, in corporate structure, financing sources (public and private) and legal advice (how to begin, structure and run an EDC);
- Networking opportunities and contacts with other EDCs;
- A centralized website that contains these tools, as well as blogs or an Internet forum; and
- A forum for EDCs, Aboriginal communities, industry and government to specifically discuss EDCs (e.g., their activities and needs)

"What is lacking – it's not about dollars. It's like a survival kit...had you taken an hour beforehand to train me on the basics of life, chances are I would survive a lot better. Don't show me, sit down with me and discuss what the options are."

"[I would like] information-sharing among First Nations, best practices. The legal expense that we go through to find out what another First Nations already knows is ridiculous...It would certainly help if the government were to step in and champion an independent process where First Nations can collaborate without government being involved. It's a handcuff that bothers a lot of First Nations. They want to be able to talk openly and don't necessarily want the federal government to claw back on resources if there is a revenue stream they create."

"[I would like] access to experienced people, because if I don't know something I need to pick up the phone and find people who do. Not necessarily consulting firms, because they often just want to sell you something."

"It would be helpful to get together with the communities to find out what is going on out there, what we can share."

"Some First Nations have been an inspiration. The more you hear about success stories, it drives the point home that if you get community buy-in and financing, you can get many years of success."

Infrastructure

Northern and remote EDCs would benefit from investment in transportation, energy and communications infrastructure.

More than half (59%) of the EDCs interviewed for this research are located in northern communities, and a further one in five (22%) are classified as “remote,” compared to one in five (22%) that are located in the more populated southern region of the province. Infrastructure needs is a relatively common theme for northern and remote EDCs, although not as common as the need for capacity building, financing and networking. Infrastructure needs include transportation (roads/highways, trains), utilities (water, electricity, fuel) and communications (Internet). The cost of developing this infrastructure to the level needed to support business can be prohibitive for EDCs.

“We’re sitting in the bush, with no highways or train tracks. The cost of living is very high. Communications, IT, highway, water: we need all forms of infrastructure development.”

6 Ontario Compared with the National Average

Ontario has the largest Aboriginal population in Canada: more than one in five Aboriginal people in Canada reside in this province. Yet, the development of Aboriginal EDCs here trails other parts of the country. Compared to the national average, Ontario EDCs tend to be younger and smaller, and yet are as likely to have had success in terms of generating revenues for their community.

Using comparative national data from the 2011 report *Community and Commerce: A Survey of Aboriginal Economic Development Corporations*, this chapters explores the similarities and differences between EDCs in Ontario and the rest of Canada.

Key comparisons

The differences between Ontario EDCs and the national average relate to size and length in existence:

- While a strong majority (72%) of EDCs across Canada have been in operation for 10 or more years, just half (52%) of those in Ontario have been operating that long.
- Both nationally and in Ontario, the majority of EDCs are small businesses (i.e., based on the Industry Canada definition of less than 100 employees). However, this is more common in Ontario (78%) than for the national average (68%).
- EDCs across Canada are also slightly more likely than those based in Ontario to have realized sales of \$1 million or more (68%) for the previous fiscal year (68% and 59%, respectively).

Nonetheless, Ontario EDCs are as likely as the national average to have experienced success in the form of revenue growth in the previous 12-month period (52% and 54%, respectively). The large majority of EDCs both in Ontario (72%) and Canada-wide (78%) also expect(ed) their total revenues to increase over the following year.

EDCs in Ontario are also on track for hiring Aboriginal talent. On average, 72 percent of the employees of EDCs nation-wide are Aboriginal, compared to two-thirds (68%) in Ontario.



Methodology

The results of *Community and Commerce Ontario* are based on interviews conducted either in person or by telephone with senior executives of 27 Aboriginal economic development corporations across Ontario.

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.

This research builds on a national survey of EDCs conducted by the CCAB in 2011 entitled *Community and Commerce: A Survey of Aboriginal Economic Development Corporations*, which included five EDCs in Ontario. An entirely new questionnaire was designed to further develop our understanding of EDCs in Ontario, although a few questions from the 2011 survey were repeated to allow comparisons between national and Ontario EDCs.

Contact information was identified for 130 First Nations communities in Ontario. Each of these communities was contacted by telephone, resulting in a total of 61 EDCs identified. Twenty-seven (27) EDCs participated in the survey during the research period, representing a good response rate (44%) for this type of survey with busy senior professionals. Two Métis organizations were also identified as having EDCs and approached for their participation, but were not able to do so during the research period.

Number of interviews by region within Ontario*

	<i>number</i>
Northern Ontario	16
Southern Ontario	6
Remote	6

* Total adds to 28 because one EDC is classified as both northern and remote.

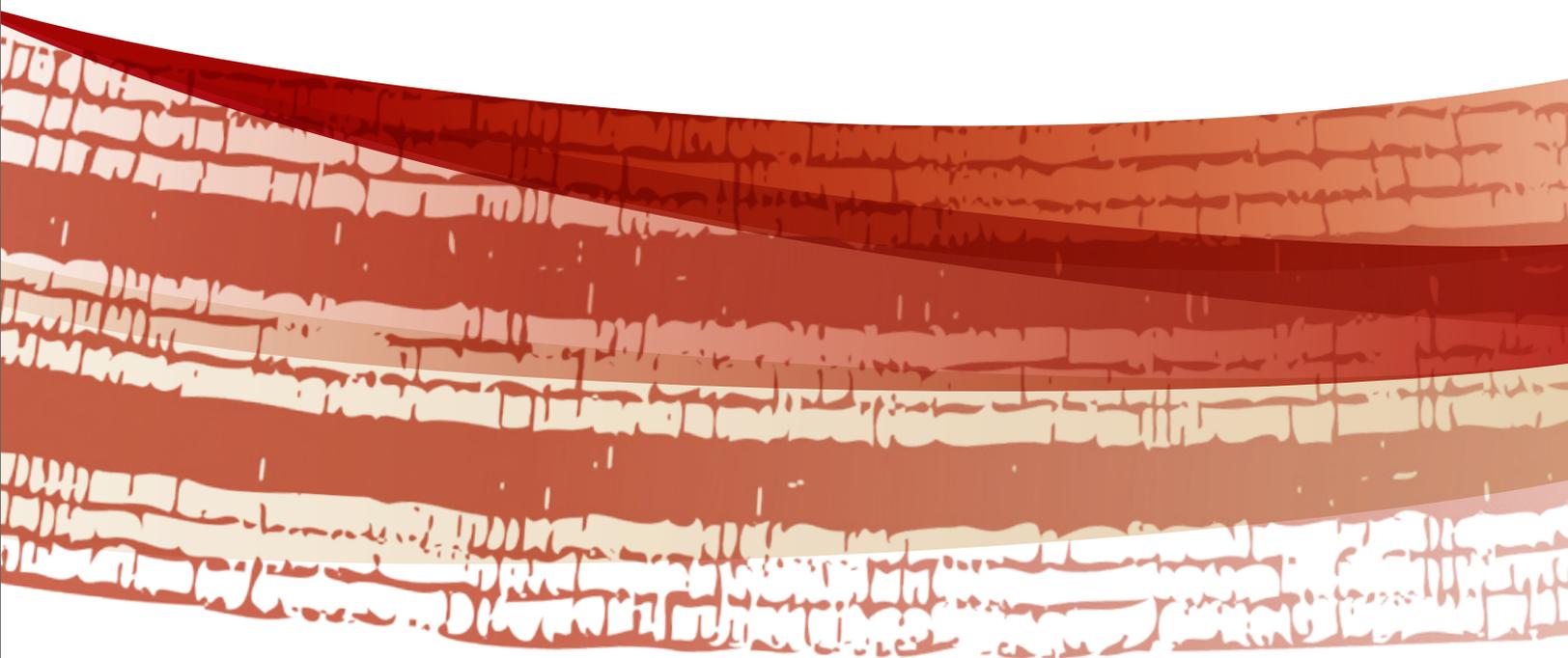
The survey was conducted with the President, CEO, General Manager or Chair of the EDC. Each EDC initially received a letter from the CEO of CCAB inviting them to participate in the survey. Just over half of the interviews (n=15) were conducted in-person by representatives from CCAB, while the remainder (n=12) were conducted by telephone.

We would like to thank Max Skudra for his contribution to this research.



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Canadian Council for
**ABORIGINAL
BUSINESS**



Community and Commerce

A Survey of Aboriginal Economic
Development Corporations in Ontario
Research Report Spring 2013

In partnership with

