

Canadian Council for
ABORIGINAL
BUSINESS



Promise and Prosperity

The 2020 Ontario Aboriginal Business Survey

In partnership with

ENVIRONICS
RESEARCH

With the support of Ontario 



Contents

Executive Summary.....	4
Business Characteristics.....	13
Business Objectives and Success to Date.....	22
Business Profitability and Growth.....	30
Growth Factors for Indigenous Business.....	37
Government Procurement.....	46
Recommendations.....	57
References & Appendix A: Methodology.....	45



Executive Summary

About the 2020 Ontario Aboriginal Business Survey

The Indigenous economy in Canada is growing at an exponential rate. As of 2016, Indigenous Peoples contribute over \$30 billion annually to Canada's GDP. In Canada, the Indigenous private economy alone contributes roughly \$12 billion annually, and these numbers only continue to increase.¹ Impressive gains are being made in the areas of entrepreneurship and individual economic achievement. Indigenous Peoples are creating new businesses at nine times the Canadian average. The Indigenous business community is over 50,000 strong and an estimated 12% of those are large community-owned firms. The Indigenous population is also younger and growing faster than Canada's population as a whole² – thus, questions of skills, labour and innovation are of key importance to both Indigenous communities and the Canadian economy.

Although Indigenous businesses have seen unprecedented growth and success in recent years, the majority face significant historical and institutional barriers to business development, growth and expansion. The successes and challenges faced by Indigenous business owners nationally are also a reflection of the Indigenous economy in Ontario – a province with the largest population of Indigenous Peoples in Canada³. Understanding the barriers and opportunities on a national and provincial level will be key for the Government of Ontario, the Government of Canada and other leading institutions to ensure continued positive momentum for the Indigenous economy. This will undoubtedly require a continued, concentrated effort to support businesses through financing, programming, and further research.

The Canadian Council for Aboriginal Business (CCAB) has worked to address a major data gap in the profile of Indigenous business owners by developing a comprehensive picture of their experiences and what is needed for future growth and success. The 2020 Ontario Aboriginal Business Survey (2020 ABS), conducted in partnership with the Ontario Ministry of Indigenous Affairs (IAO), is the latest in CCAB's on-going research series focused on small and medium-sized enterprises.

The CCAB's goal is to widely communicate the findings of this research so it can be used by Indigenous organizations, businesses, communities, governments and the mainstream business community to develop tools, initiatives and policies that fully realize the potential of Indigenous business in Canada.

¹ Gulati, Sonya and Burleton, Derek, Estimating the Size of the Aboriginal Market in Canada (Toronto: TD Economics, 2011), ccab.com/wp-content/uploads/2016/11/TD-Economics-Estimating-the-Size-of-the-Aboriginal-Market.pdf.

² Statistics Canada. First Nations People, Metis and Inuit in Canada: Diverse and Growing Populations. (Ottawa: Minister of Industry, 2018), www150.statcan.gc.ca/n1/pub/89-659-x/89-659-x2018001-eng.htm.

³ Statistics Canada. Aboriginal identity population by age and sex (2016 Census of the Population). <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hltfst/abo-aut/Table.cfm?Lang=Eng&S=99&O=A&RPP=25>.

Content Note – Understanding the Impact of the COVID-19 Pandemic (2020)

Data for the 2020 Ontario Aboriginal Business Survey was collected between January 20 to February 14, 2020, before the impact of COVID-19 began to be seen broadly in Ontario, Canada and across the globe. The resulting report shows growth and optimistic outlooks for many respondents. However, given the ongoing effects of the pandemic on the Canadian economy and communities, it is crucial to consider its impacts alongside the ABS Survey data to gain a more accurate picture of the Indigenous business sector in Ontario. **CCAB has developed a special report on the early impacts of COVID-19, collecting survey data from Indigenous business owners between March 12th and March 23rd, 2020.** This preliminary research indicates that many businesses are struggling due to the broad impacts of the COVID-19 Pandemic, with Indigenous-owned small and medium enterprises (SMEs) of particular vulnerability.

A preliminary look at CCAB's COVID-19 Special Report data shows that 5% of businesses are in healthcare and social assistance fields, and 4% are in transportation and warehousing. These, along with R&D and manufacturing are key industries that are being targeted in the Federal response plan.

Impacts to Indigenous Businesses, comparing March 13 and March 23, 2020:

- The special report indicates that as of March 23rd, 2020, 90% of Indigenous business respondents across Canada are somewhat or very concerned that COVID-19 will impact their business operations, up 15% from March 13th.
- Over three quarters (78%) have experienced a moderate to high negative impact on their business activity.
- The main impacts to businesses have been on **travel (24%, down 12 percentage points)**, **supply chain (13%, down 8 percentage points)** **labour/employment (16%, up 9 percentage points)**, as well as production (9%), and business interruption (6%)
- **11%** say it would take over 6 months to restore normal business operations after the COVID-19 pandemic subsides, **12%** say it would take between 3-6 months, up 5 percentage points (7%)

Moving Forward:

The data from the COVID-19 Special Report can help inform the results of the Ontario 2020 ABS and assist the Government of Ontario in understanding how to best address current and previously existing problems. The 2020 ABS found that finding and retaining employees, accessing financing, government policies, and internet and IT were key obstacles before the COVID-19 Pandemic was declared. These barriers will likely be exacerbated in 2020 and further research and programming, in addition to much needed financing to assist Indigenous businesses in Ontario will be crucial to bring Indigenous businesses back to pre-COVID-19 levels of success. CCAB recommends the following efforts be made by IAO and other government departments and ministries in response to the impacts of pandemic:

1. Expand offerings and outreach for programs that will support Indigenous business continuity. Offerings could include:
 - A singular online platform for all available Ontario government grants, allowing for ease of use by Indigenous businesses in need
 - Webinars to guide access to Ontario government grants, financing opportunities, and procurement opportunities
2. Increase opportunities for Indigenous business through scaling and growth tools such as FedDev Ontario and FedNor;
3. Understand best practices to support Indigenous business and key needs from Indigenous leaders, through virtual roundtables or focus groups;
4. Increase skills and capacity for e-commerce through webinars hosted with e-commerce global leaders such as Shopify, Amazon, etc;
5. Facilitate online connections such as mini conferences and other avenues for business networking and professional development

2020 ABS Research Highlights

Indigenous business owners in Ontario remain positive about what they have achieved to date and optimistic about their future.

- As in previous years, Indigenous businesses tend to be small – nearly half are unincorporated without employees and up to a third report sales revenues below \$100,000. Nonetheless, they continue to demonstrate great diversity in terms of the markets (local, other parts of Canada and even internationally) and clients (consumers, private sector and governments) they serve.
- Indigenous business owners in Ontario hold increasingly positive perceptions of their success: more than six in ten consider their businesses to be very or extremely successful (up from over half in 2016 ABS). From a financial perspective, three in five businesses reported a net profit for their previous fiscal year and two in five saw their revenues increase. While most (76%) continue to focus their business goals on stability and profitability, one in four are pursuing more aggressive business goals for expansion.

Indigenous businesses in Ontario continue to be challenged by labour-related issues (attracting and retaining skilled employees), lack of universal high-speed internet and heavy reliance on personal financing (rather than bank or government loans or funding).

- Consistent with the 2014 ABS, one in three Indigenous businesses in Ontario create jobs for others, particularly for other Indigenous people. Difficulty retaining skilled workers is now the top obstacle to growth, cited by two in five businesses with employees. A growing proportion of all Indigenous businesses also struggle to attract skilled workers. Just over a third of businesses (36%) cite government policy, rules and regulations as an obstacle, and just under a third (32%) report access to financing as a barrier to business growth.
- The landscape of communication technologies for businesses has transformed radically since 2014 ABS data was collected (2013), with businesses increasingly reliant on the internet to reach and serve clients. Unfortunately, high-speed internet access is still not universal among Indigenous businesses: nine in ten have internet access, although only seven in ten have a high-speed connection. On-reserve access to Internet has significantly improved since 2013 (83%, up 20 points), but continues to trail off-reserve access.

- As with most small businesses in Canada, Indigenous businesses rely on support - financial and otherwise - from a broad range of individuals and organizations. Businesses remain most likely to credit the support of their local community, but since 2013, are increasingly likely to feel they received helpful support from banks and the federal government. Positive views of the Ontario government's involvement remain stable and continue to outweigh negative views. From a financial perspective, businesses continue to rely heavily on personal savings for start-up and ongoing financing. Ontario government loans are also an important source of ongoing financing for four in ten Indigenous businesses.

Indigenous businesses in Ontario demonstrate a level of sophistication and capacity required to bid on and win government contracts.

- The data in this report shows positive results in terms of the capacity of Indigenous businesses. Government programs such as the Ontario Aboriginal Procurement Program support a range of procurement contracts, from relatively low value to highly complex, multi-million dollar projects, which require significant capacity from Indigenous businesses in order to successfully compete. Indicators in this report show that Indigenous businesses in Ontario do have the capacity (such as size, capital, staff, and business practices) to support government procurement projects.
For example:

- 60% supply to businesses;
- 31% supply to the Ontario government;
- 40% export outside of Canada;
- 27% supply goods or services outside of the province;
- 63% consider their business to be very/extremely successful; and
- 60% reported a net profit for the past fiscal year (this is lower than previous years due in part to the inclusion of band-owned businesses and the addition of an option to select breaking even in the survey question).

- Additionally, 33% are very or somewhat likely to bid on a contract with the Ontario government in the next two years. Of these respondents, the size of contracts is promising: 33% would consider contracts below \$100k, 22% would consider contracts between \$100k-500k, and 35% would bid on contracts of \$500k.

Only a small slice of the Ontario Indigenous business population is experienced with government procurement and likely to bid again in the future.

- Despite capacity, only one in four Indigenous businesses have ever bid on a contract for either the Ontario (20%) or federal (21%) governments; an additional one in ten have investigated these opportunities but never bid. This leaves a substantial proportion of Indigenous business that have neither bid nor looked into government opportunities (61%). Moreover, intent to bid on future Ontario (and federal) government contracts skews strongly to those who have previously bid.
- Those unlikely to bid on a government contract (federal, 67%, Ontario, 69%) typically do not offer products or services they believe are relevant to supply chains (41%). However, others identify barriers including the size of government projects (12%), the complexity of government procurement (9%) and a lack of experience with the process (10%). One way to overcome these barriers is to partner with another (more experienced) company, either Indigenous or non-Indigenous. While one in four (28%) Indigenous businesses overall have engaged in a joint venture, this is the case for seven in ten (70%) who have previously bid on government contracts. This finding supports anecdotal evidence that Indigenous companies are using joint ventures to access government opportunities that might otherwise be too large to pursue on their own.
- Businesses that have participated in joint ventures identify two main challenges: finding the right partner and managing the resulting relationship (e.g., developing mutual trust and good communication, conflict management).
- Ultimately, relatively few Indigenous businesses feel very well-informed about the process of bidding on government contracts, which represents a critical barrier to entry. Moreover, there is modest awareness of the Ontario Aboriginal Procurement Program (36%).

Overview of Recommendations

Based on the findings of the 2020 Aboriginal Business Survey, CCAB recommends the following actions to support Indigenous businesses in Ontario.

- **Build awareness of Ontario procurement and funding opportunities:** there is clear interest for Indigenous businesses to access government procurement opportunities, but a lack of experience bidding on government contracts. Improving access to these opportunities and relevance of information provided will be an important part of the government strategy for reaching these businesses. Expanding outreach to trusted Indigenous institutions and organizations is a key factor in achieving this goal.
- **Develop Partnerships:** For Indigenous entrepreneurs, building partnerships is an important growth strategy, as it is an opportunity to increase capacity, gain access to mentorship, provide access to capital, and unlock crucial procurement opportunities. Different levels of government can look to play a role in brokering or fostering these relationships or joint ventures.
- **Simplify Access to Financing, Funding Opportunities:** Indigenous entrepreneurs consistently rely on their own savings for their business. There are many previously noted barriers to accessing financing and funding, and the results of this report are consistent with past research. Government efforts to simplify access to financing, as well as building out different avenues for providing funding will likely be an impactful way to support Indigenous businesses.
- **Build IT infrastructure and capacity for e-commerce:** Indigenous businesses have often faced challenges with internet connectivity, which is becoming increasingly necessary during the COVID-19 pandemic. Increasing IT infrastructure and skills-building opportunities will go a long way to helping the recovery process during 2020 and beyond.

Methodology

See Appendix A for in-depth methodology, sample framing, and respondent profile.

The results of the 2020 Aboriginal Business Survey are based on a telephone survey with a representative sample of 200 First Nations, Métis and Inuit businesses conducted from January 20 to February 14, 2020. In comparison to surveys conducted in recent years, CCAB has included private businesses and band-owned businesses. The margin of error for a sample of 200 is +/- 6.9 percentage points, 19 times in 20. The margin of error is greater for results pertaining to regional or other subgroups of the total sample.

The research is a collaboration between CCAB and Environics Research, one of Canada's leading research firms.

The sample was sourced from a list of Indigenous businesses provided by CCAB. Quotas were set by Indigenous identity group, business size and type (i.e., with/without employees and incorporated/unincorporated) to ensure the final sample reflects the Indigenous self-employed population according to Canadian Census data (2011). However, the final sample under-represents the smallest businesses (non-incorporated and no employees). Weighting was applied to bring the final sample closer in line with Census data but was limited (max weight of 3.6) to avoid data distortion.

In this report, results are expressed as percentages unless otherwise noted.

All of CCAB's research reports, including this current one, are available for download at www.ccab.com/research/.

Notes on the data and sample:

- The profile of the businesses surveyed is older than in the past (meaning they have been in business for a longer period of time). This is at least in part a reflection of the list from which businesses are drawn. Consequently, the number of participants unlikely to be operating five years down the road has increased (20%), as they look to either sell/transfer ownership (41%) or close their business (44%).
- In contrast to previous surveys, band-owned businesses were eligible to participate in the current study (and comprise 14% of the total sample).

Definitions

An **Indigenous business** is defined as a business which has at least 51 percent Indigenous (First Nations, Métis, Inuit, and mixed identities) ownership and control.

Band-owned businesses are owned by a First Nation band or an Indigenous community.

Aboriginal Economic Development Corporations (AEDCs) are a type of community-owned business. They are corporate entities created by Indigenous communities to represent their business interests in the private market. These companies are often umbrella corporations that have multiple businesses operating underneath them. These businesses are often diverse; a single AEDC can have businesses in the extractive industry, tourism, and civil engineering.

Business Size: CCAB uses definitions in line with Statistics Canada reporting for its business size categories.

- Small businesses are businesses with 1 to 99 employees;
- Medium-sized businesses are businesses with 100 to 499 employees;
- Small and Medium Enterprises (SMEs) are businesses with 1-499 employees
- Large businesses are businesses with 500 employees or more.

CCAB Reports: The current report builds on a series of Ontario and Canada-wide reports including:

- the 2011 Aboriginal Business Survey (2011 ABS),
- the 2014 Ontario Aboriginal Business Survey (2014 ABS),
- and the 2016 Aboriginal Business Survey (2016 ABS).
- The data for the 2014 ABS was collected in 2013, so graphs will include 2013 data. Similarly, the 2016 ABS contains data from 2015.

The background of the slide features a photograph of a hand holding a pen, poised to write on a document. The entire image is covered with a semi-transparent red overlay. In the upper left, there is a dark red square containing the white number '2'.

2

Business Characteristics

Business Type and Location

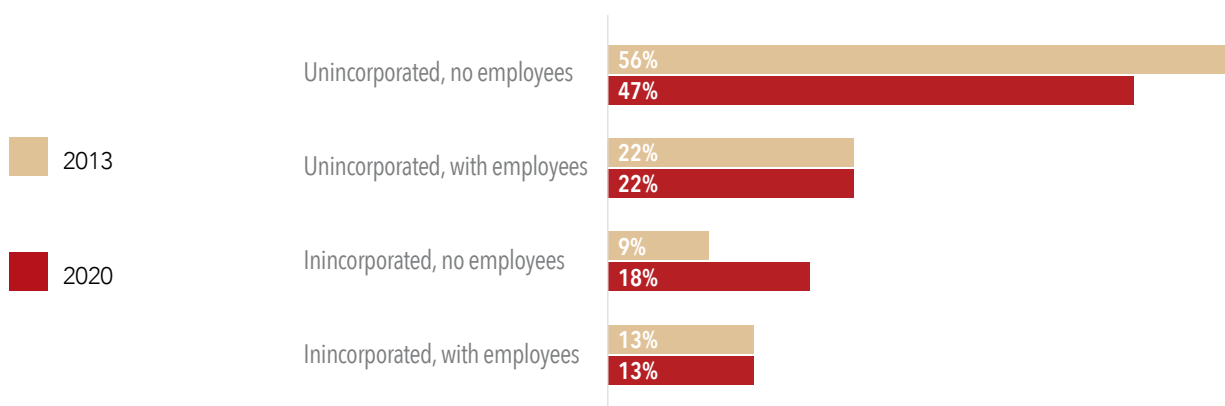
Indigenous businesses in Ontario generally remain quite small. As before, the majority are unincorporated and have no employees – this may be due to tax exemptions for First Nation individuals but not corporations, as well as the difficulties accessing financing that come with barriers to education and professional development opportunities. Nonetheless, they are evident across the full range of industries (primary, secondary and services).

Size and corporate structure

In the 2020 ABS, most Indigenous businesses (69%) are unincorporated, operating as either a sole proprietorship (47%) or a partnership (22%), while one in three (31%) are incorporated under a federal or provincial charter. Moreover, most Indigenous business owners (65%) operate without employees.

The design of the 2020 and 2014 (collected in 2013) ABS samples were guided by Census data on the self-employed Indigenous population. However, the current (2020) sample slightly under-represents the smallest businesses (unincorporated with no employees).

Business size and corporate structure

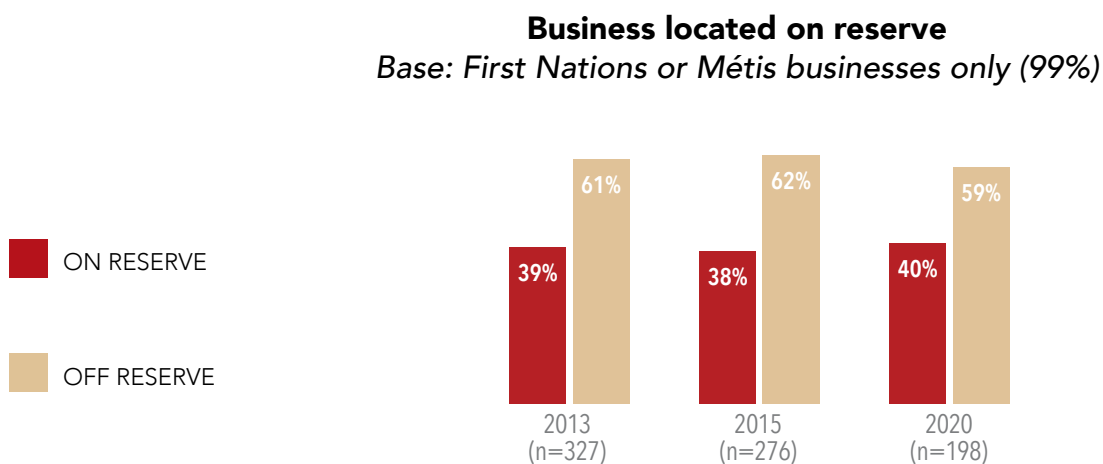


Q2b. Do you have any employees other than yourself?

Q3. Is the business a sole proprietorship, partnership or corporation that is incorporated under a federal or provincial charter?

Location

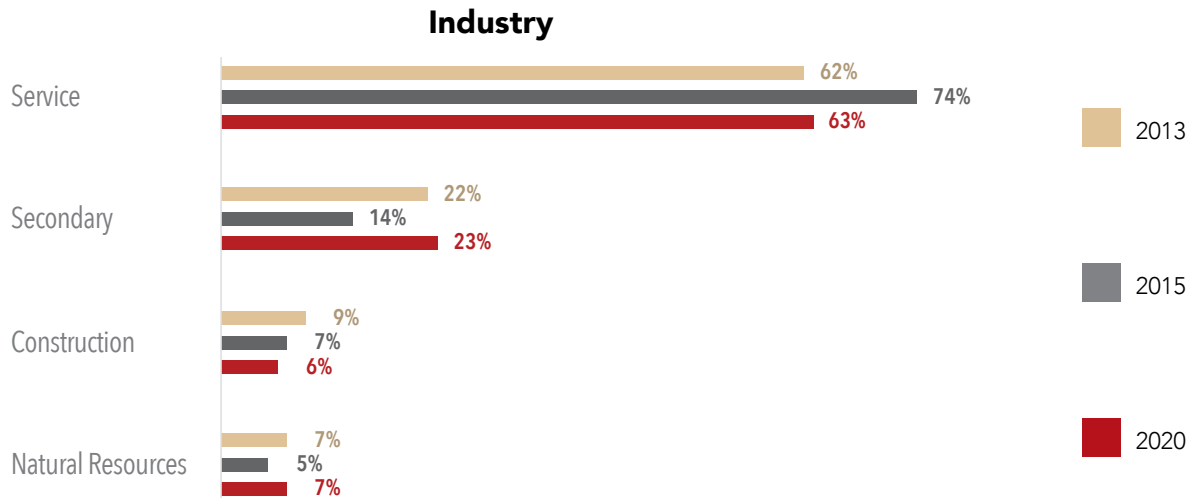
Similar to previous surveys, the majority (59%) of Indigenous businesses are located on reserve (compared to 40% off reserve). Two-thirds (65%) of First Nations business owners are based on reserve, compared to six percent of Métis businesses (Inuit businesses were not asked this question).



Q13. Is this business located on a First Nations reserve or not? (n=198)

Industry

Indigenous businesses are represented in all industry sectors. Nearly two-thirds (63%) operate in the service sector (encompassing 21% in professional, scientific, and technical services; 9% in accommodation and food services; 5% in health care and social assistance, among others). Nearly one quarter (23%) of businesses are defined as part of a secondary industry (including 13% in retail trade and 4% in transportation and warehousing). Smaller proportions are in the construction (6%) and natural resource (7%) industries.



Q5. In what industry or sector does your business operate?

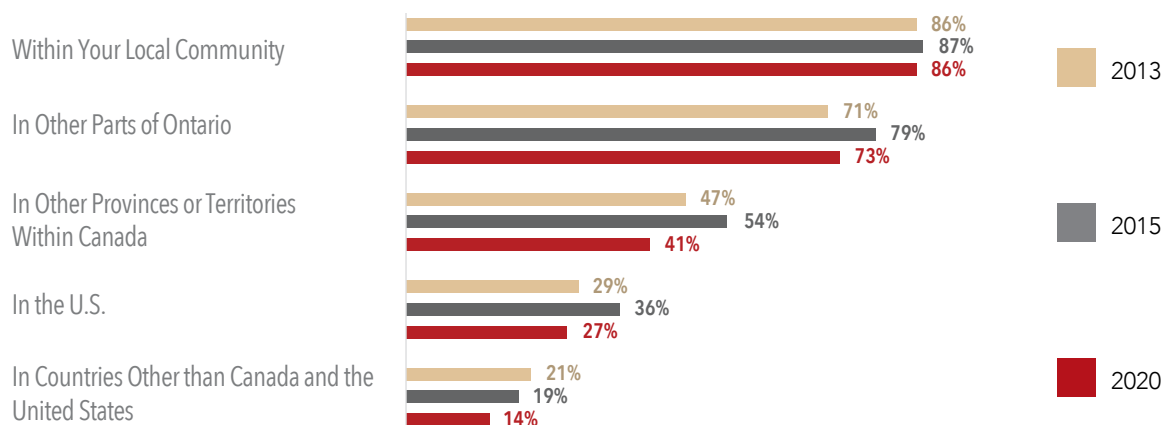
Markets

Ontario Indigenous businesses have a diverse client base, with a continued focus on serving consumers and the private sector. Their clientele remains concentrated in local communities and in the Ontario market.

Geographical distribution of sales

As in past surveys, the majority of Indigenous business owners serve clients in the local community (86%) or within the province (73%). A sizable proportion continue to cast their sights further afield. In the past year, four in ten (41%) have had clients in other provinces and territories of Canada, and over one-quarter (27%) in the United States. Indigenous businesses reported having fewer international clients (in countries other than Canada and the United States) in the past year (14%, down seven points since 2013).

Location of clients in past year



Q14. In the past year, in which of the following places did your business have clients?

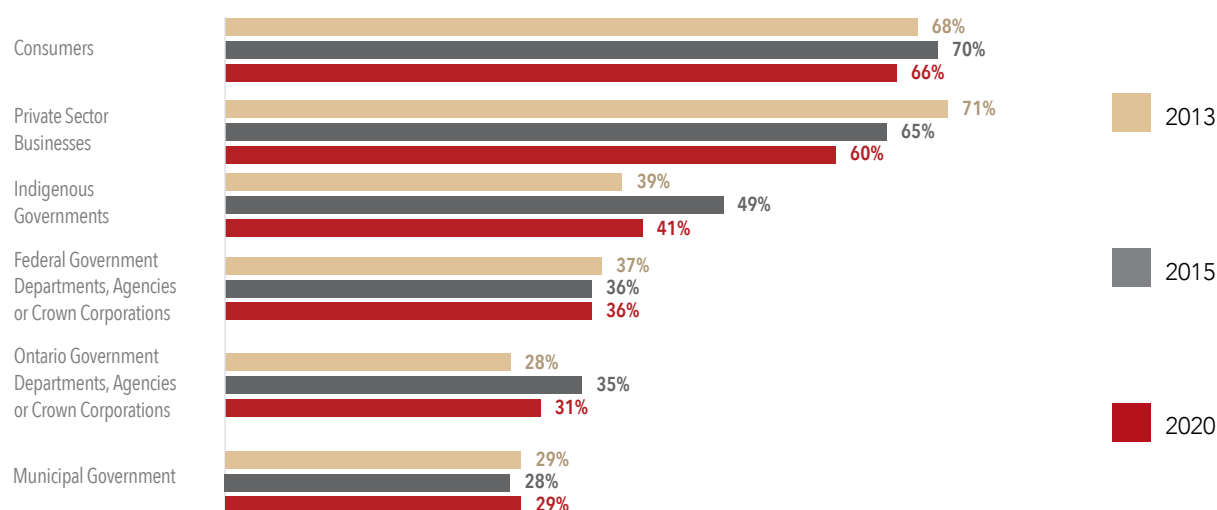
Type of client or customer

Indigenous business owners maintain a diverse customer base. Consumers are now the top type of client, with two-thirds (66%) of businesses indicating they provide goods or services to this group. As with the previous survey, private sector businesses remain a top but diminishing client source, with six in ten (60%) businesses supplying them (down 11 points since 2013). Approximately three in ten each supply the Ontario government (31%) or municipal governments (29%).

Larger businesses (i.e., those with one or more employees and/or those with annual revenues of \$500K+) have the most diverse clientele, being more likely than others to supply to private sector businesses and federal, Ontario and municipal governments.

Supplying to Indigenous governments is more widespread among First Nations businesses, while being a supplier to the federal government is more common among Métis businesses than others.

Types of clients in past year



Q15. In the past year, did you supply goods or services to any of the following...?

Employees

Over one third (35%) of Indigenous businesses generate predominantly full-time employment for both Indigenous and non-Indigenous workers.

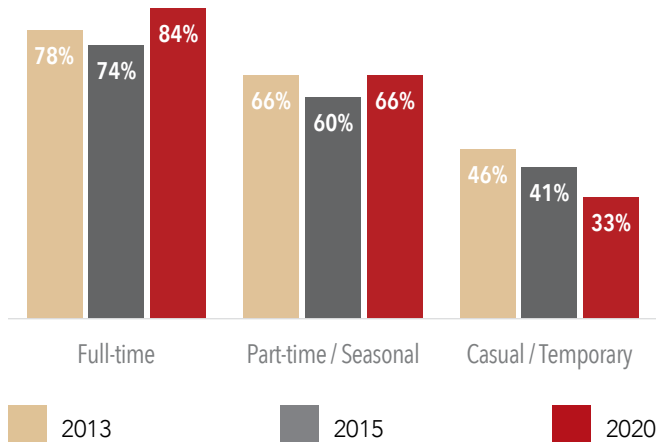
Employee type

Just over one in three (35%) Indigenous businesses have employees, most of which hire full-time, permanent workers. Of businesses with employees, over eight in ten (84%) currently have full-time employees (representing 30% of all Indigenous businesses in Ontario), which is on par with 2013 data.

These businesses are also a source of part-time and casual work. Two thirds of businesses that have employees (66%) have permanent part-time employees. One third (33%) employ casual/temporary workers, although this proportion has declined since 2013 (down 13 points). Indigenous employers of permanent part-time and of casual/temporary workers represent 23 percent and 11 percent of all Indigenous businesses in Ontario, respectively.

Types of employees

Base: Indigenous businesses with employees
(35% of total sample)

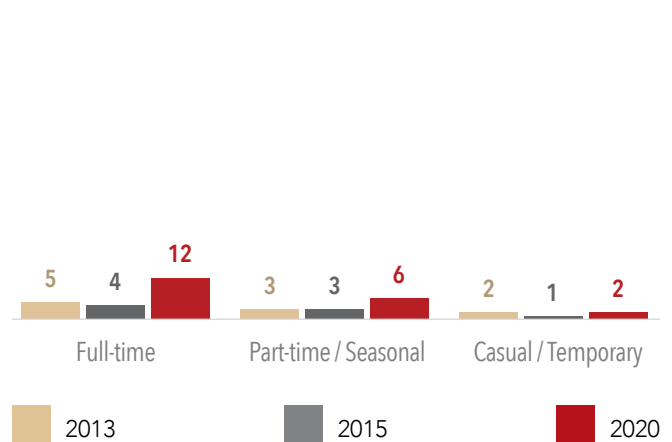


Q16. Excluding yourself, how many employees does your business currently have who are...? (n=133)

On average, these businesses report having twelve permanent full-time employees (which has more than doubled from five workers in 2013), six part-time employees and two casual or temporary employees. While there has been a decrease in businesses hiring casual/temporary workers (46% in 2013 compared to 33% in 2020), the increase in permanent full-time employees may indicate growth in business operations and capacity.

Average number of employees

Base: Indigenous businesses with employees
(35% of total sample)



Q16. Excluding yourself, how many employees does your business currently have who are...? (n=133)

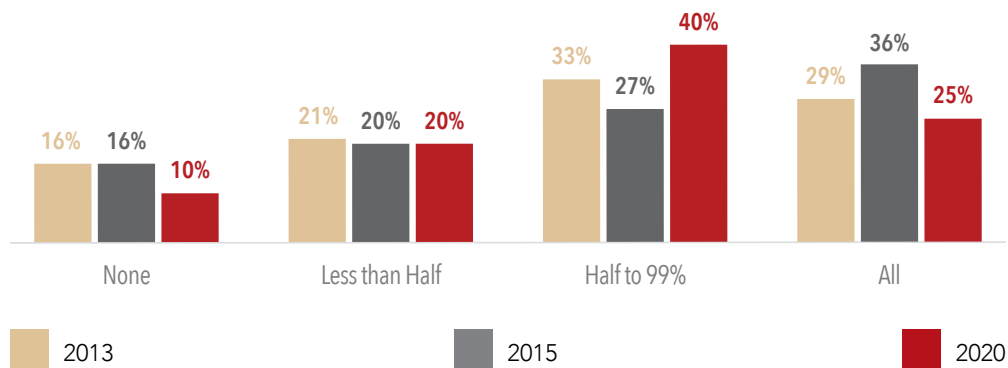
Indigenous employees

Almost all (89%) Indigenous businesses with employees say they employ at least one Indigenous person. Considered among all Indigenous businesses in Ontario, this represents 35% of business that have created jobs for other Indigenous individuals.

Indigenous-owned businesses are predominantly staffed by Indigenous people. The average proportion of total employees who are Indigenous at these firms is 60%. As observed in the 2014 ABS, the average proportion of Indigenous employees is also higher among First Nations-owned businesses and those located on reserves.

Proportion of employees who are Indigenous

Base: Indigenous businesses with employees (35% of total sample)



Q17. How many of your [EMPLOYEE TYPE] are Indigenous? (n=133)

3

Business Objectives and Success to Date



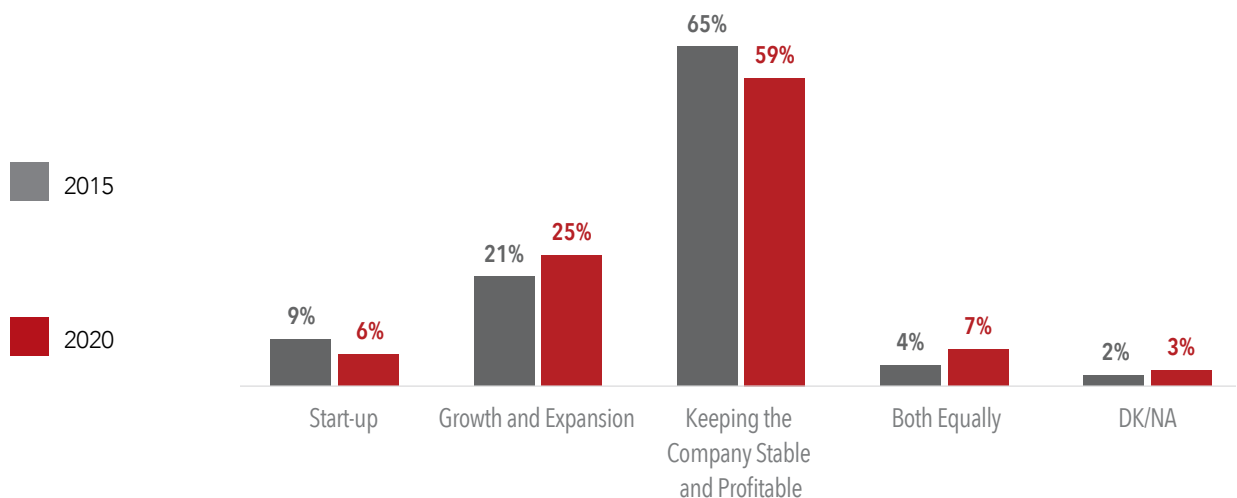
Business stage

The majority (59%) of Indigenous entrepreneurs consider their business established and focus on stability/profitability over growth/expansion. One in twenty Indigenous business owners describe themselves as being in the start-up phase.

Similar to the 2016 ABS, a majority (59%) of Indigenous business owners in Ontario describe their business as established (are not in the process of starting up their business), with the primary goal of stability and profitability. One in four businesses say they are established with the goal of growth and expansion (25%), while another seven percent are established businesses focusing on both stability and growth (up three points). Less than one in ten (6%) consider themselves to be in the start-up phase. The remaining three percent could not classify their business.

Although most businesses are pursuing stability and profitability, some businesses are more aggressive in their goals. A growth focus is most evident in band-owned businesses (53%) as well as businesses with employees (38%).

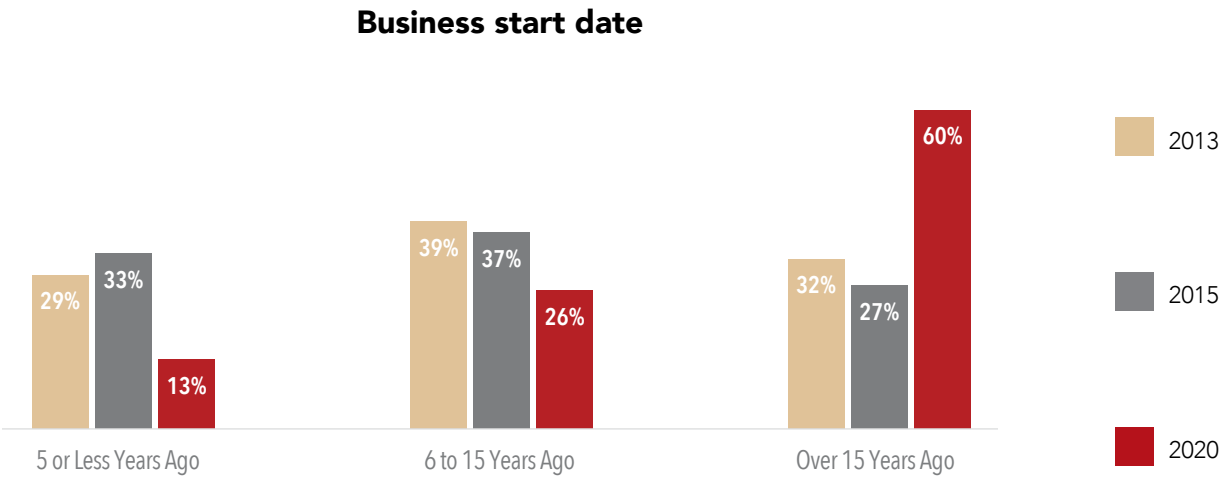
Business stage – comparison between 2016 ABS and 2020 ABS



Q7. Do you consider this an established business or are you in the process of starting up the business?

Q9. (IF ESTABLISHED) Which of the following best describes your main business goal right now?

The profile of the businesses surveyed is longer established than in the previous survey, which is likely a reflection of the list from which businesses are drawn. Six in ten (60%) started their businesses over 15 years ago, roughly double the proportion in previous surveys. By comparison, one-quarter (26%, down 11 from 2015) started their business over five to 15 years ago, and one in ten (13%, down 20 from 2015) are recent (past five years) start-ups.



Q8. In what year did you start or acquire this business?

In your opinion, what is the main reason why your business has been successful to date?

We have many graduated alumni who have gone on to receive fulfilling careers in the arts. We have shows throughout the year. Students throw successful shows and have many people come.

[Some of the main reasons include...] my entrepreneurship, my instincts, [and my ability to] provide help to people in the community that can't sell for themselves.

Chief, council, representatives, staff and management working as a team [have all influenced the success of my business, as well as] good community consultation.

[We have had] good operating results. [There has been] good support from the Province of Ontario and support from the Metis nation.

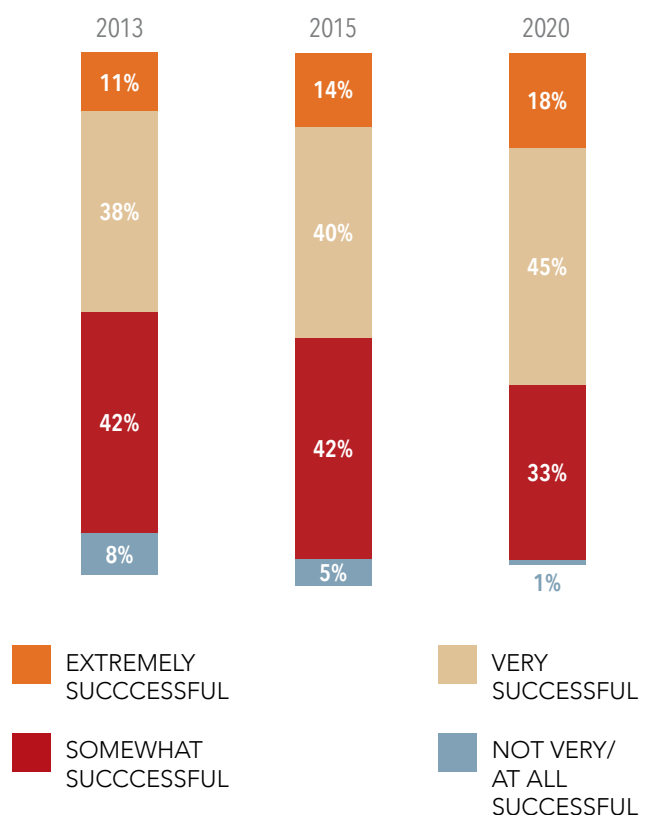
[We have been] keeping up with current technology and current safety rules and regulations.

Perceptions of business success

Indigenous business owners' confidence in their own success continues to grow. Almost all (96%) report having experienced some success, and more than six in ten consider their businesses to be very or extremely successful (up from half in 2013).


Indigenous business owners in Ontario are increasingly positive about their success to date. More than six in ten (63%) say their business has been extremely (18%) or very (45%) successful, reflecting an 11-point increase since 2015. One third (33%) describe their business as being somewhat successful, and the remaining one percent say their business is not very or not at all successful.

Perceptions of business success



Q10. How successful do you feel your business has been to date?

Note: Don't know data ranges from 0% - 3% (not shown)



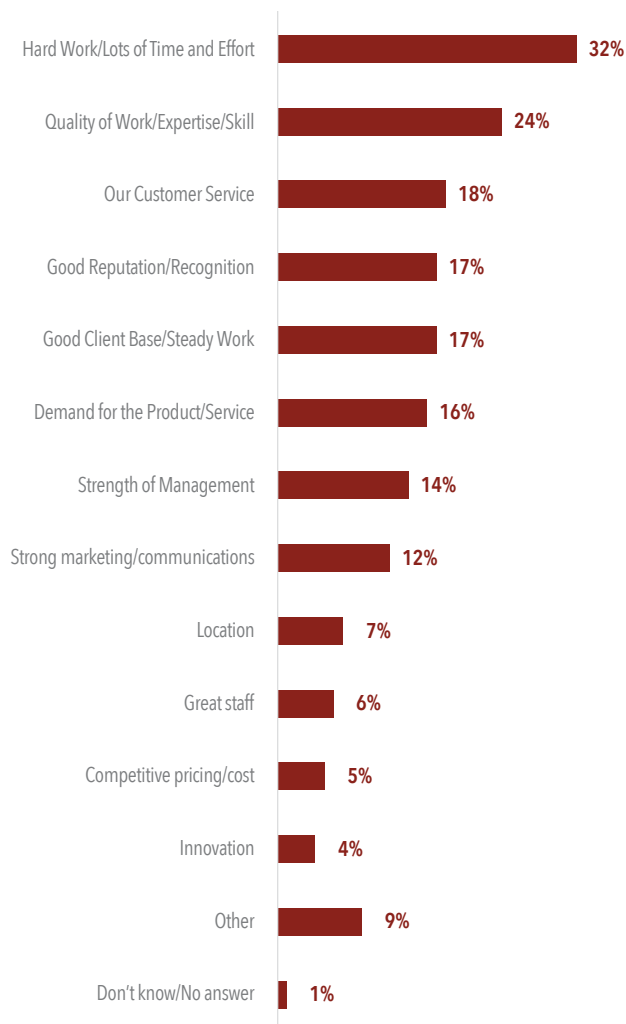
Success is widely felt across all types of businesses. The highest rates of success (extremely or very successful) are reported by businesses with annual revenues over \$500K (90%) and by businesses defined as having high financial success (i.e., have been profitable, had increased sales in the past year, expect income growth in the next two years, 76%). As well, younger entrepreneurs (under 45 years of age) are more likely to express greater optimism about their business success than older entrepreneurs (75% vs 60%, respectively).

Perceived reasons for success

Indigenous business owners who feel their business has been extremely or very successful (63% of total sample) were asked to what they attribute their success (unprompted, without being offered response options). They are most likely to attribute their success to the sheer amount of hard work and effort (32%). Since 2013, entrepreneurs have also become more confident to cite their own expertise and workmanship as a top reason for success (24%, up 11 points). Other factors include excellent customer service (18%), a strong reputation (17%), a steady client base (17%), and demand for their product or service (16%), among others. It is notable that the top answers are related to effort, quality, and customer service rather than logistical options, such as location, pricing, and product. It is sometimes noted by participants in past research that Indigenous businesses do not necessarily measure success in the same way as non-Indigenous businesses. Often times, Indigenous businesses will have a more community focused view. Another reason may be that most of the businesses are small or micro firms, and about a third are located on-reserve - so putting in more effort on an individual level would be necessary.

Reasons for Success

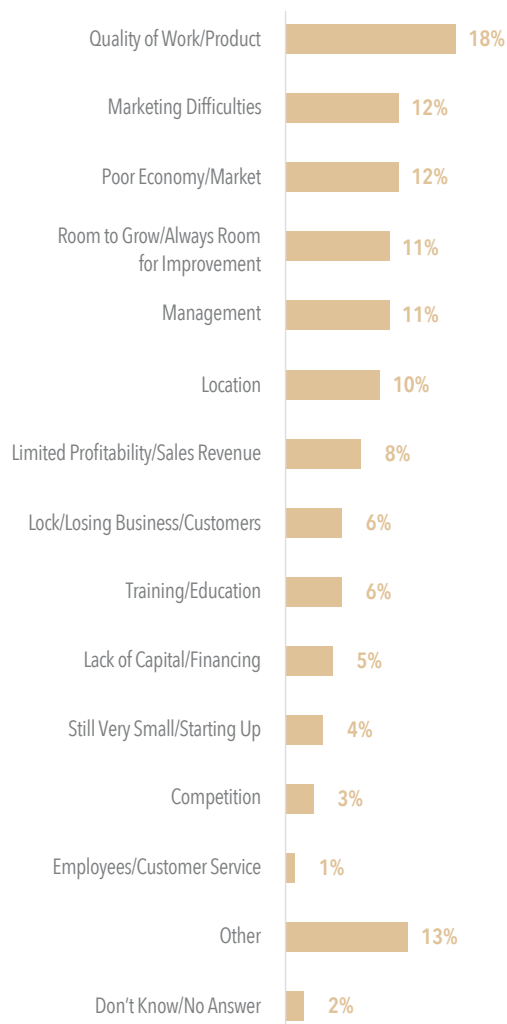
Base: Feel their business is extremely or very successful (63% of total sample)



Q11A. What is the main reason why your business has been extremely/very successful to date? (n=134)

Barriers to Success

Base: Feel their business is somewhat successful (33% of total sample)



Q11B. What is the main reason why your business has been somewhat successful to date? (n=60)

Perceived reasons for less success

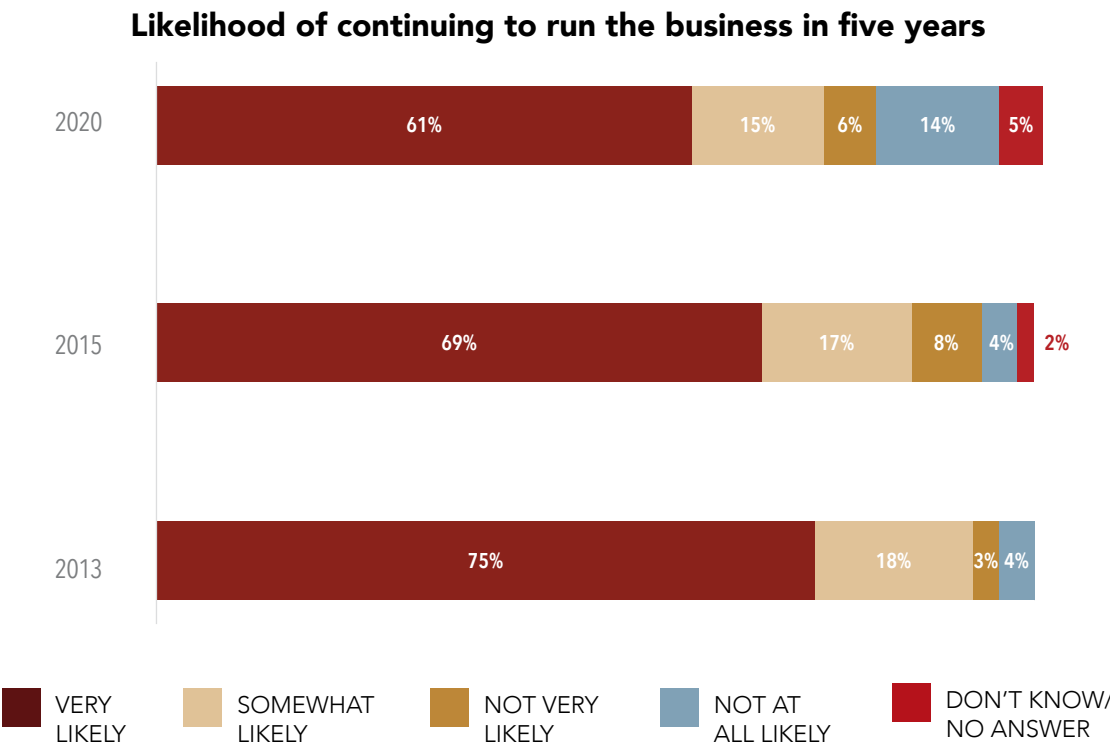
Indigenous business owners in Ontario who consider their business to be somewhat successful (33% of the total sample) cite a mix of reasons for this. There are references to both positive aspects – the quality of work (17%), room for growth (11%), management (11%) – as well as to obstacles or challenges they have faced, including marketing difficulties (12%), a weak economy (12%), and location (10%).

Expectations for the future

Most (61%) Indigenous business owners in Ontario believe they will continue to operate their business in five years. One in five say this is unlikely, either because they are planning to close the business or sell/transfer ownership.

Indigenous business owners are largely confident they will be running their business in five years time, although the degree of confidence is lower than in previous surveys. Six in ten (61%) say it is very likely they will be running their business in five years time (down 14 points since 2013); another fifteen percent say it is somewhat likely. One in five (20%, up 13 points since 2013) now say it is unlikely they will be operating five years from now. Nearly two thirds (63%) of businesses surveyed were established 15 years or more ago. Of these, one quarter (25%) of business owners do not expect to be running their business in five years (compared to 7% of businesses established more recently). Similarly, older business owners (55+) are more likely (26%) to indicate they are unlikely to continue running the business than their younger counterparts (6%).

Thus, the sizeable proportions of mature businesses and owners in the sample is contributing to the overall decline in the proportion who expect to be running their business in five years time.

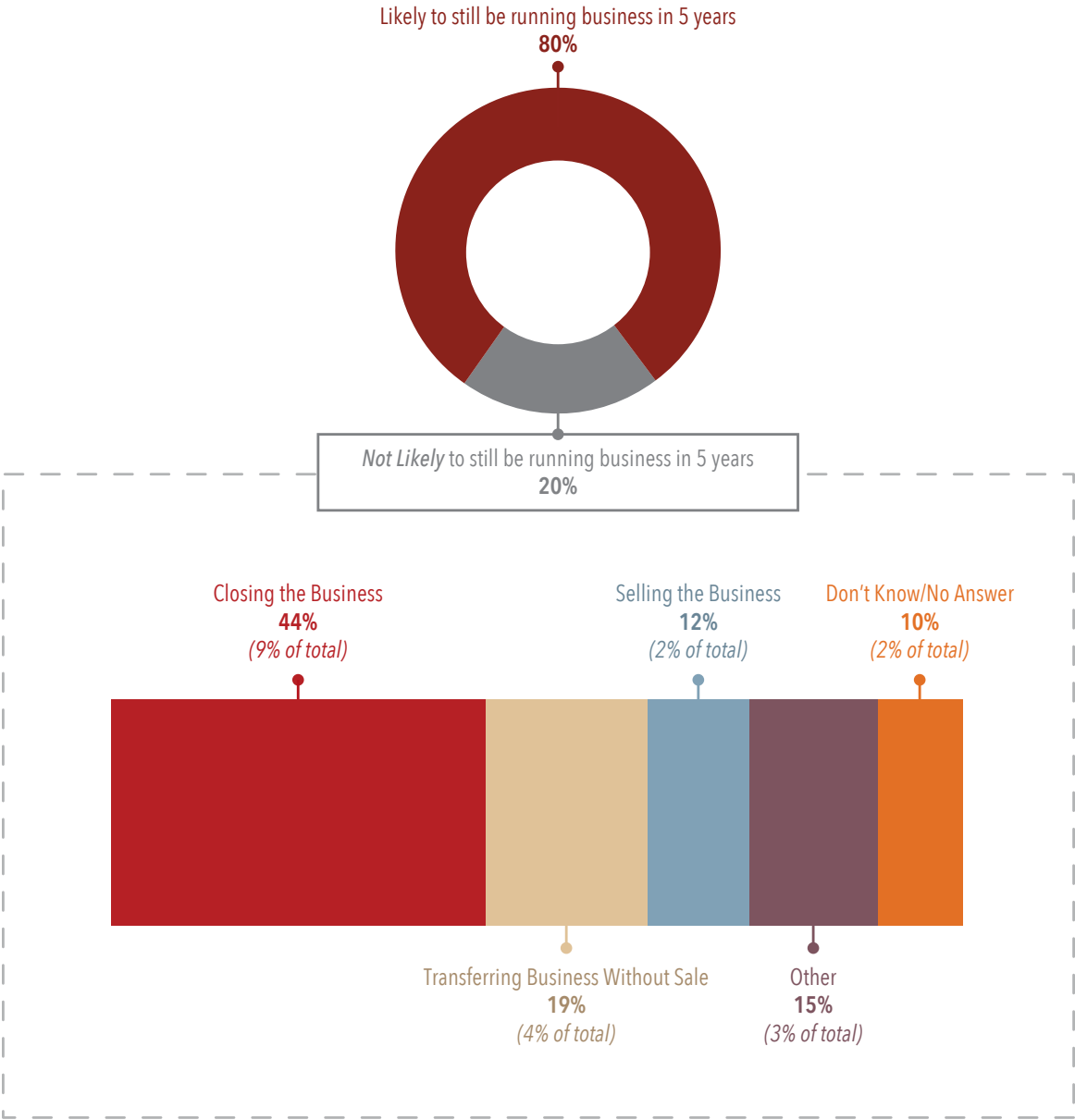


Q12. Thinking ahead, how likely is it that in five years time you will still be running this business? Is it...?

Plans for business succession

Business owners who are unlikely to continue running their business in five years (20% of total sample) were asked why their management is unlikely to continue. The most common reason is that they plan to close the business (44%, representing 8% of total sample). Approximately one third will continue to operate under new ownership, either by sale (12%) or by transfer without sale (19%). Smaller proportions described other plans (15%) or do not yet have a plan of succession or closure (10%).

Plans for business in five years



Q12a. Do you plan on...? Asked among those not likely to be running business in five years (n=31); shows total sample

4

Business Profitability and Growth



Profitability

In the months following the data collection in January 2020, the COVID-19 Pandemic has had a significant impact on the Indigenous and broader Canadian economy. As further research is completed in the upcoming months, the figures in this report can be used as a benchmark for where Ontario Indigenous business profitability and growth in the recovery period following the pandemic.

Six in ten Indigenous business owners in Ontario reported a net profit for their previous fiscal year.

Indigenous businesses are five times more likely to report a net profit than a net loss based on their most recent fiscal year. Down from 76% in the 2016 ABS, six in ten (60%) say their business experienced a net profit, while one in ten (12%) reported had a net loss. A further one in four (25%) indicated they broke even. Four percent could not say or declined to provide this information.

A net profit is more commonly reported by organizations with higher annual revenues (over \$100k), and by non-band-owned businesses.

Two changes to the 2020 ABS may explain the drop from the results in the 2016 ABS. Band-owned businesses were included in the survey for the first time in 2020. The data demonstrates that band-owned businesses were significantly less likely to report a profit at only 17% compared to 67% of private businesses. Band-owned businesses are substantially more likely to report obstacles like government policy, rules and regulations (54% compared to 33% of private businesses); access to financing (51% compared to 29%); and attracting qualified employees (50% compared to 23%) as significant obstacles, so this may be what is impacting their profitability.

Additionally, in previous years respondents were only able to choose between a net profit and a net loss, while in 2020 they could indicate that they broke even.

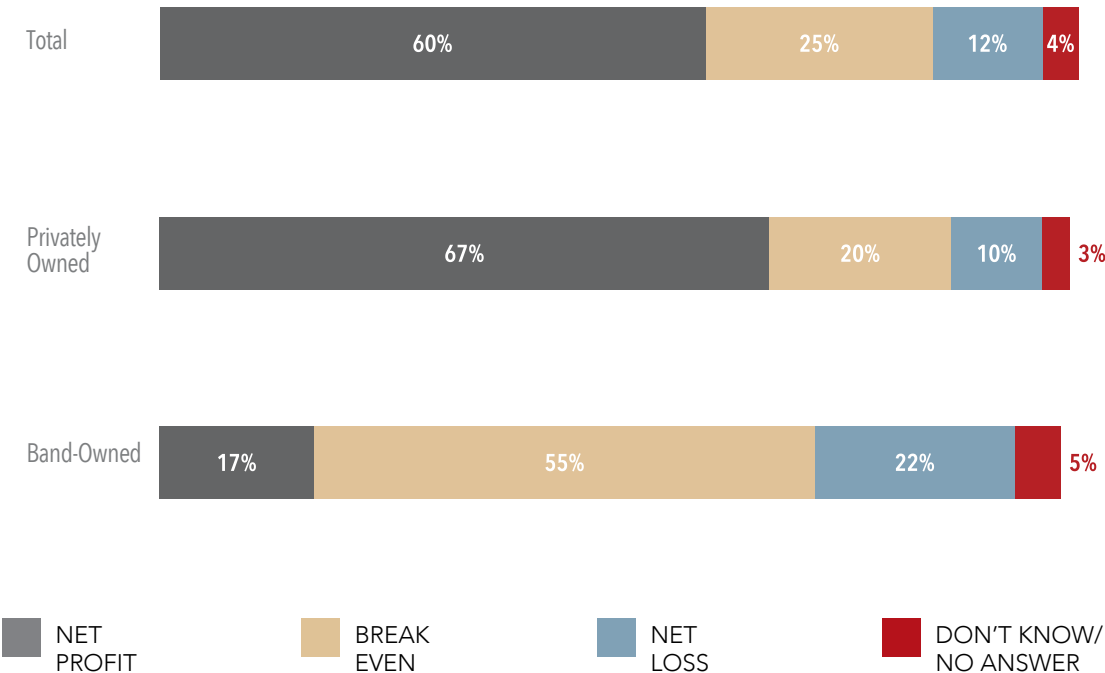
Revenue Growth

Two in five Indigenous businesses in Ontario saw their revenues increase from 2018 to 2019. Most (68%) are optimistic for growth in sales revenue in the next two years.

Indigenous business owners had mixed results in terms of the change in gross sales revenues (i.e., the total amount of money received for goods sold or services provided) between 2018 and 2019. Four in ten (39%) report increased revenues for the past year, with a similar proportion (42%) who say revenues stayed the same. Comparatively, just over one in ten businesses reported decreasing revenues over the past year. The remaining five percent could not say or declined to provide this information.

Revenue increases were most likely to be reported by higher revenue businesses (over \$100K) (61%), with revenue decreases most common among lower revenue businesses (under \$100K) (26%).

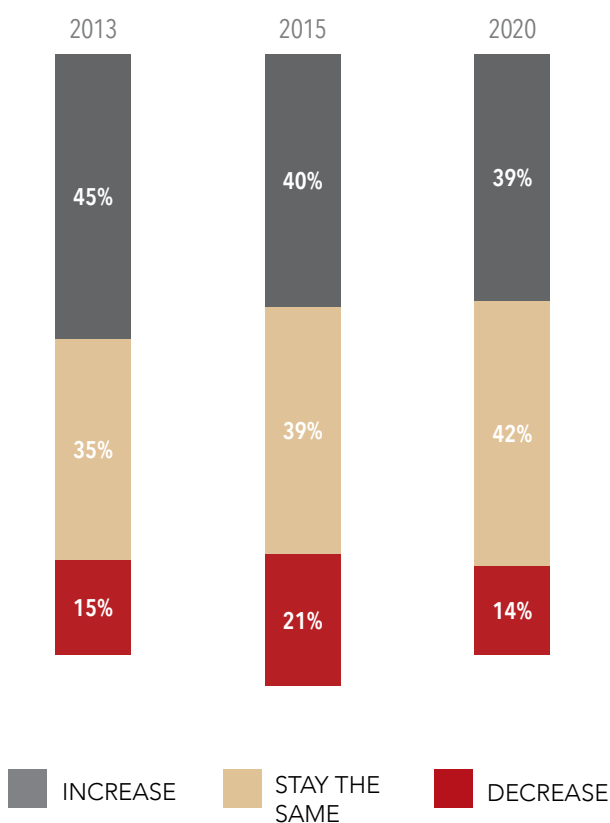
Net profit or net loss for most recent year



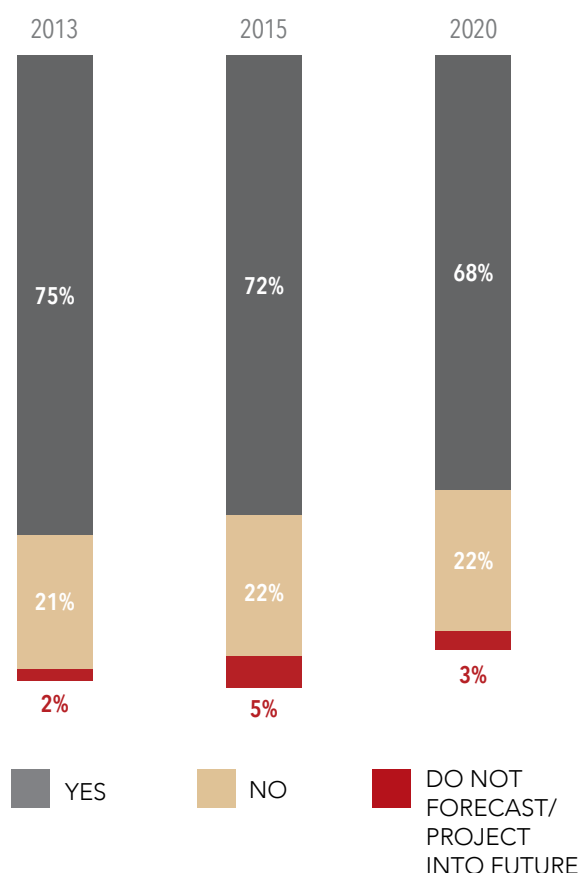
Q26. For your most recent fiscal year, did your business experience a net profit or a net loss?

Answer categories were revised from previous surveys, therefore trend data from 2015 and 2013 is not available

Change in gross sales revenues for the past year



Expect gross sales revenues to grow within next two years



Q23. In the past year, did your business's gross sales revenues...?

Note: Responses of "don't know" excluded from graph (ranging from 0-6%)

Q24. Do you expect your business's gross sales revenues to grow within the next two years?

Note: Responses of "don't know" excluded from graph (ranging from 0-7%)

Expectations of future growth

A majority of Indigenous business owners expect revenue growth over the next two years, but this optimism of growth has decreased since 2013. Two-thirds (68%) expect sales revenues to grow within the next two years (down seven points since 2013). Only two in ten (22%) do not expect revenue growth in the next couple of years.

The subgroups most optimistic about future gross sales revenues are: incorporated businesses with employees (86%); business owners under 45 years of age (90%); and businesses with higher sales revenue between 2018 and 2019 (90%).

Obstacles to Growth

Retaining valued employees and government regulations are now seen as top barriers to the future growth of Indigenous business in Ontario. Concerns have also grown about access to reliable Internet and attracting skilled employees.

Indigenous firms in Ontario are increasingly concerned about a number of growth hurdles. From a list of 14 potential concerns, two hurdles have risen in prominence since 2015, becoming top obstacles: retaining employees (38% of those with employees rate it "4" or "5" out of "5", up 9 points since 2015) and government policy (36%, up 4 points since 2015). There have also been significant increases in concern about reliable Internet access (30%, up 8 points since 2015) and attracting employees with the right qualifications (27%, up 6 points since 2015).

Close to three in ten Indigenous business owners anticipate growth will be impacted by each of the following: access to financing (32%), access to equity or capital (29%), and overall economic conditions (29%). Between two and three in ten also expect difficulties related to capital costs (27%), competition (25%), infrastructure other than IT (e.g. electricity) (25%), geographic location (24%), and access to other markets (24%) and supply chains (21%). Of least concern to Indigenous businesses in Ontario is access to support for employee training (19% of those with employees).

Obstacles to growing business over next two years (Rated 4 or 5 out of 5)

	2020	2015	Change
Retaining valued employees*	38%	29%	+9%
Government policy, rules and regulations	36%	32%	+4%
Access to financing	32%	30%	+2%
Reliable Internet access, telephone and other IT technologies	30%	22%	+8%
Access to equity or capital	29%	31%	-2%
Overall economic conditions	29%	31%	-2%
Attracting employees with the right skills or qualifications	27%	21%	+6%
Capital costs	27%	23%	+4%
Competition	25%	22%	+3%
Other infrastructure (e.g. electricity, water, roads)	25%	20%	+5%
Geographic location of the business	24%	n/a	n/a
Access to other markets either provincial or international	24%	n/a	n/a
Access to supply chains	21%	n/a	n/a
Access to support for employee training & skills development*	19%	21%	-2%

Q25. To what extent do any of the following present obstacles in growing your business over the next two years? Please use a scale from 1 to 5, where 1 means "not at all" and 5 means "a great deal."

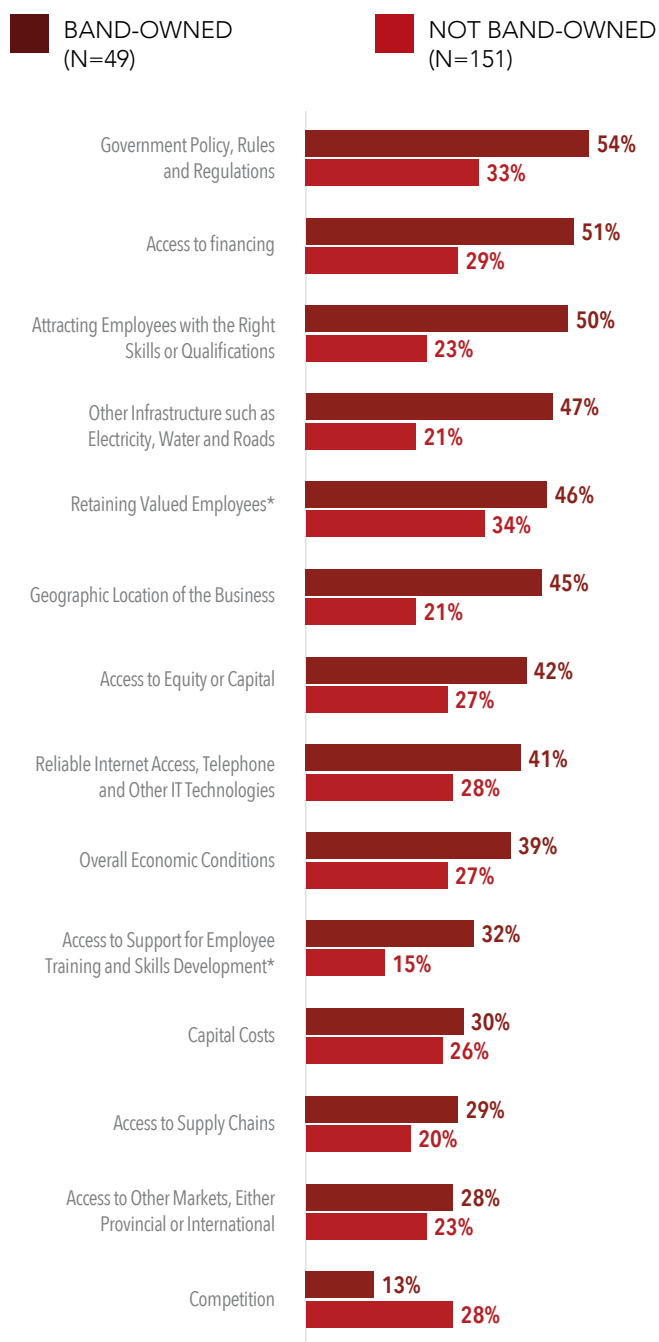
** Asked of businesses with employees*

Businesses of different sizes are challenged by different hurdles:

- Access to equity/capital is nearly four times more likely to be a hurdle for small businesses (with revenue below \$100k) (37%) than large businesses (revenue exceeding \$500k) (10%)
- Access to larger markets is significantly more difficult for companies without employees (30%) than those with employees (12%)
- Half (50%) of large businesses (revenue exceeding \$500k and/or incorporated businesses with employees) struggle to attract qualified employees.

Band-owned businesses are also confronted by a unique set of obstacles to their growth, which are primarily access to financing (51%), attracting qualified employees (50%), community infrastructure (e.g. electricity, water, and roads) (47%), and geographic location (45%). The majority of challenges listed below appear to be felt more widely by band-owned businesses when compared to non band-owned businesses.

Obstacles to growing business over next two years, by ownership type (Rated 4 or 5 out of 5)



Q25. To what extent do any of the following present obstacles in growing your business over the next two years? Please use a scale from 1 to 5, where 1 means "not at all" and 5 means "a great deal."

** Asked of businesses with employees*

5

Growth Factors for Indigenous Business

Financing

Personal savings remains the most heavily relied on source for both business start-up and ongoing financing. Federal and Ontario government loans are also important sources of ongoing financing for four in ten Indigenous businesses.

Start-up Financing

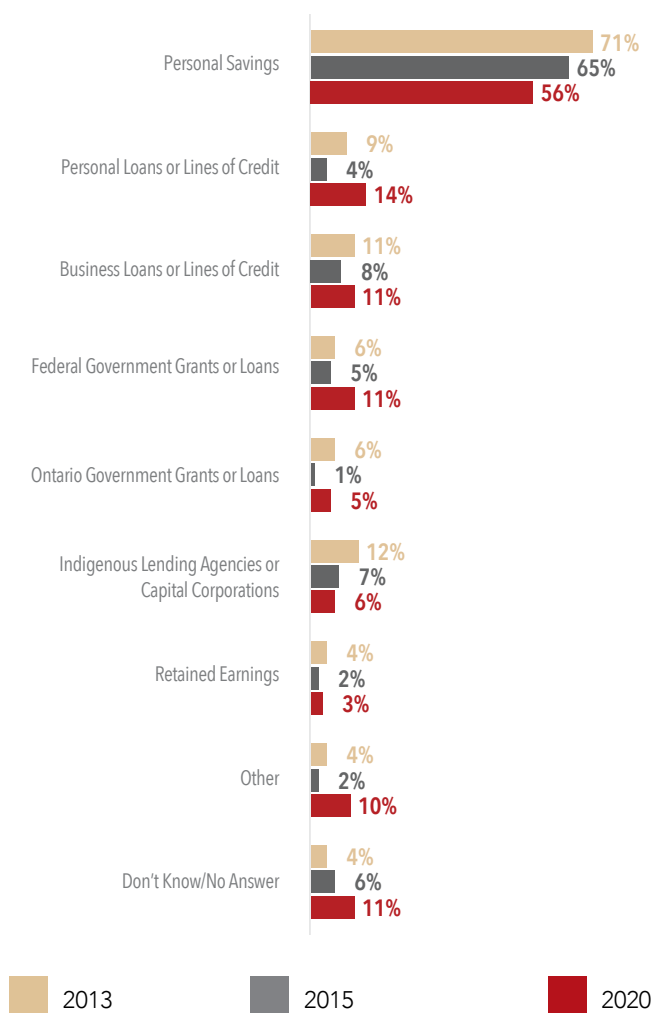
Indigenous businesses continue to rely heavily on personal savings rather than on loans, equity or debt to start up their business, although this reliance appears to be decreasing over time. More than half (56%) say they relied on personal savings to start up their business, down from seven in ten (71%) in 2013. In turn, there have been small increases in the use of personal loans/lines of credit (14%) and grants/loans from the federal government (11%). Small proportions used business loans/lines of credit (11%), grants/loans from the Ontario government (5%) or Indigenous lending agencies (6%).

Personal savings remains, by far, the most widely used source of start-up funding across the Indigenous business population but is particularly common for businesses without employees and older business owners (55 years or older). Compared to older entrepreneurs, younger people (under 45) are less likely to use personal savings and more apt to use personal or business loans for start-up.

Meanwhile, reported use of federal government funding for start-up is higher among businesses with employees and First Nations entrepreneurs; their Métis counterparts are much more likely to rely on personal loans/lines of credit. Use of Ontario government funding does not vary significantly by business type.

Indigenous women-owned businesses face heightened challenges when it comes to financing: 33% of women and 30% of men report access to financing as an obstacle. Additionally, 37% of women report access to equity and capital as an obstacle, compared to 23% of men. Strategies to improve supports for this aspect of Indigenous business should continue to take gender into account during research and program planning.

Sources of financing used to start up business (unprompted)



Q28. What was the main source of financing you used to start up your business?

Current sources of financing

When asked how important various financial sources are to their business at the present time, retained earnings (66%) and personal savings (64%) remain the top sources cited as very or somewhat important to current financing. Financial institutions form a second tier of importance, including both personal (52%) and business (46%) loans or lines of credit, followed by loans and grants through the federal government (43%) and Ontario government (41%) grants or loans. Financing through Indigenous lending agencies and capital corporations remains of importance to one in three (33%) businesses. The perceived importance of these various sources is consistent with 2015.

Provincial and federal loans are more important sources of financing for businesses not yet profitable (compared to those that are profitable); findings are otherwise largely consistent by business type. Indigenous lending agencies or capital corporations lag behind other lending options (33%) – this may be due to their relative capacity compared to larger financial institutions or government funds. CCAB understands that AFI’s largest reported challenge is access to capital, so these lenders sometimes do not have the resources available to provide larger business loans⁴.

Importance of current sources of financing (Very important or Somewhat important)

	2020	2015	Change
Retained earnings	66%	73%	-7%
Personal savings	64%	70%	-6%
Personal loans or lines of credit from financial institutions	52%	51%	+1%
Business loans or lines of credit from financial institutions	47%	50%	-3%
Federal government grants or loans	43%	38%	+5%
Ontario government grants or loans	42%	36%	+6%
Indigenous lending agencies or capital corporations	33%	36%	-3%

Q29. Please tell me whether each of the following sources of financing is very important, somewhat important, not very important, or not at all important to your business at the present time?

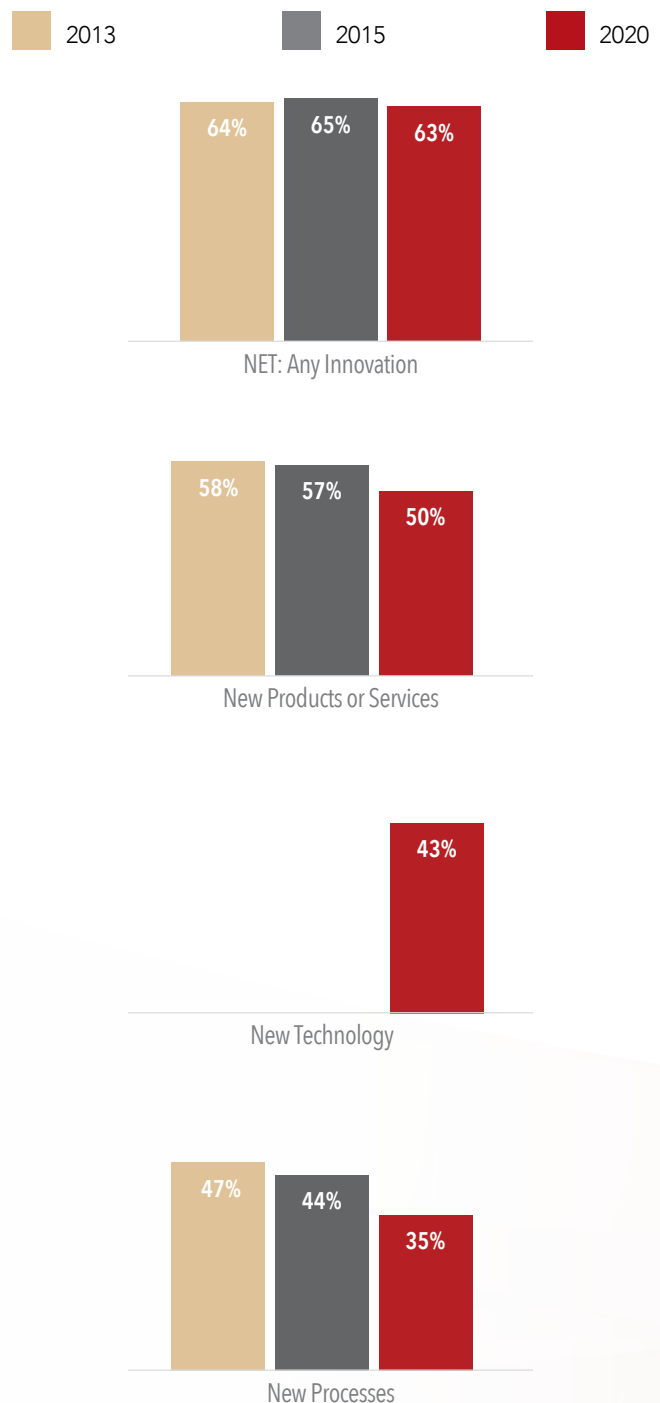
⁴ NACCA (Ottawa:2017) <https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR9073612/br-external/NationalAboriginalCapitalCorporationsAssociation-e.pdf>

Innovation

Indigenous businesses continue to embrace various forms of innovation. They are more than twice as likely to be optimistic as pessimistic about the opportunities presented by technology such as AI (artificial intelligence).

Indigenous businesses recognize the importance of being innovative, with more than six in ten businesses (63%) who introduced new innovations in the past three years, on par with previous surveys. However, this consistency masks a change in the underlying trends, with fewer businesses than before introducing new products or services (50%, down 7 points since 2015) or new processes (35%, down 11 points since 2015). These declines are offset by the introduction of new technology (43%; a new item in the 2020 survey), resulting in a similar overall level of innovation compared to past years.

Innovation introduced within businesses in the past three years



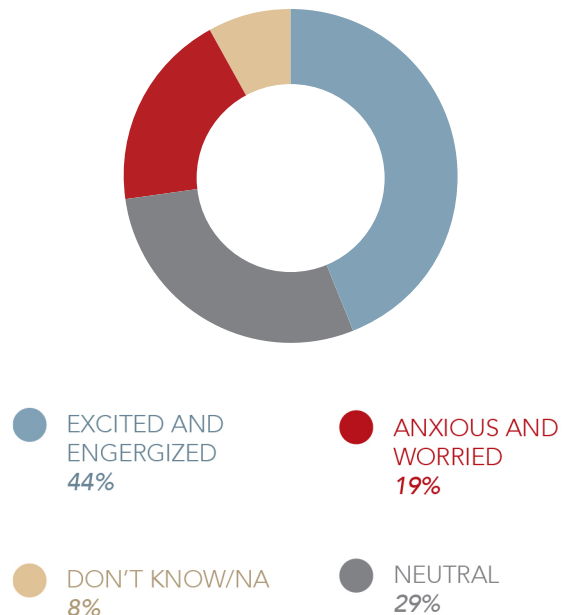
Q18. In the past three years, did your business introduce any...?
Note: "New technology" was not asked in 2013 or 2015

Technological advancements in automated tasks

Business owners were asked how they feel about technological advancements in artificial intelligence, technology and machine learning as it relates to task automation. While there is no consensus, Indigenous business owners are more than twice as likely to feel excited and energized by these technological advancements (44%) as to feel anxious and worried (19%). The remainder are neutral (29%) or undecided (8%).

Optimism about these changes is higher among businesses with revenues over \$500k (74%), compared to smaller revenue businesses (40%). Other segments more likely to be excited for these changes are businesses that have demonstrated high financial success (55%), are in the service industry (51%), or where business owners are under 45 years of age (63%).

Attitude towards technological advancements in automated tasks



Q19. In the past few years, significant advancements have been made in Artificial Intelligence, technology and machine learning, to automate tasks and free up time for people to do more creative work. Thinking about your business, do these types of technological advancements make you feel...?

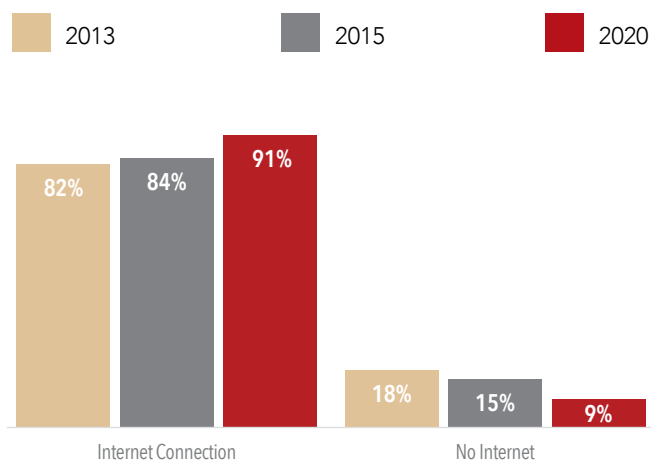
Internet Connectivity

There is widespread, but not universal, access to high-speed internet among Indigenous businesses in Ontario. Moreover, most – but not all – perceive their connection to be adequate for their business needs.

Virtually all (91%) of Indigenous owners have an Internet connection, a steady increase of nine points since 2013. One in ten (9%) do not have Internet.

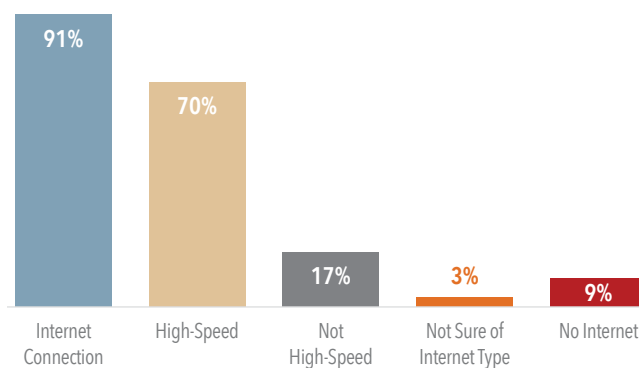
New to the survey in 2020, business owners with internet were asked what type of connection they had. Most businesses are connected to high speed internet (70%), with a minority connected to internet that is not high speed (17%) (an additional three percent are unsure of what type of internet they have).

The proportion of on-reserve businesses with an internet connection has increased since 2013 (83%, up 20 points), but continues to trail off-reserve businesses (96%). Internet connectivity by year



Q20. Does your business have an Internet connection?
Base: Total sample

Internet connectivity and type



Q20. Does your business have an internet connection? Base: Total sample

Q21. Is it a high-speed internet connection, such as through cable, DSL or fiber optic, or not? Shows total sample

Internet quality

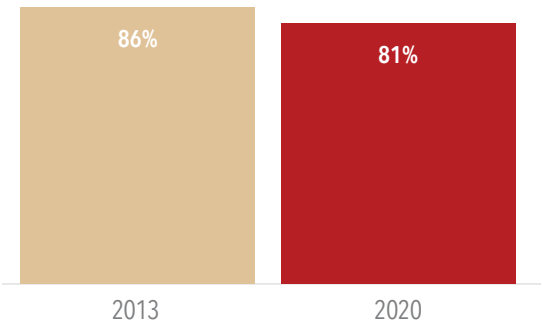
The majority (81%) of businesses with an internet connection say the connection is adequate to conduct business-related tasks (representing 74% of all businesses), which is on par with 2013.

Lack of affordable and dependable broadband means Indigenous people and businesses cannot connect to the digital economy. Only about 24 percent of households in Indigenous communities have access to 50 Mbps connectivity, and in Northern Ontario, only about 15 percent of the population has access to long-term speeds above 50 Mbps, with several First Nations still reliant on antiquated end-of-life satellite technology. Limited connectivity has proven to be a real and significant challenge for Indigenous businesses, especially those on reserve, since they require the same access to technology services as those in urban centres (e.g. processing cloud-based software or a credit-card sale), but with the additional challenge of attracting skilled labour.

Those most likely to report not having an adequate internet connection are female business owners (25% vs. 7% of men). This difference may be a symptom of the heightened financial barriers that women often face. Women are less likely to report a net profit, at 55% compared to 63% and report that accessing financing (33%) and capital (37%) to be significant obstacles. 17% of women run band-owned businesses, compared to 12% of men – these are less likely to turn a profit as well.

These financial burdens are paired with the fact that women are less likely to use high-speed internet (65% compared to 74% of men). They are more likely to report obstacles like internet and IT infrastructure than men (38%, 23%); other infrastructure like electricity, water, and roads (30%, 21%), and geographic location (35%, 16%). This combination of factors may be increasing women entrepreneurs' heightened difficulty with their internet connections.

Adequate quality of internet for business needs
Subsample: Businesses with internet (91% of total sample)



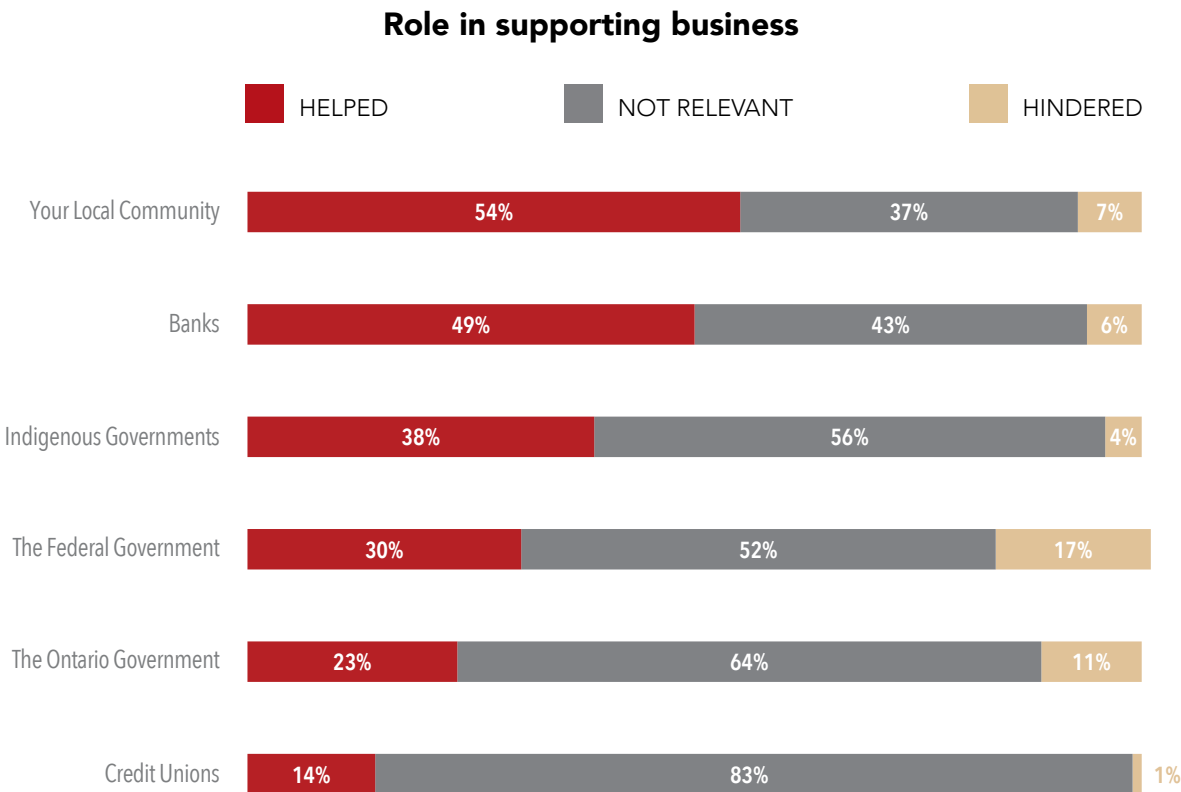
Q22. Is the internet connection adequate to do everything you want to do related to your business? (n=186)

Institutional Supports

When asked about what organizations have helped or hindered their business, respondents remain most likely to credit their local community. Since 2013, they are increasingly likely to feel they received helpful support from banks and the federal government. Positive views of the Ontario government’s involvement remain stable and continue to outweigh negative views.

Owning a business can be challenging, financially and otherwise, so who do Indigenous business owners rely on for support?

Indigenous business owners were asked which of a range of organizations or groups encouraged, impeded or were irrelevant to the performance of their business. As in 2013, a majority (54%) continue to view their local community as most encouraging to their business. Banks follow closely and are increasingly viewed as helpful to Indigenous businesses: nearly half (49%) indicate that banks have played a role that helped their performance (up 13 points since 2013).



Q30. For each of the following organizations or groups, please tell me whether you feel it has helped or hindered the performance of your business, or is not relevant to the performance of your business?

For the remaining groups and organizations (Indigenous, Federal and Ontario governments, credit unions), business owners most commonly view these organizations as irrelevant—suggesting that many Indigenous business owners have not taken advantage of existing programs or services, perhaps due to a lack of awareness of what is available.

Relatively few Indigenous business owners indicate that any of these organizations are barriers to their business (ranging from 1% to 17%). Moreover, for each organization, positive involvement is seen to outweigh the negative. In fact, positive views of Federal government involvement have grown (30%, up 9 points since 2013) and remained stable for the Ontario government's involvement (23%). While positive answers are more common, government support is most often seen as not relevant to businesses. Ontario in particular is lagging behind federal and Indigenous governments in this regard – indicating a need for improved programming that is more accessible and in-line with Indigenous needs, or better and more widespread outreach through channels that will reach the appropriate business owners.

6

Government Procurement



Why are you not more likely to bid on an Ontario government contract in the next two years?

[I'm not likely to bid on an Ontario government contract] because of the timing. Last time I was delayed, and I did not meet the deadline. The amount of information they needed was not relevant to my business model and it also took a lot of time to gather the information.

Other common answers:

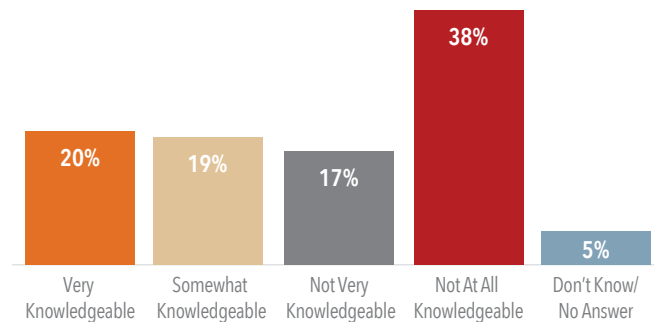
- I don't provide the goods or services they need/not relevant
- I don't need to/no interest
- It is not within our mandate/business model
- It takes too much time and effort/don't get paid on time
- Retiring soon/old age/closing business soon

Knowledge of Process

Relatively few Indigenous businesses feel very well-informed of how to bid on government contracts.

When asked to rate their level of knowledge about how to bid on government contracts, one in five (20%) consider themselves very knowledgeable, with a similar proportion (19%) who feel somewhat knowledgeable. The majority (55%) say they are not knowledgeable about government procurement. Five percent did not know or declined to answer.

Level of knowledge of government procurement



Q31. How knowledgeable would you say your company is about how to bid on government contracts, which is also known as government procurement?

Knowledge (either very or somewhat knowledgeable) about government procurement is higher among businesses with annual revenues above \$500k and among incorporated businesses.

Experience in government procurement

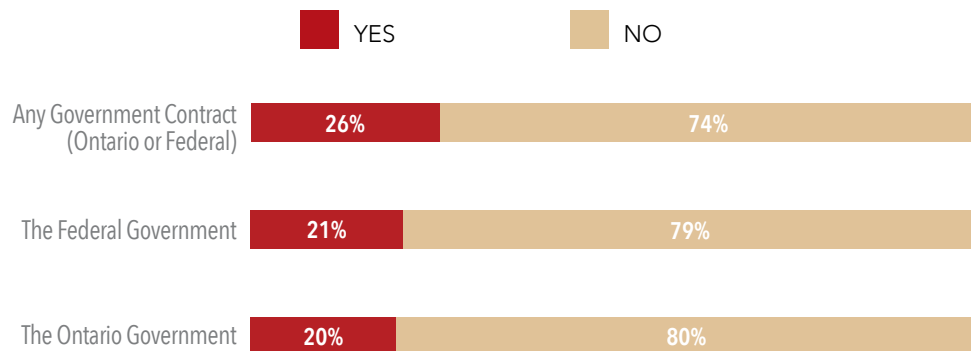
One-quarter of Indigenous businesses have bid on either a federal or Ontario government contract; an additional one in ten have investigated these opportunities but never bid.

Over one in four (26%) Indigenous business owners have ever bid on a contract either for the Ontario government (20%) or for the federal government (21%).

Previous experience with government procurement is higher among incorporated businesses, those with annual revenues over \$100K, and those operating off reserve. These differences are consistent overall and for both levels of government (federal and Ontario).

As one would expect, businesses that have previously bid on government contracts feel more knowledgeable about the government procurement process (77% very/somewhat knowledgeable, compared to 23% of those who have not previously bid on a government contract).

Ever bid on a government contract

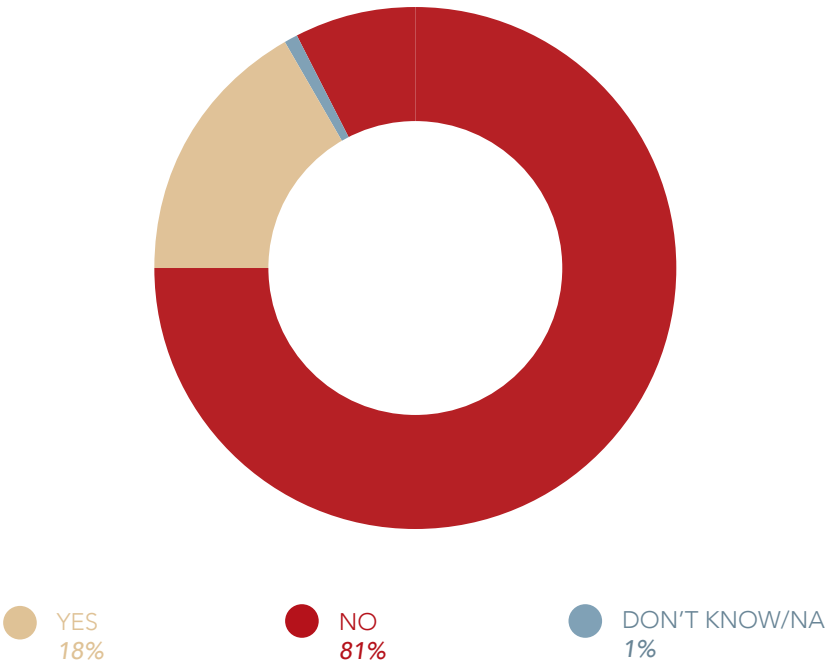


Q32. Has your company ever bid, either alone or jointly with another company, on a contract for...?

Investigation of bidding process

Indigenous business owners in Ontario who have never bid on a government contract (74% of the total sample) were asked if they have ever looked into it. Only one in five have ever investigated the process (18%, or 13% of total sample). That leaves a substantial proportion of Indigenous businesses that have neither bid nor looked into bidding on government opportunities (61%).

Ever investigated bidding on government contracts
Subsample: Businesses who have not bid on government contracts (72% of total sample)



Q33. Has your company ever looked into bidding on government contracts?

Likelihood of Bidding in the Next Two Years

About one in six Indigenous businesses are very likely to bid on an Ontario government contract, and express interest in a range of different contract sizes from small (under \$25K) to very large (\$1 million or more). Those less likely to bid typically do not offer services or products relevant to a government contract.

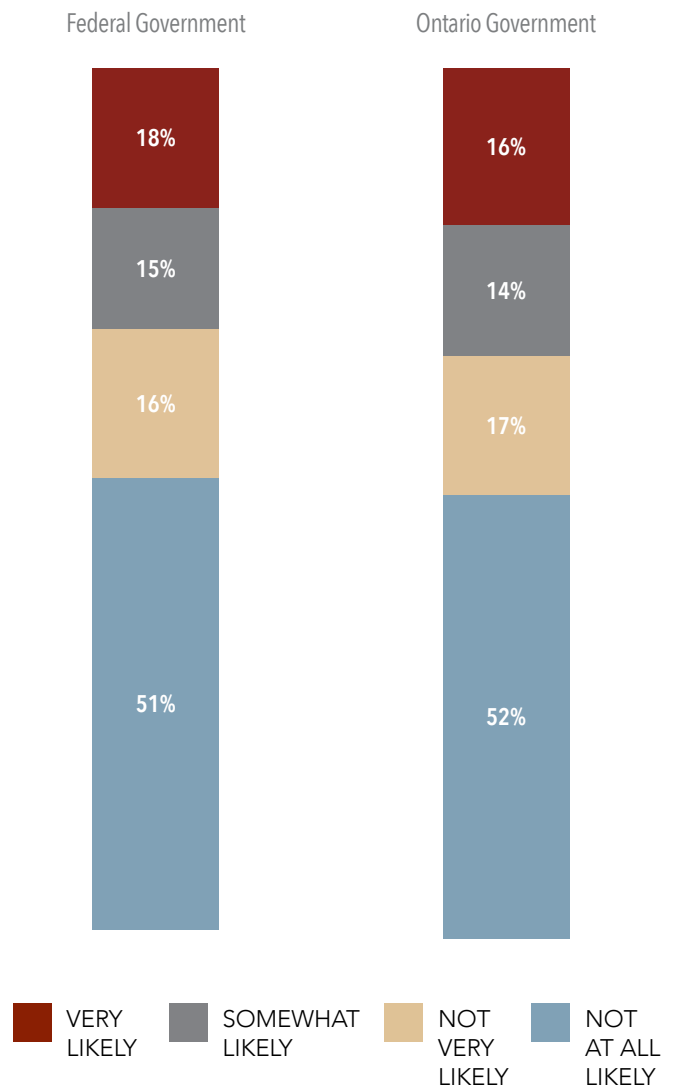
There is a healthy proportion of the Indigenous business population in Ontario that plans to bid on government projects in the next two years. Close to one in six say they are very likely to bid on federal government (18%) or Ontario government (16%) contracts, which is the most accurate measure of true intent. Similar proportions are somewhat likely to bid on each (federal, 15%; Ontario, 14%), while two-thirds are unlikely to do so (federal, 67%; Ontario, 69%).

As one would expect, future bids are also considerably more likely among those who have bid on government contracts in the past.

For instance, half of previous Ontario bidders (51%) say they are very likely to bid on future Ontario government contracts, compared to only seven percent who have no previous experience (the data are very similar for federal government opportunities).

Strong likelihood (i.e., very likely) to bid on future government contracts, either federal or provincial, is also higher among businesses with revenues over \$500K, Métis businesses and businesses with male leadership.

Likelihood to bid in next two years



Q34. In the next two years, how likely are you to bid on government contracts for the...?

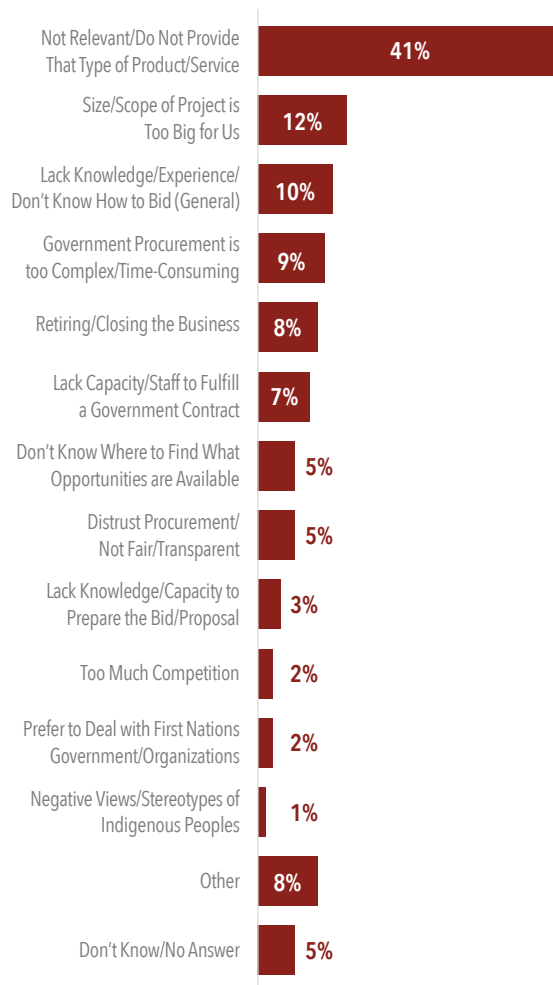
Barriers to bidding on Ontario government contracts

Businesses that are not very likely to bid on an Ontario government contract were asked the reasons why not. The most common barrier is relevance: four in ten (41%) Indigenous business owners (34% of total sample) do not think they offer the products or services that would be the subject of an Ontario government contract. This perceived lack of relevance is expressed most strongly by band-owned businesses (60%).

Smaller proportions of business owners view other barriers to bidding, including that the scope of projects is too big (12%), a lack of knowledge/experience with government contracts (10%), and/or government procurement is too complex (9%). Additional reasons mentioned (by 8% or less of business owners not very likely to bid) include that they lack capacity, lack knowledge of how to find opportunities or distrust the procurement process.

Reasons for being not very likely to bid on Ontario government contract in next two years

Subsample: Not “very” likely to bid on Ontario government contracts (83% of total sample)



Q35. Why are you not more likely to bid on an Ontario government contract in the next two years? (n=167)

Typical Contract Value Considered

Indigenous-owned businesses are interested in a range of contract values. Of those likely to bid on Ontario government contracts, approximately one third (33%) are interested in smaller contracts (valued below \$100k), one fifth (22%) for medium contract values (between \$100k and \$500k), and just over a third (35%) are interested in taking on large contracts (valued \$500k or more). The remaining nine percent did not know or declined to answer. The data indicates an uptake in interest to bid on larger-scale project (\$500,000+), demonstrating the readiness and capacity of Indigenous firms in Ontario to take on medium to large government projects.

Typical contract value considered for bidding

Subsample: Very or somewhat likely to bid on Ontario government contracts (30% of total sample)



Q36. Which of the following best describes the typical dollar value for a contract you would consider bidding on? (n=59)

Collaboration on Contracts

One in four Indigenous businesses have pursued joint ventures, most of whom have previous experience with government procurement. The main challenges involve finding the right partner and managing the relationship.

Indigenous business owners were asked if they had ever entered a joint venture with another company (whether Indigenous or non-Indigenous). Overall, more than one in four (28%) businesses have pursued joint ventures either to provide one part of a larger contract (24%) or to bid jointly on a contract (16%).

Joint ventures, of either variety, are more likely to have been pursued by larger businesses (i.e., incorporated with employees; those with annual revenues above \$500,000).

There is also a relationship between the use of joint ventures and government procurement experience: the rate of joint ventures is significantly higher among those who have previously bid on government contracts (70%, vs. 13% who have not had previous exposure to government bids). This provides further evidence that Indigenous companies use joint ventures to help them access government opportunities that might otherwise be too large for them to pursue on their own.

Challenges of joint ventures

According to businesses that have pursued joint ventures (28% of total sample), the top challenges are finding the right partner (judging good fit, 28%; locating potential partners; 5%) and managing the relationship (the time invested, 26%; developing mutual trust, 18%; conflict management, 17%; maintaining good communication, 7%). Fewer mention challenges related to finding the right opportunities (17%) or pricing the project appropriately (8%). There are also mentions of the difficulty building joint ventures when there is a lack of understanding of Indigenous culture (7%).

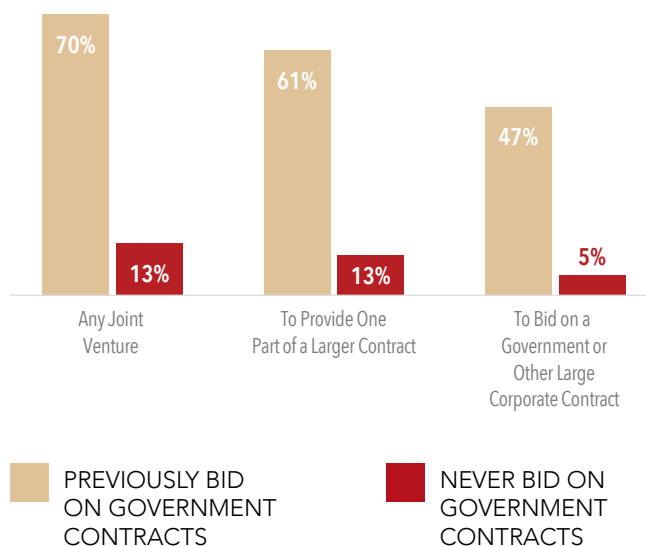
Given that joint ventures appear to help Indigenous companies better access government procurement opportunities, there would be value in governments helping businesses address some of these challenges.

Ever participated in joint venture with another company



Q39. Has your company ever entered into a joint venture with another company, either Indigenous or non-Indigenous...?

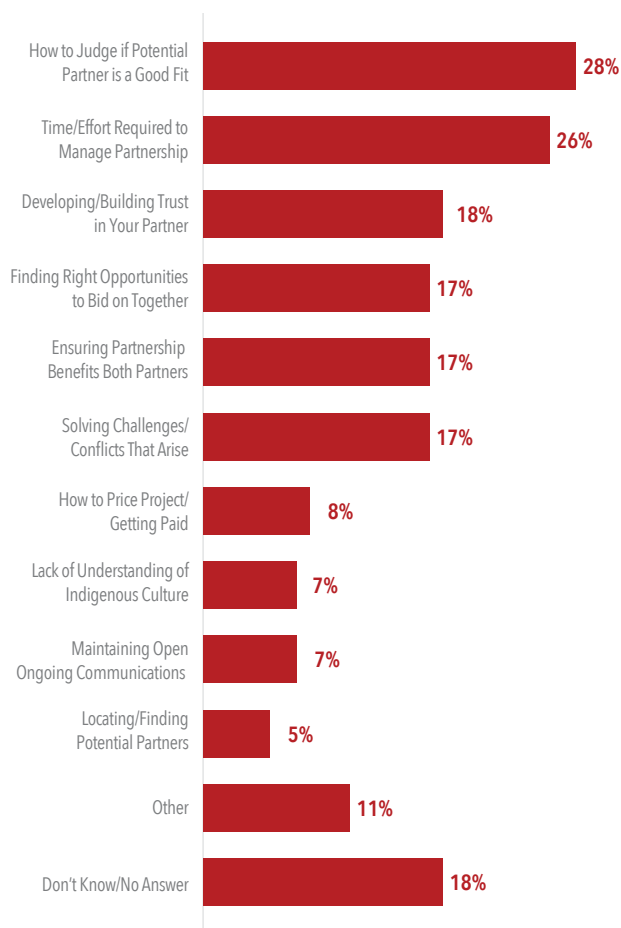
Ever participated in joint venture with another company, by experience with government procurement



Q39. Has your company ever entered into a joint venture with another company, either Indigenous or non-Indigenous...?

Challenges of joint ventures

Subsample: Ever entered into a joint venture
(28% of total sample)



Q40. In your experience, what are the main challenges involved in these types of partnerships with other companies? (n=56)

In your experience, what are the main challenges involved in these types of partnerships with other companies?

Government agendas are a problem. Not honoring the intentions of set asides and not advocating for indigenous owned companies... [Similarly,] mainstream firms looking to partner with Indigenous businesses, but not having inventory or understanding of indigenous companies. Financial institutions are not willing to back indigenous companies, due to the lack of collateral mechanisms.

It's a David and Goliath relationship. There is an unequal balance of power when it comes to bigger organizations, especially [when working with] larger corporations.

[One of the main challenges is] having a voice as an Indigenous business owner [within the partnership] and not just being a token. [We want to] be an active partner and not a fulfillment of the bid or a requirement.

Ontario Aboriginal Procurement Program

Close to four in ten Indigenous businesses have heard of the Ontario' Aboriginal Procurement Program.

Over one third (36%) of Indigenous businesses in Ontario are aware of the Ontario Aboriginal Procurement Program and one percent have been awarded a contract through the Program.

Awareness is higher among businesses in the service industry (39%) and natural resource/construction industries (52%) than those in the secondary industries (16%). Awareness is also higher among businesses most knowledgeable about government contracts (66%).

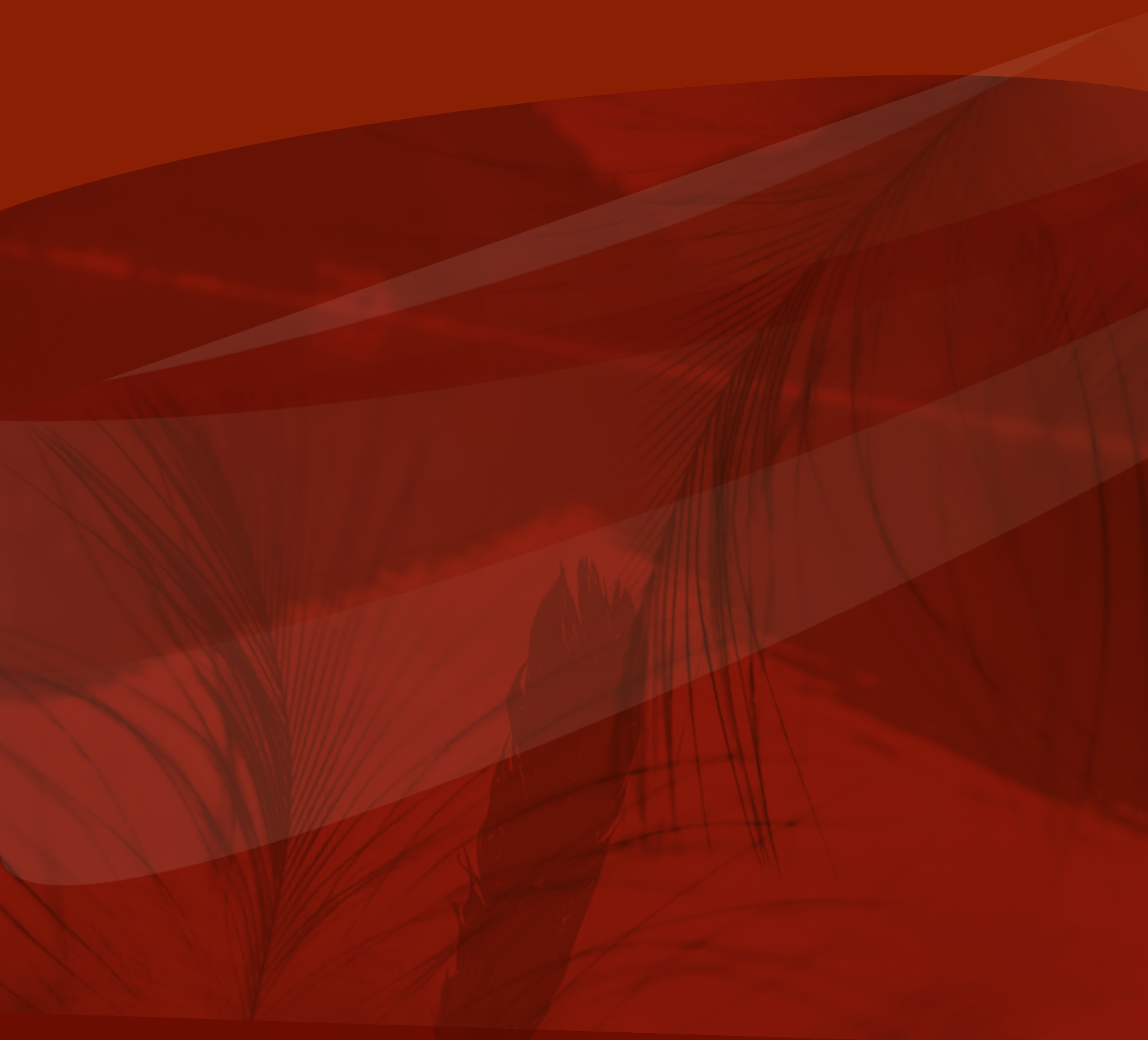
Despite some awareness of the APP, only 1% of Ontario Indigenous businesses surveyed have been awarded a contract through this program.

Awareness of and participation in Ontario's Aboriginal Procurement Program



Q37. Before today, had you heard of Ontario's Aboriginal Procurement Program?

Recommendations



The 2020 ABS report provides substantial insight into the progress that has been made in Ontario's Indigenous economy in recent years. As of January 2020, Indigenous businesses had a positive outlook and were optimistic about the future. As in other years, attracting and retaining skilled employees, access to universal high-speed internet, and reliance on personal financing has remained a challenge. There appears to be sufficient capacity for Indigenous businesses to compete for government contracts, although challenges related to awareness and access are apparent. These findings must be considered alongside the recent impacts of COVID-19 which will likely exacerbate current challenges for Indigenous businesses. From the 2020 ABS findings, CCAB recommends the following:

Build Awareness of government opportunities

Given that Indigenous business capacity appears to be present and growing in Ontario, there are key points to address for governments when working to support Indigenous businesses. In particular, government procurement opportunities - where to find them, how to bid, and how to meet the necessary requirements - remain obstacles for Indigenous businesses. A substantial proportion (61%) of Indigenous businesses have never bid or looked into bidding on government opportunities. Additionally, government support at all levels is most often seen as not relevant to Indigenous businesses (federal 52%, Ontario 64%). The findings in this report indicate that improved communication is needed and could greatly increase the impact of government procurement opportunities and programming.

Improving access, relevance, and connectivity will be crucial to improving Indigenous business participation in government supply chains. Bringing together Indigenous businesses, governments and the private sector in local or regional networks would be a useful first step in making this type of information more widely available. For existing Indigenous procurement initiatives such as the Ontario Aboriginal Procurement Program, consider building a targeted awareness and eligibility campaign to improve awareness and participation. This could include building internal capacity through hiring for marketing and communications, designating resources for training and promotional materials, and conducting market research to understand avenues for communication as well as the needs of Indigenous business in the immediate future.

All levels of government can work to improve outreach to businesses on reserve. One strategy could be to build relationships with Chief and Council, Band Administration, Economic Development Officers, Aboriginal Economic Development Corporations and other community leaders to disseminate and publicize information for Indigenous small businesses. Co-development is crucial. Indigenous leaders and organizations need to be involved in the creation and dissemination of outreach tools, as they can provide contextual guidance and support for Indigenous procurement needs.

Develop Partnerships

Building bridges with other larger, successful ventures (Indigenous or non-Indigenous) is a key growth strategy for Indigenous entrepreneurs. Not only can this provide access to much-needed capital, but it is an opportunity to take advantage of other forms of collateral that can flow from partnerships, such as training and experience, mentoring and advice, equipment, physical location or a skilled workforce. Joint ventures and other partnerships also appear to help Indigenous companies better access government procurement opportunities: 70% of companies that bid on government contracts had participated in joint ventures, compared to only 13% who hadn't bid.

With these benefits in mind, there would be value in governments emphasizing the value of joint ventures; brokering relationships with other businesses (Indigenous or not); and providing resources to help curate and maintain successful partnerships. Creating a better understanding with both Indigenous and non-Indigenous business on the

benefits of joint ventures, such as through presentations, promotional materials, or webinars could help improve uptake. These could also be used as opportunities to provide resources on maintaining these partnerships. Holding events or workshops that focus on government procurement and joint ventures could provide valuable opportunities for Indigenous and non-Indigenous businesses to network. These could be industry-specific or contract-opportunity based events.

CCAB's research and experience has shown that Indigenous business owners value professional – but not impersonal – relationships. Direct and proactive engagement could serve to even the playing field for Indigenous businesses who are unfamiliar with IAO's procurement processes. Past research has shown that Indigenous businesses prefer meeting in person or over the phone, so events (in person or virtual) will likely lead to better outcomes than email campaigns.

Events such as open houses and networking opportunities may be an effective way of soliciting tenders from Indigenous businesses and fostering positive, long-term commercial relationships. In person events can provide IAO procurement staff with opportunities to meet Indigenous businesses directly, discuss potential opportunities, explain the procurement process, and create an environment for dialogue between government, Indigenous businesses, and industry partners. IAO can consider inviting key stakeholders and partners to facilitate partnerships, joint ventures, and sub-contracting opportunities for smaller Indigenous firms.

Simplify Access to Financing, Funding Opportunities

Indigenous businesses continue to rely heavily on personal savings (56%) rather than on loans, equity or debt to start up their business, although this reliance appears to be decreasing over time. There appears to be an uptake in federal loans/grants since 2013 (11%), but the use of Ontario grants/loans has remained the same, if not slightly declined over time from 6% in 2013 to 5% in 2020.

Similar to past research, the data demonstrates that Indigenous business owners face several barriers, including locating financing, government grants/loans and funding opportunities, meeting the lending requirements and knowing how to properly complete difficult and complex application forms. Efforts need to be made by governments to ensure the standards required to access funding are relevant and achievable for Indigenous businesses, and to support business owners with the application process. This could include reviewing and streamlining application processes, providing a customer support line, hosting workshops or webinars to review programming.

Another way of improving access would be to work with Indigenous organizations like Economic Development Corporations and financial institutions (including Aboriginal Financial Institutions (AFIs) and chartered banks). These organizations often have increased insight into the needs and capacity of Indigenous businesses and could help connect their clients or subsidiaries to appropriate opportunities, or assist with applications.

Improving access to financing will be crucial in levelling the playing field for Indigenous businesses. At this point, there is limited data on why businesses choose one form of financing over another (i.e. chartered banks over AFIs). One option for the Government of Ontario to support could include a collaborative approach where there is support for the options considered most important to Indigenous businesses (personal (52%) and business (47%) loans or lines of credit from financial institutions), and brokering connections between Indigenous businesses and AFI's or other less common sources. Further research into financing Indigenous businesses will be an important next step in this process – understanding what opportunities exist, which work best, and why others are being underutilized.

Build IT infrastructure and capacity for e-commerce

Infrastructure, particularly for IT and communications, appears to be an important factor in the results of this survey. 9% of Indigenous businesses do not have internet, and among businesses that do have internet, 19% say it is not adequate for their business needs. Furthermore, a higher proportion of Indigenous women (25%) report inadequate internet, compared to men (7%). Given the fact that many Indigenous businesses are located on-reserve or in remote areas may indicate an increased need for connectivity to maintain and grow their business. These needs will only increase from the impacts of COVID-19, where working remotely and using online services are becoming necessities to maintaining daily business operations. Indigenous businesses will likely suffer more if they are unable to make the shift to these new best-practices due to lack of infrastructure or e-commerce skills.

All levels of government can work to improve internet access to more remote communities or reserves. Finding ways to create connections between communications companies and Indigenous communities, or to provide financial support IT infrastructure projects in those regions would go a long way to improving Indigenous business prospects in the short- and long-term.

Additionally, finding other ways to assist Indigenous businesses in adjusting to working online will be an important factor. Providing educational opportunities such as webinars or workshops on e-commerce or web design could go a long way in keeping Indigenous businesses afloat during the worst of the COVID-19 pandemic and are important skills to build in the long term.

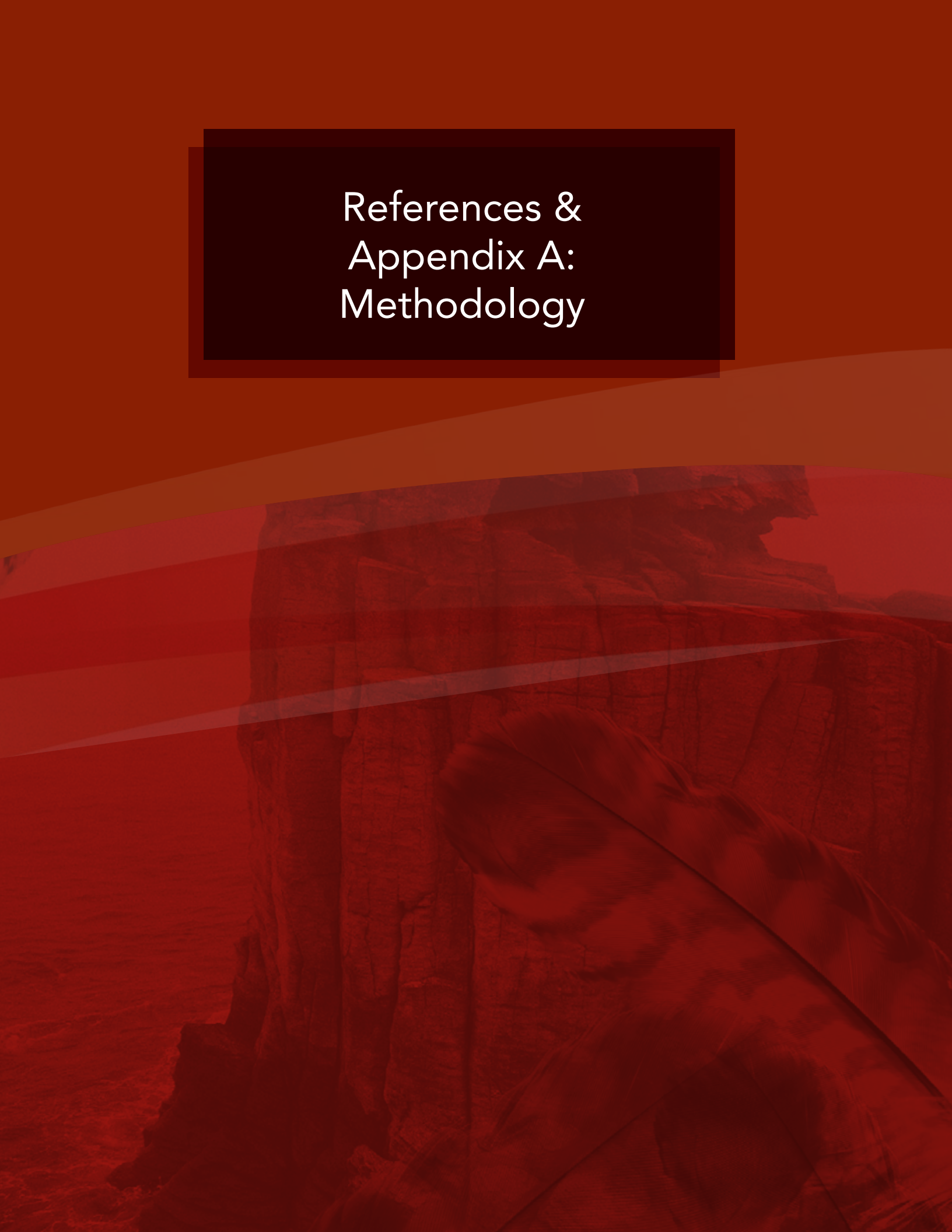
When approaching programming and funding, consider the unique challenges of women-owned and band-owned businesses

Further government strategies should take into account the heightened challenges faced by certain demographics within the Indigenous business sector. Namely, women-owned and band-owned businesses. The 2020 ABS data demonstrates clear differences in the obstacles and impact that these types of organizations face.

This study indicates that women-owned businesses are less likely to turn a profit than men-owned businesses (55% of women, compared to 63% of men). They also rate access to financing (33%), access to equity and capital (37%), internet and IT infrastructure (38%), other infrastructure (30%), and geographic location (35%) as barriers more than men, showing that there are significant challenges in terms of infrastructure and financing.

Band-owned businesses are also less likely than private businesses to indicate a net profit in the past year (17%, compared to 67%), and much more likely to break even (55%, compared to 20%). Their top obstacles are reported at much higher rates than privately owned businesses - at least 50% of band-owned businesses rate government policy, access to financing, and attracting employees as obstacles to growth. This may be due to a much higher proportion of band-owned businesses being located on-reserve (74%) compared to private businesses (35%).

Due to these findings, CCAB recommends that governments consider strategic approaches to reduce inequalities between men- and women- owned businesses, as well as band-owned and private businesses. This could come in the form of further research to understand the intricacies of these difficulties, or targeted programs that assist different types of businesses in the most impactful ways.



References & Appendix A: Methodology

References

Gulati, Sonya, and Derek Burleton. 2011. *Estimating the Size of the Aboriginal Market in Canada*. Special Report, Toronto: TD Economics. Accessed March 2020. [cab.com/wp-content/](https://www.ccab.com/wp-content/).

National Aboriginal Capital Corporations Association (NACCA). 2017. *Pre-budget Consultation: Submission to the House of Commons Standing Committee on Finance*. Accessed 2020. <https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR9073612/br-externalNationalAboriginalCapitalCorporationsAssociation-e.pdf>

Promise and Prosperity: *The 2016 Aboriginal Business Survey*. Toronto: Canadian Council for Aboriginal Business, 2016. <https://www.ccab.com/wp-content/uploads/2016/10/CCAB-PP-Report-V2-SQ-Pages.pdf>.

Promise and Prosperity: *Ontario Aboriginal Business Survey Research Report Spring 2014*. Toronto: Canadian Council for Aboriginal Business, 2014. https://www.ccab.com/wp-content/uploads/2016/08/CCAB-PromiseAndProsperity2014-web_March_31st.pdf.

Promise and Prosperity: *The Aboriginal Business Survey*. Toronto: Canadian Council for Aboriginal Business, 2010. <https://www.ccab.com/wp-content/uploads/2016/08/Promise-and-Prosperity-The-Aboriginal-Business-Survey.pdf>.

Statistics Canada. 2018. *First Nations People, Metis and Inuit in Canada: Divers and Growing Populations*. Ottawa: Minister of Industry. Accessed 2020. www150.statcan.gc.ca/n1/pub/89-659-x/89-659-x2018001-eng.htm.

Statistics Canada. (2016). *Census of Population*. 2016: Ottawa - Gatineau: Aboriginal Peoples Highlight Table. Accessed 2020. <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hltfst/abo-aut/Table.cfm?Lang=Eng&S=99&O=A&RPP=25>

Appendix A: Methodology

These results are based on a telephone survey with 200 First Nations, Inuit and Métis business owners in Ontario, conducted from January 20 to February 14, 2020. The margin of error for a sample of 200 is +/- 6.9 percentage points, 19 times in 20. The margin of error is greater for results pertaining to subgroups of the total sample (e.g., business size or type).

Sample design

The primary methodological challenge in conducting this survey was defining and locating a representative sample of Indigenous business owners in Ontario. No single list exists with a record of all Indigenous businesses in Ontario. The source of the sample was CCAB's list of Indigenous businesses. The list was initially developed in 2010 by identifying and mining existing databases and/or lists for contact information for Indigenous businesses and by networking with a range of organizations to locate willing, qualified respondents; the list has been regularly updated since that time.

Within this sample frame, businesses were screened to ensure they are Indigenous-owned (i.e., 51% or more Indigenous ownership or control).



To ensure the final sample is as representative of possible of the Indigenous business population, 2011 National Household Survey (NHS) data were to construct an ideal profile of this population based on Indigenous identity, business type and size. Quotas were established for these characteristics and interviewing was conducted with random selection from CCAB's sample list, with the goal of "populating" all these cells until quotas were full. Ultimately, however, the final sample under-represents the smallest Indigenous businesses (i.e., unincorporated with no employees). Weighting was applied to bring the sample closer in line with NHS data but was limited (maximum weight of 3.6) to avoid data distortion.

It should also be noted that, in contrast to previous surveys, band-owned businesses were eligible to participate in the current study (and comprise 14 percent of the total sample).

Questionnaire design

The questionnaire for this research was based on previous CCAB studies, with some questions repeated and others added to properly address the current research objectives. The questionnaire was designed to include both structured questions, to obtain quantifiable information, and open-ended questions, to capture greater depth and unprompted response to certain types of questions. Input on the questionnaire design was solicited from the Ontario government, although CCAB and Environics made the final decisions about content.

Prior to the launch of the survey, the questionnaire was pilot tested with "live" respondents. The pilot test consisted of interviews with a small sample of participants, conducted in the same manner as for the full survey. No changes to the questionnaire were required based on feedback from the pilot test.

Data collection

Interviews were conducted by telephone from central facilities in Ottawa using Computer-Assisted Telephone Interviewing (CATI) technology. Field supervisors were present at all times to ensure accurate interviewing and recording of responses. A minimum of 10 percent of each interviewer's work was unobtrusively monitored for quality control.

All interviews were conducted in the respondent's official language of choice. The average length of the interview was 17.5 minutes. A minimum of five calls were made to each business selected into the sample before classifying it as a "no answer."

The survey was conducted in accordance with the professional standards established by the Canadian Research Insights Council, as well as applicable federal legislation (Personal Information Protection and Electronic Documents Act, or PIPEDA). The survey was registered under the CRIC's Research Registration System, which permits the public to verify a survey call, inform themselves about the industry and/or register a complaint.

Completion results

The effective response rate for the survey is 17 percent. The response rate is calculated as the number of responding participants (completed interviews, disqualifications and over-quota participants – 939), divided by unresolved numbers (busy, no answer – 1,424) plus non-responding households or individuals (refusals, language barrier, missed call backs – 1,234) plus responding participants (457) $[R/(U+IS+R)]$. The disposition of all dialled sample is presented in the following table.

	N
Total Sample Dialed	3647
Unresolved Numbers (U)	939
Busy	12
No Answer	167
Answering Machine/Voicemail	760
Resolved Numbers (Total Minus Unresolved)	2708
Out Of Scope (Invalid/Non-Eligible)	1017
Non-Business	188
Not-In-Service	774
Fax/Modem	55
In Scope Non-Responding (Is)	1234
Refusals – Other Than Respondent (E.g., Gatekeeper)	391
Refusals – Respondent	319
Language Barrier	4
Callback Missed/Respondent Not Available	243
Break-Offs (Interview Not Completed)	277
In Scope Responding (R)	457
Disqualified	156
Quota Filled	101
Completed	200
RESPONSE RATE $[R / (U + IS + R)]$	17%

Respondent profile

The table below presents a profile of the final weighted sample of Indigenous business owners, by both personal and business characteristics.

	%		%
IDENTITY		TYPE OF BUSINESS	
Métis	58	Sole proprietorship	50
First Nations	42	Corporation	11
Inuit	0	Partnership	31
		Other	7
GENDER		SIZE OF BUSINESS	
Male	57	No employees	65
Female	43	Employees	35
AGE		SECTOR	
Under 45	12	Service	63
45-54	20	Secondary	23
55 or over	62	Construction	6
Refused/no answer	6	Primary	7
ANNUAL SALES REVENUES		YEAR ESTABLISHED	
Less than \$25,000	16	Over 15 years (prior to 2005)	60
\$25,000 – less than \$100,000	20	6-15 years (2005 - 2014)	26
\$100,000 – less than \$500,000	14	Past 5 years (2015 - 2020)	13
\$500,000 or more	17		
Refused/no answer	33		

Canadian Council for
ABORIGINAL
BUSINESS



2 Berkeley St #202, Toronto, ON M5A 4J5



Tel: 416-961-8663

Fax: 416-961-3995

Email: info@ccab.com



www.ccab.com