

Canadian Council for
ABORIGINAL
BUSINESS



Partnerships and Prosperity:

Key Findings from CCAB

ISSUE 2 – JANUARY 2010



Progressive Aboriginal Relations Research Series
Building Relationships, Sharing Knowledge.

TABLE OF CONTENTS

- I INTRODUCTION AND SUMMARY1
 - What did we learn from the PAR “business development” data?
PAR Companies2

- II BACKGROUND3

- III “BUSINESS DEVELOPMENT” KEY FINDINGS3
 - FINDING 1:
Mentoring Aboriginal businesses increases the probability of
success for Aboriginal-corporate business relationships..4
 - FINDING 2:
There is a strong business case for buying from Aboriginal businesses.....6
 - FINDING 3:
Joint ventures with Aboriginal people as active partners
lead to sustainable business capacity for the Aboriginal partner.9

- IV CONCLUSIONS.....12

- V ACKNOWLEDGEMENTS13
- APPENDIX – METHODOLOGY14

I. INTRODUCTION AND SUMMARY

The second in a series of three, this report surveys data submitted by 38 companies participating in the Progressive Aboriginal Relations (PAR) program offered by the Canadian Council for Aboriginal Business and representing various industries operating in Canada between 2001 and 2009.

The first PAR report focused on Aboriginal community relations and found a number of hallmarks that “progressive companies” share to achieve good relations with an Aboriginal community: the use of systematic communication processes, the existence of robust consultation mechanisms, a willingness to observe cultural differences, and understanding the importance of mutual benefit.

This report also identifies general hallmarks or “ingredients” for progressive Aboriginal relations, but focuses on ‘business development’.

What did we learn from the PAR ‘business development’ data?

In our review of the PAR data we discovered a number of “good things underway” between Aboriginal and Canadian businesses. These “good things” are consolidated into three general findings:

- **Providing mentoring at the outset of partnerships with Aboriginal businesses creates a stable and productive business relationship.**
- **Offering procurement opportunities to Aboriginal suppliers makes for a strong business case.**
- **Creating joint ventures with Aboriginal peoples as active partners leads to sustainable business capacity for the Aboriginal partner.**

The companies profiled in this report have been selected for their strong leadership in the business development pillar of PAR and the sustainability of their operations with Aboriginal peoples and communities. Indeed, all of the companies mentioned below are certified at the highest level in the PAR program.

“Business development truly levels the playing field, but to achieve it, companies must be proactive so that Aboriginal businesses can play in the field.”

Clint Davis, CEO, CCAB



ABOUT THE 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.

CCAB is non-partisan and receives no core government funding. It is entirely supported through corporate funding and member dues.

For more information, please go to www.ccab.com.

PAR Companies, 2001 – 2009

By the Numbers

300,000

– Approximate number of people employed by all PAR companies

\$200 Billion

– Approximate combined annual revenue of PAR companies

35%

of the 40 companies committed to PAR have attained Gold status

100%

of PAR companies achieving Gold status have been in the program for more than four years, and half of them have participated for at least eight years

PAR Companies at a Glance, by Achievement Level, 2001-2009

12

BRONZE



Reflects a good beginning on the PAR journey.

Canada Post Corp.
ESS Support Services
Hewlett-Packard (Canada) Co.*
IBM Canada
Manitoba Lotteries Corp.
Nassituq Corp.*
Pitblado LLP*
Red River College*
Savanna Energy Services Corp.
Sodexo Canada
World Wildlife Fund*
Xerox Canada

9

SILVER



Awarded for significant accomplishment.

Alberta Pacific Forest Industries Inc.
BC Hydro*
Canada Post Corp.
Donna Cona Inc.*
Manitoba Lotteries Corp.
SaskTel*
Savanna Energy Services Corp.
Scotiabank*
Xerox Canada

14

GOLD



Demonstrates leadership and sustainability.

Alberta Pacific Forest Industries Inc.*
BMO Financial Group*
Cameco Corp.*
Canada Post Corp*
Diavik Diamond Mines Inc.*
ESS*
Higgins International*
IBM Canada*
Manitoba Lotteries Corp.*
Place Louis Riel*
Savanna Energy Services Corp.*
Sodexo Canada*
Syncrude Canada Ltd.*
Xerox Canada*

“ PAR is very important to Canada Post because it provides us with a framework and a roadmap...It allows us to focus on specific areas and address those and it allows a significant, but not excessive amount of time to step up our efforts to improve them... We're very proud that we achieved the gold, but we're also very aware that we need to keep earning the right to be gold.”

Robert Waite,
Senior Vice President,
Corporate Social Responsibility,
Canada Post Corp.

Note: This list contains some companies that are no longer in the PAR program, and it does not include those companies that are only in the commitment stage. For a full list of PAR companies that are currently enrolled in the program, see page 12.

*Current PAR certification level

II. BACKGROUND

Despite the challenging economic environment, the business news concerning Aboriginal peoples seems, in contrast, very positive. For example, in 2008, First Nation and Métis leaders in the west travelled to China to attract investment in their territories, laying the foundation for future partnerships with the signing of a Memorandum of Agreement (MOU). More recently, seventeen First Nations in Saskatchewan and Alberta partnered with Sprott Resources Corp, a Toronto-based investment firm, to create what is expected to be one of the world's largest corporate farms, One Earth Farms. Meanwhile, in order to build the capacity of Aboriginal entrepreneurs, former Prime Minister Paul Martin launched the \$50 million Capital for Aboriginal Prosperity and Entrepreneurship fund (CAPE) meant to provide investment in existing and emerging Aboriginal businesses.

The CCAB is in a unique position to elaborate on the realization of the potential indicated in the examples above. Using the rich source of data found in the PAR program resources, we are able to demonstrate concrete examples of business development and cooperation between Canadian companies and Aboriginal communities or entrepreneurs.

III. "BUSINESS DEVELOPMENT" KEY FINDINGS

"Business Development", for the purpose of this report, is the creation and support of First Nation, Métis and Inuit businesses by companies doing business in Canada. It is the efforts of those companies which are the focus of this report. As Clint Davis, CEO of the CCAB, says, "effective business development occurs when a company is a customer of Aboriginal businesses and/or a partner with Aboriginal businesses/communities".

Throughout their PAR journey, companies have employed a number of strategies in their business partnerships with Aboriginal peoples. Some companies create procurement goals, set targets (a percentage of contracts going to Aboriginal suppliers) or mandate their large suppliers to offer business to smaller Aboriginal-owned firms. Other companies form joint ventures, entering into profit sharing agreements or limited partnerships and sometimes eventually turn over complete control to the Aboriginal business partner.

This report identifies some of the key dynamics of relationships between companies and First Nation, Métis and Inuit communities and individuals in the area of business development. How do these relationships emerge, are they successful, and why?



THE PROGRESSIVE ABORIGINAL RELATIONS PROGRAM

The Progressive Aboriginal Relations Program, or PAR, is the first of its kind in the world. The program requires that companies set goals and assess themselves in four areas: employment, business development, individual skill development, and community relations.

PAR recognizes companies at three levels of achievement: Bronze (reflects a good beginning on the PAR journey), Silver (awarded for significant accomplishment) and Gold (demonstrates leadership and sustainability).

Each firm must complete a self-assessment, which is verified by the National Quality Institute (NQI), a Toronto-based independent organization that measures organizational excellence. NQI makes recommendations to an independent jury of business leaders that, in turn, awards the PAR hallmarks.

To date, fourteen companies have achieved Gold, nine Silver and twelve Bronze (a number of companies are still in the commitment phase).

For more information, please go to:

<http://www.ccab.com/par.html>

FINDING #1:

Mentoring Aboriginal businesses increases the probability of success for Aboriginal-corporate business relationships.

PAR companies that have successful business development relationships with Aboriginal businesses and communities typically mentor these same businesses, especially in the early stages of the relationship. Mentoring provides critical guidance and support that builds Aboriginal business capacity through skills training, tools and other business supports.

Providing Entrepreneurs with Business Fundamentals

IBM Canada Ltd.

IBM Canada Ltd. is a leading provider of advanced information technology, products, services and business consulting expertise. To facilitate Aboriginal inclusion in the technology sector, the IBM National Aboriginal Strategy supports expansion of Aboriginal participation in the technology supply and delivery channels.

Mary Jane Loustel, IBM Canada National Aboriginal Program Executive explains, “IBM collaborates with Aboriginal business through its procurement process and through its business partner process.” She adds “These two processes provide a foundation to support diversity, equity and success. Mentoring and support is very important to a productive relationship.”

PartnerWorld, the program for IBM business partners, provides easy access to a wide range of sales and marketing tools, skill-building courses, technical support and collaborative opportunities that enhance business partners’ competitiveness and profitability. They choose the support they need, when they need it.

After creating a relationship and helping the Aboriginal-owned company prepare for a business partnership, IBM will try to insert that company into their supply chain, either directly or indirectly (such as having them work with a larger supplier).

Alex McIntyre, the Sales and Marketing Manager at Western Micro Systems, one of IBM’s Aboriginal business partners, asserts that *PartnerWorld* is fairly significant in forming personal relationships, engaging different business sectors, and developing expertise. He remarks, “IBM has been very helpful in that way...they’ve been a tremendous resource.” Ken Clowes, VP of Project Management at Western Micro Systems, confirms IBM’s value as a partner. Clowes acknowledges the benefits of *PartnerWorld*, especially noted through the initiative IBM has taken by assisting the Aboriginal IT firm win set asides

FINDING #1 IN BRIEF:

1. Mentoring can begin before a formal business relationship is created.
2. Mentoring support should be ongoing throughout the supplier relationship.
3. Building capacity of Aboriginal suppliers contributes to the sustainability of the supply chain.

WESTERN MICROSYSTEMS

Western Micro Systems Ltd. is an Aboriginal-owned company that has provided information technology services and products to non-profit, government, Aboriginal, and private sector organizations for over 15 years. The IT company has two centres in Winnipeg, but it also offers on-site service to rural Manitoba and northwest Ontario. Western Micro Systems formed a partnership with IBM through IBM’s program, *PartnerWorld*. While Western Micro Systems provides IBM with access to other markets, IBM provides the Aboriginal business with education around supplies, products, and services.

under the federal Procurement Strategy for Aboriginal Business (PSAB). As a result of IBM's close monitoring of PSAB opportunities, Western Micro Systems and other Aboriginal IT firms have been provided with advance notice of the PSAB set-asides. According to Clowes, Western Micro Systems has won 15 set-asides.

Nurturing and Preparing Business for the Long-Term

Diavik Diamond Mines Inc.

Diavik, a Canadian mining company operating in the Northwest Territories, works with five Aboriginal groups in various capacities – from the Kitikmeot Inuit Association on the Arctic coast, to North Slave Métis Alliance in the south, the Tli Cho First Nation (Dogrib Treaty 11 Council) at the north arm of Great Slave Lake, Yellowknives Dene First Nation located just outside of the Yellowknife, and the Lustel K'e Dene First Nation at the eastern arm of the Great Slave Lake.

The company began operations in 2000 and immediately sought to engage Aboriginal peoples in the region. However, actual business partnerships did not occur overnight. As Eric Christensen, former Manager of Business Services and Agreements, reports, “Diavik used its early days to work with the communities in developing business capacities that would be relevant to our operations, not only during construction, but during operation. And we used our construction phase to, if you will, nurture businesses from each of the five principle Aboriginal authorities so that they would be prepared to be long term service providers during the operations stage”.

When the relationships were created, Diavik took mentoring to a more formal level through initiatives like “Life of the Contract”. This arrangement places Diavik as a guarantor for Aboriginal businesses, offering the necessary security for lenders in the supplier's application to obtain financing. Diavik also has a business improvement and planning model that assists Aboriginal contractors to implement their business plans. In addition, they advertise and hold information sessions to ensure Aboriginal businesses are aware of upcoming opportunities at the mine.

Enhancing Competitiveness

Canada Post Corp.

Canada Post is a federal crown corporation and a leader in the mail services and information delivery sector. In Canada's north, Canada Post works extensively and, at times, exclusively with Aboriginal business partners.

These partnerships often coalesce around procurement, whether it is utilizing airline services to transport groceries or cleaning companies to maintain Canada Post's facilities.

PROCUREMENT STRATEGY FOR ABORIGINAL BUSINESS (PSAB)

PSAB was launched in 1996 to increase the level of federal government procurement from Aboriginal-owned businesses. Since Aboriginal businesses were underrepresented in bidding and winning government contracts, PSAB was seen as a solution to this. The program has seen positive results with government spend on Aboriginal business, which increased from \$44.5 million in 1997 to \$244.9 million in 2004. The number of contracts won by Aboriginal businesses grew as well from 3,233 to 5,980 during the same period*.

PSAB often uses set-asides in order to make Aboriginal businesses more competitive in the bidding process. These set-asides reserve bidding for Aboriginal-owned businesses or joint ventures. The PSAB set-asides can be mandatory or voluntary, depending on the criteria of tender. For more information on PSAB, check out: <http://www.ainc-inac.gc.ca/ecd/ab/psa/index-eng.asp>

**Procurement Strategy for Aboriginal Business Performance Report 2004. Retrieved on November 26, 2009, from <http://www.ainc-inac.gc.ca/ecd/ab/psa/pubs/2004/per04-eng.pdf>*

Canada Post helps identify potential opportunities for interested businesses in the Aboriginal community. In fact, according to Bob Waite, Senior Vice President for Corporate Social Responsibility, Canada Post is making an effort to reach out to Aboriginal businesses through organizations plugged into the Aboriginal supplier network. Essentially, as Waite says of the Aboriginal business community, “they just want to know where the business opportunities are and have a fair shot at it. So that’s what we’re trying to do, help them, and they’ve been winning (contracts).”

One way that Canada Post builds its Aboriginal supplier network is by asking Aboriginal service providers to self-identify during the tendering process. Although Canada Post cannot give preference to a particular supplier, by building an Aboriginal service provider database, the crown corporation can give advance notice to its Aboriginal business network of any upcoming tenders. To further assist Aboriginal suppliers in the bidding process without bias, Canada Post reviews contracts on request, so that interested Aboriginal parties can learn how to bid, to understand the process and what it takes to be successful.

IBM, Diavik and Canada Post all share a similar philosophy in terms of working with their Aboriginal partners. They recognize that in order to create a solid business foundation in the Aboriginal community, support and mentorship is required at the beginning of the relationship and throughout.

FINDING #2:

There is a strong business case for buying from Aboriginal businesses.

Demonstrating the amount of goods and services procured from Aboriginal businesses by PAR companies is an important element of the Business Development pillar. In our research of exceptional practices by PAR companies, it became apparent that procuring from Aboriginal business is not a philanthropic exercise.

Preference in the Bidding Process

Sodexo Canada

Sodexo is a leading multi-national company in the food and facilities management service. The company puts a heavy emphasis on partnering with neighboring Aboriginal communities through procurement policies.

Sodexo typically has partnerships that fall under “Teaming Agreements”. The most applicable to Aboriginal communities is called a “Preferred Contract Proposal” whereby a community that has already negotiated an

**\$500
MILLION**

The approximate combined total spent by the 8 companies in this report on goods and services provided by Aboriginal businesses in 2009.

FINDING #2 IN BRIEF:

1. Procuring from local Aboriginal suppliers is often cost effective.
2. Procuring from local Aboriginal suppliers provides dependable and long-term service.
3. Including Aboriginal businesses in the supply chain helps to ensure that companies can achieve a social license to operate.

impact benefit agreement (IBA)¹ is offered a service contract, or at the least, is given preferential treatment in the bidding process. Camille Therrien, Director of Aboriginal Relations notes that, “at equal price and quality, we will give preference to the Aboriginal supplier.”

But procurement initiatives with a local community are also cost effective. According to Therrien, “If I need ground transportation between the community and the project, we will help someone in the community to get these contracts from us in lieu of using another corporation that is in a city that is not close enough to the site or to the community.” That local connection sometimes saves money.

Utilizing Local Vendors

Cameco Corp.

Cameco, a multi-national mining company, is considered one of Canada’s largest employers of Aboriginal peoples. But the company engages First Nations and Métis peoples on another level, as business partners.

Cameco is committed to provide business to those who are their northern neighbors. The company’s Procurement for Goods and Services policy “outlines Cameco’s desire to contribute to the communities in which we work and live by ensuring that whenever reasonable, local vendors are utilized.” The company’s targets to use local suppliers are aggressive – 70% of service purchase orders come from northern-owned businesses. For the last ten years, this target has been achieved or surpassed.

Cameco also employs a “Northern Preferred Supplier Program”. While this program gives preference to businesses that are owned by northern Saskatchewan residents, 84% of this population is Aboriginal. Darrel Burnoff, Cameco’s Senior Specialist for Business Development, confirms that Cameco has a preferred supplier list, which has essentially become Cameco’s long-term contractors. The company awards points to individual businesses from primary impact communities (those directly affected by a mine) such as English River or Pine House Lake. The more points allotted to a contractor/business, the more likely they can get on Cameco’s preferred supplier list.

It is clear that Cameco has been able to help create and sustain a vibrant business environment in its northern operations. While Cameco’s efforts have contributed to building local Aboriginal economies, this has resulted in reliable suppliers for the company that are located in the north.

SODEXO: STEPS TO PARTNERSHIPS WITH THE COMMUNITY

The first thing is determining where we (Sodexo) are going to work; locate the project or where we may be involved in the future.

The second step is identifying the Aboriginal groups that are impacted by this development. This requires a lot of research and understanding of traditional territories.

Once we’ve found the impacted communities, the third step would be to establish a relationship. But you don’t just get in the community and say, ‘look here we are; we want to make a deal with you’. It doesn’t work like that with Aboriginal people. So first of all, we introduce ourselves, who we are, what we do - and it’s a very long process to get to know each other.

Finally, we have to find out if we have... what it requires to create a partnership – developing trust, developing self-respect.

...It may take a few years before we enter into business negotiation.

- Camille Therrien, Director of Aboriginal Relations

1. Impact Benefit Agreements are agreements, negotiated between corporations and Aboriginal communities to address socio-economic and biophysical impacts that can arise from development. Although not compulsory in most cases, they are increasingly becoming part of a standard package of agreements that can recognize Aboriginal peoples’ interests.

Fiddler and Hitch, “Impact Benefit Agreements: A Contentious Issue for Environmental and Aboriginal Justice,” *Environments Journal* (35)2, 2007.

Recognizing New Business Realities

Diavik Diamond Mines Inc.

Diavik Diamond Mines also takes advantage of its close proximity to Aboriginal communities by creating a reliable supply chain. From the start, Diavik engaged Aboriginal peoples in the region to help build local business capabilities that could service the project. A Socio-Economic Monitoring Agreement established the foundation of benefits to the local region by ensuring that Diavik affirms its interest in providing training, employment, and business development to the neighboring Aboriginal communities. This agreement established a Community Advisory Board, composed of Aboriginal community members, NWT Government officials, and Diavik representatives, to assist the company's efforts to improve the socio-economic conditions in the surrounding communities.

Diavik also developed Participation Agreements (similar to impact benefit agreements) with each individual community. The PAs, like IBAs, allow the individual community to specify what it wants to get out of the diamond-mining project in terms of the economic and social benefits, while in return, the community will assure its support for the project. "Participation" under this agreement can be defined in terms of employment, training, human capacity development, and business participation, which create the business space for communities and generally leads to healthier and stronger economies.

Strong and healthy Aboriginal and local economies benefit Diavik. As Eric Christensen, former Manager of Business Services and Agreements says, "mining companies can no longer sit on the fringe of the community and isolate themselves, conduct their activities and leave once the resource has been extracted. They need to be as much part of the community as possible, so working with the communities on an ongoing basis, being part of the community is very, very important. It's the right thing to do, but also good business, obviously. The better relationships you have with your host communities, the better for your company."

Diavik's philosophy has led to operations that are approximately 50% outsourced to Aboriginal companies. Their procured services range from aviation services, general freight haul, fuel supply, ice road trucking, ice road construction, underground mining engineering and development, facilities management on site, site services and explosives.

Although some of these services existed prior to Diavik's arrival, the mutually beneficial contracts that were developed between Diavik and each individual community ensured that the communities would become influential business leaders in the territorial economy. When Diavik's mine ends, these Aboriginal businesses will have the ability to pursue opportunities in other markets, offering competitive and quality products and services to their customers.

Aboriginal procurement is a common strategy among PAR companies. While procurement arrangements can be formalized or informal, all take advantage of opportunities that turn out to be effective and smart for business.

SEVEN STEPS TO SUCCESSFUL ABORIGINAL PROCUREMENT

Establish an integrated project team—willingness for aboriginal engagement necessary from team composed of members across the organization (from senior management to project team members).

Define the product of service needed—perform a formal needs assessment. If possible break it down so that the probability that (an) Aboriginal business(es) can participate increases.

Look for solutions with Aboriginal suppliers—Put effort into it, use your resources such as networks, databases, search engines, etc.

Examine the tender process for barriers—guide the Aboriginal company along the tendering process; simplify it for them and make them competitive in a fair way.

Decide how to measure suitability—Interviews, questionnaires, or on-site visits could be conducted.

Select a supplier and offer mentoring—once the supplier is chosen, assess the situation of the company, and provide assistance where necessary.

Manage and support performance—create a lasting relationship, review performance, add input to improve company's performance.

Aboriginal Human Resource Council (AHRC), 2009

FINDING #3:

Joint ventures with Aboriginal people as active partners lead to sustainable business capacity for the Aboriginal partner.

Joint ventures are a common business arrangement among Aboriginal communities or businesses and non-Aboriginal businesses. A joint venture normally involves an entity formed between two or more parties to undertake business activity together. The parties agree to create a new entity, and ultimately share in the revenues, expenses, and control of the enterprise. There are two major types of joint ventures: equity joint ventures and non-equity joint ventures.

Equity joint ventures involve two or more parties, one of which provides most of the capital involved with undertaking the project. This type of partnership offers companies that lack the monetary resources the means to finance the project. Non-equity joint ventures usually involve one partner gaining technical and management skills from a larger partner. The smaller partner can still provide resources, such as labor, to the other partner, but partnerships are often limited. Non-equity joint ventures were the most common business arrangements between the Aboriginal communities and the PAR companies reviewed in this report. In these partnerships, each party brings a certain value to the relationship.

Forging Equal Partnerships

Savanna Energy Services Corp.

This oil rig construction and drilling company is a model of partnerships with Aboriginal communities. Incorporated in 2001, the company has fourteen oil rigs, twelve of which are 50% owned by an Aboriginal community (Alexander First Nation, Alexis Nakota Sioux Nation, Blood Tribe, Cold Lake First Nation, Dene Tha' First Nation, Duncan's First Nation, Saddle Lake First Nation, and Sturgeon Lake First Nation).

Tweela Nepoose, Partner Relations Coordinator, elaborates on the structure of the partnerships, "The best way to explain it is to describe each rig as its own little 'mini-business' with its own account. [First Nation and Métis partners] assist with the management, but Savanna oversees the crewing, payroll [administration], the taxes, corporate filings, and on. But we meet with our Aboriginal partners all of the time...when they want to come in for rig tours or anything like that, we assist them and if they have any contracts or any information, they assist us."

FINDING #3 IN BRIEF:

1. Recognizing the complexity of First Nation, Metis and Inuit cultures is a critical first step.
2. Respecting the cultural differences is key to achieving strong community relations.
3. Corporate support in preserving Aboriginal culture can have intrinsic benefit for the company.

Sharpe, A.G. "Joint Ventures", Encyclopedia of Business (2nd Ed).
http://www.referenceforbusiness.com/encyclopedia/Int-Jun/Joint-Ventures.html#TYPES_OF_JOINT_VENTURES.

Accessed June 5, 2009.

So while Savanna may oversee much of the day-to-day management of the rigs, the Aboriginal partners are fully engaged and aware of the business activity. Savanna meets on a quarterly basis with its Aboriginal joint venture partners; the discussion is an open forum event where any issue, concern, or recommendation is welcomed. Additionally, two meetings are held each year between the Chiefs or leaders of the partner community and the company's board of directors. Furthermore, the interests of the Aboriginal partners are well represented through the strategic direction offered by Victor Buffalo, a former Chief from Sampson Cree First Nation, as a member of Savanna's board of directors.

Interestingly, Nepoose is also from Samson Cree Nation. Speaking as a member of the First Nation, she reports that originally "Savanna took the extra time and extra effort to make sure that we (the community) were comfortable and aware, and that they had a really good business approach. And 50/50 - what more can you say about that? As a First Nation Band Member of Samson Cree Nation, I can honestly say this was one of the best investments that they have made."

Tony Shirt, Chairman for Saddle Lake's partnership with Savanna, echoes Nepoose's sentiments, "[Savanna has] allowed us to participate in a meaningful way."

Partnerships as a Business Model

ESS Support Services

ESS, a member of Compass Group Canada, is a leading food service and support services company that operates in the Construction, Oil & Gas, and Mining sectors. Many of those sectors in Canada are in remote areas and close to First Nation, Métis and Inuit communities.

ESS has established a business model for its Aboriginal joint venture partners. It helps the communities by first identifying business opportunities, assessing the capacity of its workforce, and the availability of resources (such as equity, labour and equipment). The company also assists communities by determining the amount of financing it can afford and by helping to prepare a business plan to take advantage of any opportunities.

From this mentoring relationship through to the establishment of the joint venture company, ESS and the Aboriginal community or entrepreneur work in tandem. ESS has the business case in mind when forming these partnerships, Don Kallusky, ESS/Compass Group, Director of Aboriginal Affairs for North America states, "80% of our total revenue in Canada comes through our joint ventures with Aboriginal partners in the north...It's our 'bread and butter.'" Each partnership lasts ten years with the possibility of renewal.

Mandating Aboriginal Inclusion

Alberta-Pacific Forestry Industries

This forestry company works in fifteen First Nation and Métis communities in Alberta. Like other PAR companies, Al-Pac takes advantage of the location of its operations to enter into joint ventures with local Aboriginal communities and entrepreneurs.

One specific joint venture that stands out is the Bigstone Forestry Inc. (BFI) joint venture. The model is straightforward: successful projects depend on a sound business plan, effective corporate structure, sufficient industry demand, government commitment vis-à-vis training, at least 30% capital investment from communities, and Al-Pac's working capital loan and other in-kind resources (such as expertise through the secondment of a general manager).

For the case of BFI, start-up capital was acquired with a substantial equity investment by Bigstone Cree Nation of about a third of the capital (\$600,000); the large bank loan of over \$1 million ensured financial security, while Al-Pac helped by providing \$200,000 interest-free. Al-Pac not only assisted this business get off the ground by backing it with a loan, but it also supplied the industry demand for the joint venture to be a success. As soon as BFI became incorporated, it had 5-year timber harvesting contracts of 160,000 m³/year from Al-Pac and 40,000 m³/year from Weyerhaeuser. Al-Pac and Weyerhaeuser also assisted in developing BFI through the secondment of an Al-Pac general manager to direct the operations during the start of the business.

Bigstone Forestry Inc. has become a major contractor for Alberta-Pacific and Weyerhaeuser. This independent company composed of the two general partners of Al-Pac and Bigstone Cree Nation, is now under the managing direction of a community member and reaps the benefits of continued growth.

ESS, Savanna, and Al-Pac ensured Aboriginal communities were engaged partners in company joint ventures. In each case, those Aboriginal entrepreneurs seized the opportunities presented and worked with companies to achieve results and, more importantly, developed capacity to create sustainable and successful businesses.

IV. CONCLUSIONS

While the above findings are not a formula, the companies that excel in the business development pillar of the Progressive Aboriginal Relations program seem to share common traits. They provide business mentorship, take advantage of procurement opportunities and make Aboriginal peoples meaningful partners in joint ventures.

These PAR companies also have one other thing in common – with their Aboriginal partners, they often do incredibly well financially. And this healthy return on investment often accrues within a short period of time. Below is an overview of the tangible results companies have been measuring in the area of business development under the PAR program. The efforts by these exceptional companies have had a profound impact on improving the socio-economic situation of Aboriginal people and communities.

Proliferating Contracts for Aboriginal Business

Sodexo Canada

Five years ago, in 2004, Sodexo had approximately \$560,000 in contracts with Aboriginal owned companies; by 2006, that figure was over \$7 million; and in Sodexo's latest report, this spend has increased to \$14.2 million. The number of Aboriginal suppliers increased in the same span of time, from 2004 to present, by 400%, from 7 to 28.

Diavik Diamond Mines Inc.

In remarkable fashion, Diavik, which began their project in 2000 has reached \$1.123 billion in contracts with Aboriginal businesses (\$254 million in 2008 alone). Eric Christensen gives most of the credit to the Aboriginal community who has built its businesses to navigate Diavik's stringent environmental, safety and engineering standards.

Cameco Corp.

Cameco has shown a consistent and growing trend in northern procurement. According to Darrel Burnoff, Senior Specialist Business Development for Cameco, the northern procurement target has not fallen below 70% in the last ten years. In 2004, Cameco's top ten northern suppliers were 100% Aboriginal-owned businesses, supplying Cameco with 96% of its contracts. In 2008, Cameco managed to procure \$246 million of business from northern suppliers.

PAR COMPANIES

Alberta Pacific Forest Industries
ARAMARK Canada
BC Hydro
BMO Financial Group
Cameco Corporation
Canada Post Corporation
Diavik Diamond Mines Inc.
East Side Road Authority
Hewlett-Packard (Canada) Co.
ESS Support Services
Higgins International
IBM Canada Ltd.
Manitoba Lotteries Corporation
Pitblado LLP
Red River College
Scotiabank
Sodexo Canada
Syncrude Canada Ltd.
Savanna Energy Services Corp.
Xerox Canada

Expanding Business Partnerships

Savanna Energy Services Corp.

For Savanna and its Aboriginal partners, progress is steady. Throughout the last decade, Aboriginal partners have chosen to partner with Savanna by entering into one or more rig partnerships. Sometimes these communities have even traded in the 50% rig ownership for shares in Savanna. Aboriginal communities, including Dene Tha', Samson Cree, Saddle Lake, Horse Lake, and the Métis Nation of Alberta, now have significant shareholdings in Savanna and participate in Savanna on a corporate level.

ESS Support Services

Communities working with ESS, as well as the company itself, have excelled in their business partnerships. As of 2008, 35 joint ventures with Aboriginal communities had been created, which is up from 18 in 2005, 13 in 2004 and 7 in 2003. The company is actually in negotiations to create another 21.

ACKNOWLEDGEMENTS

This report is the second research publication produced by the Canadian Council for Aboriginal Business (CCAB). It has been made possible with the continued leadership of Clint Davis, the Chief Executive Officer of CCAB, and research expertise of Hayden King, the CCAB's Research Director.

We also acknowledge the following individuals for their contributions to this report: Stephen Scott, for his research support and persistence in scheduling interviews; Sonya Kunkel for her editorial support, Claire M. Tallarico, CMT Communications, for her communications counsel; Susan Greer, Account Director, Gravity Inc., and Wendy Gray, Creative Director, Gravity Inc., for their design and layout expertise.

A special thanks to Karen Kun, Publisher at Corporate Knights Magazine; Douglas Sanderson, Visiting Scholar and Fellow in Aboriginal Law at the University of Toronto; and Lloyd Martel, manager of Aboriginal Partnerships at Nexen Inc. for their review of the report and valuable insights.

Without the valuable information obtained from the phone interviews with PAR company employees, Aboriginal business employees, and Aboriginal community members, this report would be incomplete. We thank all interview participants for their time and information.

THE WAY OF THE FUTURE

Long gone are the days where mining companies could come in and drop a bulldozer and start breaking ground. I think obviously that is the past...We need to work with our host communities; we need to be actively engaged with them, assist in any way that we can so that there are some long-term benefits from our activities as an industry.

*Eric Christensen –
Former Diavik Employee*

PAR ISSUE #1

To find CCAB's first PAR report titled, "Achieving Progressive Community Relations", go to: http://www.ccab.com/par/research/PAR_Report_February_2009.pdf

APPENDIX – METHODOLOGY

The findings described in this report are the result of a qualitative analysis of PAR self-assessments submitted by 38 companies participating in the Canadian Council for Aboriginal Business' Progressive Aboriginal Relations (PAR) Program between 2001 and 2008.

The National Quality Institute (a Toronto-based independent organization that measures organizational excellence) conducts an extensive audit process of these assessments using trained verifiers. This process includes interviews with each company's senior leadership team, middle management and front-line workers. A PAR Jury then reviews the company assessments and NQI audits, awarding the PAR hallmarks of gold, silver and bronze.

Participating companies, representing a diverse cross-section of Canadian industries and geographic locations, submit information on the four key areas ("pillars") measured by the PAR program: employment, business development, individual capacity development and community relations.

In terms of business development, companies must demonstrate the degree to which they have fostered the creation and support of Aboriginal owned business.

A general qualitative, inductive approach was used to analyze the PAR data on business. The primary purpose of an inductive approach is to allow research findings to emerge from the frequent, dominant or significant themes inherent in raw data. The PAR data (i.e., company self-assessments and NQI summaries) were reviewed several times to identify key themes and categories. Hayden King did the primary review.

Repeated review of PAR text data was supplemented by nine interviews with community and company representatives to further explore and test the dependability of the emerging themes. Analysis and interpretation of the PAR data was further aided by a comparison of emerging themes with findings on community relations and community engagement from previous research. This previous research involved a comprehensive literature review by Stephen Scott.

Finally, a complete description of the process and findings was submitted to a Research Advisory Board of independent reviewers. These reviewers examined the research findings, interpretations, and conclusions to further test their credibility and coherence.

Canadian Council for
ABORIGINAL
BUSINESS



Contact Us:

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

www.ccab.com

Business number: 11921 8865 RR 0001