

# ABORIGINAL PEOPLE, ECONOMIC DEVELOPMENT AND ENTREPRENEURSHIP

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## ABSTRACT

*This paper explores economic development and entrepreneurship in an Aboriginal context. The paper begins with an overview of the socioeconomic circumstances of the Aboriginal people in Canada. It then goes on to consider the approach that Aboriginal people have developed to address these circumstances and the outcomes they have achieved. Throughout, the emphasis is on the role of entrepreneurship and land claims/treaty rights in the development process.*

This paper explores economic development in an Aboriginal context with a focus on the role of entrepreneurship in the process. The material is presented in five sections. The first provides a brief overview of the socioeconomic circumstances of the Aboriginal people in Canada. This is followed by a discussion of entrepreneurship and its role in the economy and in economic development. In the third section, the focus shifts to the Aboriginal response to their current socioeconomic circumstances and the role of entrepreneurship and capacity building through land claims/treaty rights in that response. The fourth section is a discussion of the outcomes achieved by Aboriginal people as a result of their economic development activities. In the

concluding section, this paper raises issues to be considered by Canadians—Aboriginal and non-Aboriginal—as we enter the 21st Century.

## The Need

The Aboriginal People of Canada are understandably unhappy with their current socioeconomic circumstances and are striving to improve them. In the words of George Erasmus, past National Chief of the Assembly of First Nations and Co-chair of the Royal Commission on Aboriginal Peoples:

Our people have been relegated to the lowest rung on the ladder of Canadian society; suffer the worst conditions of life,

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the lowest incomes, the poorest education, and health; and can envision only the most depressing futures for our children (Erasmus, 1989: 1).

Data from 1991 Canadian census provides graphic support for this statement. For example, 42% of Aboriginal people living on reserve received social welfare, as opposed to 8% of the Canadian population as a whole. Housing conditions tell a similar tale with 65% of on-reserve and 49% of off-reserve Aboriginal people living in substandard housing. Not surprisingly, poverty and poor living conditions have had an impact on the health of Aboriginal people. The incidence of tuberculosis is 17 times higher among Aboriginal people than non-Aboriginal people and the incidence of diabetes is 3 times higher, and rising rapidly. Beyond physical health, Aboriginal people suffer other consequences of poverty including a suicide rate 2.5 times, a murder rate 6 times and an incarceration rate 5 times, the respective rates for non-Aboriginal people.

Relative levels of employment and unemployment are particularly relevant to the subject of this paper—economic development. Here, too, Aboriginal levels compare very unfavourably to non-Aboriginal levels. In 1991 unemployment among Aboriginal people stood at 24.6%, almost two and one-half times the national rate of 10.2%. The rate among Aboriginal people living on reserve was even higher, often well above 50% and approaching 90% in more isolated communities. For example, according to the Federation of Saskatchewan Indian Nations, “only one of every three First Nations citizens in Saskatchewan is employed and over 60% of the province’s First Nations people are classified as living in poverty—roughly four times the average found in non-Aboriginal communities” (Peters, 1996: 8).

As bad as these current employment levels are, the prospects for the future are worse. According to the Royal Commission on Aboriginal People (RCAP), the Aboriginal population will rise by 52% (compared to 22% for non-Aboriginal Canadians) between 1991 and 2016. During the same period the working age Aboriginal population will increase by 72%, compared to a 23% non-Aboriginal increase. Unemployment will increase, as will the related economic and human costs, unless something is done.

The Royal Commission realized that something must be done. The RCAP report does

more than just report on the current circumstance of Aboriginal people. It looks to the future. In fact, it looks to two futures. One future is a continuation of the status quo—a future where Aboriginal socioeconomic circumstances remain at their current abysmally low level in comparison to those of the broader Canadian population. The other future is one where Aboriginal socioeconomic circumstances improve and approach the Canadian average.

Under the status quo scenario, the Commission estimated that the total cost to governments’ in Canada (direct expenditures on Aboriginal people over and above those on non-Aboriginal Canadians and lost tax revenue) to be \$4.6 billion in 1996. In addition, there was an estimated cost of \$2.9 billion borne by Aboriginal people as a result of the difference between their earned income supplemented by higher government support and the income level of non-Aboriginal Canadians. Taken together, the total cost of imposed on all Canadians by the current dismal socioeconomic circumstance of Aboriginal people was estimated to be \$7.5 billion in 1996. The annual cost to all Canadians of the status quo is projected to increase to \$11 billion by 2016.

The Commission then considered what might be done to improve on the status quo. It concluded that

More than 300,000 jobs will need to be created for Aboriginal people in the period 1991–2016 to accommodate the growth in the Aboriginal working-age population and to bring employment levels among Aboriginal people up to the Canadian standard (RCAP, 1997: 275).

To create these jobs, the commission proposed a strategy of economic development grounded on capacity generated through the settlement of land claims and the realization of other Aboriginal and treaty rights. Under the RCAP plan, during the first decade of the 21st Century government expenditures on Aboriginal issues would increase by between \$1.5 and \$2 billion per year over 1996 levels. Most of this increased cost is related to land claim settlements and other capacity-building activities. By the year 2016, the economic development fostered by this investment in capacity is expected to result in Aboriginal people making a \$375 million dollar contribution to the Canadian economy, as opposed to imposing an \$11 billion cost.

While one might quibble with the numbers, the message is clear. Without economic development the current dismal circumstances of Aboriginal people will continue and the cost to the economy increase tremendously. Aboriginal economic development is essential, and not just for Aboriginal people but for all Canadians. The question is—How will the needed development be accomplished? The next two sections address this question. The first deals with the roll of entrepreneurship in economic development and the second the Aboriginal approach to economic development.

### Entrepreneurship and the Economy<sup>1</sup>

A number of authors<sup>2</sup> address the issue of the relationship between entrepreneurship and the economy. Some authors take a relatively narrow or micro approach when discussing entrepreneurship while others adopt a much broader macro perspective. As with any set of micro and macro perspectives, one is not inherently superior to the other. Instead, the two simply reflect complementary views of the same process at different scales.

Those adopting a micro approach usually describe entrepreneurship as a process leading to the creation of a new venture. In doing so they usually focus on the person(s) creating the venture—the entrepreneur(s). An example can be found in Good's work *Building a Dream*, where he says

As agents of change **entrepreneurs** play, or can play, a number of roles in the economy. **They** can, for example:

- Create new product and/or service businesses
- Encourage better and/or lower-cost production operations
- Provide employment opportunities and create jobs
- Help contribute to regional and national economic growth
- Encourage greater industrial efficiency/productivity to enhance our international competitiveness (Good, 1997: 3; Emphasis added.)

While micro definitions are useful when considering business development on a case by

case basis, macro definitions offer greater insight into likely role of entrepreneurship in socioeconomic development in general, and for Aboriginal communities in particular. To obtain a sense of the macro perspective we will look at the work of three authors—Michael Morris, Ken Blawatt and Peter Drucker.

Ken Blawatt (1998: xii) takes a broad view of the nature of entrepreneurship and the relationship between it and the economy. He says:

Entrepreneurship is a series of skills, but more so an anthology of developed principles ... Entrepreneurship itself is the genesis of business activity. More importantly it forms the basis of an economy and by some standards, is the economy of a nation (Blawatt, 1998: xii).

Let's look at the two parts of Blawatt's observation in more detail. First, he says entrepreneurship is a package of skills and principles (not a set of personality traits and behaviors). Presumably these principles can be identified and the skills learned and practiced. Then he stresses that entrepreneurship is not peripheral to the economy; instead, it is the basis of the economy. Blawatt elaborates upon this second point saying that:

- Entrepreneurs drive the economy, creating new concepts, innovations, new ventures, employment and national wealth.
- Entrepreneurs bring a balance to a nation's economic system, offsetting concentrations of power, increasing competitiveness.
- Entrepreneurship serves the community first and society by providing an improved standard of living, social responsiveness, sustainable industry. It adds to the social and psychological well being of the community by providing an outlet for creative action.
- Entrepreneurship ... offers third world countries the opportunity to become first world countries (Blawatt, 1998: 21)

Blawatt's last point is particularly pertinent to the topic of this paper. If entrepreneurship is the vehicle by which third world countries can develop into first world countries, should this not

<sup>1</sup> For an in-depth discussion of entrepreneurship and the economy see Anderson 2000.

<sup>2</sup> See for example Balderson 1998, Blawatt 1998, Drucker 1985, Foster 1986, Fry 1993, Kao 1989, Knowles and White 1995, Longnecker et al., 1998 Morris 1998, and Timmons 1994, 93.

be equally true for Aboriginal people as they strive to improve their socioeconomic circumstances? As the next section will show, the Aboriginal answer to this question is Yes!

Michael Morris in his book *Entrepreneurial Intensity: Sustainable Advantages for Individuals, Organizations and Societies*, expresses views about the nature of entrepreneurship and its role in the economy that are similar to Blawatt's. For example, when discussing its nature he says, "entrepreneurship is a universal construct that is applicable to any person, organization (private or public, large or small), or nation." While with respect to entrepreneurship's role in the economy he says "an entrepreneurial orientation is critical for the survival and growth of companies as well as the economic prosperity of nations" (Morris, 1998: 2). Morris's views supports the conclusion that entrepreneurship is a process that is as applicable in an Aboriginal context as it is in any other.

Peter Drucker also sees entrepreneurship as a process applicable in a wide range of circumstances and accessible to all. According to Drucker the economy of the late 20th Century is an entrepreneurial one. He argues that this entrepreneurial economy has emerged as an outcome of the application of the most important technology developed in the 20th Century—the principles and tools of management to:

- new enterprises, whether business or not, whereas most people until now have considered management applicable to existing enterprises only;
- small business, whereas most people were absolutely sure only a few years ago that management was for the "big boys" only;
- nonbusinesses (health care, education and so on), whereas most people still hear "business" when they encounter the word "management";
- activities that were simply not to be considered "enterprises" at all;

and above all to,

- systematic innovation, the search for and the exploitation of new opportunities for satisfying human wants and human needs (Drucker, 1985).

Can Drucker's list be extended to cover "the application of the principles of management to the creation of enterprises and institutions that

foster the development aspirations of Aboriginal people"? There seems to be no reason why it couldn't.

Based on Drucker, Morris and Blawatt, one can reach three conclusions. **First**, entrepreneurship is the process that results in the creation of enterprises, organizations and institutions that satisfy society's needs and wants. These bodies may be for-profit, not-for-profit or governmental **Second**, the process of entrepreneurship involves

1. the recognition of opportunities in the unmet or undersatisfied needs of people, and
2. the application of management technology (a set of principles and tools) to the conversion of such opportunities into viable enterprises, products, services, programs and institutions.

**Third**, entrepreneurship is a process that is universally applicable and accessible to all, rather than a set of characteristics inherent to a greater or lesser extent in particular individuals or societies.

The third conclusion is particularly important in an Aboriginal context. As you will see in the next section, one of the purposes of Aboriginal economic development is to preserve and strengthen traditional culture, values and languages, and to reflect the same in development activities. The notion that entrepreneurship is a process drawing on a defined and learnable set of skills and techniques as opposed to an outcome achieved by individuals with a specific set of traits is important and encouraging. This means that practicing entrepreneurship does not require that Aboriginal people develop an individualistic approach to business based on personality traits, attributes and practices that may conflict with their culture and values. Rather, the techniques and tools of entrepreneurship can be used just as effectively in a traditional society—one that emphasizes group rather than individual ownership, sharing rather than individual rewards, and sustainable development—as they can in an individualistic society.

These three conclusions being so, it seems clear that entrepreneurship should be embraced by Aboriginal people as a tool they can use to pursue their development objectives. Support for this conclusion can be found in the economic development experience of the Japanese following the World War II. In the chapter entitled "Identifying Opportunities: Knowing Where to Strike" from *The New Competition* (Kotler et al,

1985: 61–85), the authors described Japan's situation following the Second World War as follows:

It's politics and economics were ruled by a foreign power. It's constitution, educational system, and other administrative structures and processes were fostered—some might say imposed—by the Occupation forces.

Continuing well into the 1950's, the Japanese economy faced many constraints: Capital was in short supply, the technologies required to revitalize many industry segments were to be found only overseas, costs were too high in many industry segments, and balance of payments problems abound because the country imports more than it sells abroad.

How was it to pull itself out of its economic doldrums? What industries might or should lead the way? What respective role should government agencies and the private sector play in making these choices? In search of these answers, **opportunity identification and management** emerged as one of the most important factors (Kotler et al., 1985: 61).

There are remarkable similarities between the circumstances the Japanese faced then and those Aboriginal People face now. It follows that opportunity identification and management (the essential components of the process of entrepreneurship) will be as critical to Aboriginal economic development as they were to Japanese development. The question is—Under what circumstances and conditions will Aboriginal entrepreneurship take place, and what will the process look like? This question is addressed in the next section.

### **The Aboriginal Approach to Economic Development: Characteristics**

Based on work done earlier (Anderson, 1999), the approach to economic development being adopted by the Aboriginal people in Canada has eight key characteristics (Figure 1). First and overall, individual First Nations and Inuit and Metis communities exhibit a predominately collective approach to economic development that is

closely tied to each group's traditional lands, its identity as a Nation and its desire to be self-governing.

This collective approach is intended to serve three **purposes**: the attainment of economic self-sufficiency, the improvement of socioeconomic circumstances, and the preservation and strengthening of traditional culture, values and languages. Expanding on the later point, the following were identified as key traditional values by the people of the First Nations of the Meadow Lake Tribal Council<sup>3</sup>

1. communal rather individual ownership,
2. sharing and group recognition rather than individual rewards,
3. respect for elders and 'mother earth',<sup>4</sup>
4. a concern about future generations, and
5. consensus decision-making.

While generalizations are risky, it is fair to say that most Aboriginal groups hold similar views.

Aboriginal Peoples in Canada believe that they can achieve their three development purposes through participation in the global economy and have adopted **processes** that reflect this belief. They are creating businesses to compete in the global economy in order to generate the wealth necessary to support self-government and improve socioeconomic conditions. At the same time, through business ownership Aboriginal people expect to exercise greater control over activities in their traditional territories. When creating these businesses Aboriginal people are more than willing to enter into mutually beneficial partnerships and alliances with other Aboriginal groups and non-Aboriginal companies.<sup>5</sup>

Aboriginal people recognize that the success of their approach depends on the long-term profitability of the businesses that they create. Further, they understand that the process of entrepreneurship is the key to the creation of successful businesses. Over and over and over again, they must identify viable business opportunities. Then, through the applications of the tools of management they must convert these opportunities in viable, sustainable enterprises. Further, Aboriginal people realize that key

<sup>3</sup> See Anderson and Bone 1998, Anderson 1999

<sup>4</sup> See Loomis 2000 for a discussion the holistic nature of the approach to development exhibit by Indigenous people elsewhere in the world, particularly the Maori in New Zealand.

<sup>5</sup> See Anderson 1997 for an in-depth discussion of business development partnerships between Aboriginal groups and non-Aboriginal corporations.

**FIGURE 1**

The Eight Characteristics of the Aboriginal Approach to Economic Development

The Aboriginal Peoples **approach** to economic development is

1. predominately collective and closely tied to each group's traditional lands, its identity as a Nation and its desire to be self-governing.

The approach is intended to achieve the following **purposes**

2. Attaining economic self-sufficiency as a necessary condition for the realization of self-government.
3. Improving the socioeconomic circumstances of Aboriginal people.
4. Preserving and strengthening traditional culture, values and languages and the reflection of the same in development activities

The approach involve the following **processes**:

5. Creating and operating businesses to exercise the control over the economic development process.
6. Creating and operating businesses that can compete profitably over the long run in the global economy, to build the economy necessary to support self-government and improve socioeconomic conditions.
7. Forming alliances and joint ventures among themselves and with non-Indigenous partners to create businesses that can compete profitably in the global economy.
8. Building capacity for economic development through: (i) education, training and institution building and (ii) the realization of the treaty and Indigenous rights to land and resources.

to entrepreneurial success is capacity—human, financial and physical. People must know how to do entrepreneurship, and they must have the resources necessary to do it successfully.

The resolution of land claims and the realization of treaty rights are particularly important capacity building aspect of the Aboriginal approach to economic development. Land claims and modern treaties address the twin issues of

Aboriginal control over activities on their traditional lands and capacity building for economic development. According to J. Rick Ponting land claim agreements are intended to

carry Indians forward with both a viable traditional sector for those who chose that way of life, and provide an adequate share of political-economic power ... to be used to protect Indian interests and to create enduring economic opportunity of the non-traditional type (Ponting, 1986: 194).

This adequate share of political-economic power is to be achieved through:

1. cash compensation,
2. outright ownership and control over an expanded land base,
3. a right to participate in the management of activities on a far larger 'shared' land base, and
4. the establishment of a variety of governmental and administrative bodies to provide for the exercise of self-government and the pursuit of socioeconomic development.

The Royal Commission on Aboriginal People estimates the average annual cost for settling claims will exceed \$1 billion per year over the period 1996 to 2016.

In the next section attention shifts to implementation and addresses two questions. First, are Aboriginal people implementing the approach to development as just described? Second, if it is being implemented, is the approach working?

### **The Aboriginal Approach to Economic Development: Implementation and Outcomes**

This section focuses on the implementation of the Aboriginal approach to development. To do so, it looks the economic development activities of three groups of Aboriginal people: (i) the Inuit of Northern Quebec, (ii) the Inuvialuit of the mouth of the Mackenzie River in the Northwest Territories, and (iii) the First Nations in Saskatchewan. The activities of all three groups illustrate the Aboriginal approach to development in action. In addition, the activities of Inuit and Inuvialuit provide insight into the important capacity building impact of land claims settlements. Also considered in this section is a report called *The Road Less Traveled: Aboriginal Entrepreneurs Building Economic Independence in the*

1990s (NITA & GSI, 1998: 78). This report reaffirms the effectiveness of the Aboriginal approach to development and confirms the critical importance that innovation and managerial skills in that effectiveness.

First, the Inuit of Northern Quebec. The Inuit created the Makivik Corporation on June 23rd, 1978 to administer the implementation of the James Bay and Northern Quebec Agreement (JBNQA)<sup>6</sup> and to invest the \$90 million in compensation, to be received between 1975–1996 under the terms of the agreement. The mandate of the corporation was then, and still is, to foster socioeconomic development among the 14 Inuit communities that are signatories to the JBNQA.

From its creation to March 1998, the corporation's accomplishments have been considerable. Specifically, over the 20-year period the Makivik Corporation increased the value of Inuit compensation funds to \$145 million from the original \$90 million. Over the same time, the corporation invested more than \$40 million in the construction of much needed municipal facilities such as arenas and community centres to improve social conditions in Nunavik. Furthermore, the corporation have made over \$6 million in donations to various Nunavik organizations (Makivik, 1998b: 1).

During the same 20-year period, the Makivik Corporation was active in business development creating several large subsidiary companies that now employ 1,100 people. These companies include:

**Air Inuit:** Nunavik's regional airline. It employs 200 people in its various operations. Its revenues reached \$27 million in 1993.

**First Air:** A major air carrier in Canada's eastern Arctic. It links the north to the south, and the Canadian Arctic to Greenland.

**Seaku Fisheries:** Exploits shrimp stocks, groundfish, and develops inshore projects with Inuit entrepreneurs. Makivik is also a 50% partner of Unaaq Fisheries with Qikiqtaaluk Corporation.

**Nunavik Arctic Foods:** Harvests wild meat in Nunavik, processes it in four community processing centers, and markets the meat

(caribou, seal, ptarmigan, Arctic char) in Nunavik and southern markets.

Pan Arctic Inuit Logistics Inc.) PAIL is a joint venture company between Makivik, the Labrador Inuit Development Corporation, Nunasi Corporation, the Inuvialuit Development Corporation, and Frontec Logistic Corporation. It operates and maintains radar sites that are part of the North Warning System (Makivik, 1998a: 1).

These are the kinds of development outcomes that the authors of the RCAP report and other proponent of land claims settlements have anticipated.

In achieving these successes, the Inuit in Northern Quebec provide an excellent example of the Aboriginal approach to economic development described in the previous section. Their focus has been on the community, present and future. Their objective has been socioeconomic development in a manner consistent with and supportive of traditional values and practices. For example, Seaku Fisheries and Nunavik Arctic Foods are designed to blend aspects of tradition life on the land and the modern dollar-based economy to improve the socioeconomic circumstance of those wishing the follow a primarily traditional life-style. The development process has involved the creation of businesses to compete in the broader nation and global economy (e.g., First Air and Nunavik Arctic Foods), and often involve joint ventures with other Aboriginal and non-Aboriginal parties (e.g., Unaaq Fisheries and Pan Arctic Inuit Logistics).

Now to consider the Inuvialuit of the Northwest Territories. Under the term of the Inuvialuit Final Agreement<sup>7</sup> (IFA) signed in May 1994, the Inuvialuit received financial compensation consisted of \$45 million, plus a \$7.5 million social development fund and a \$10 economic enhancement fund, for a total of \$62.5 million. This money was received between 1984 and 1997. The Inuvialuit also achieved control over a considerable area of their traditional lands—13,000 km<sup>2</sup> with full surface and subsurface rights and 78,000 km<sup>2</sup> excluding oil and gas rights.

In 1984, the Inuvialuit Regional Corporation (IRC) was formed to receive the lands and financial compensation obtained by the Inuvialuit

<sup>6</sup> For a more detail discussion of the JBNQA and the forces that led the agreement see Anderson 1999.

<sup>7</sup> See Anderson 1999 for more details.

under the terms of the IFA. The IRC is controlled by the Aboriginal people of the six communities that are party to the IFA. Each community

has a community corporation with elected directors. The chair of each community corporation forms the IRC Board of Directors. The Chair/CEO of IRC is elected by the directors of the six community corporations (ICG, 1997: 4).

The corporation was given "the overall responsibility of managing the affairs of the settlement to achieve the objectives in the IFA" (ICG, 1997: 4). According to the introduction to the 1997 Annual Report of the Inuvialuit Corporate Group these objectives are to:

Preserve Inuvialuit cultural identity and values within a changing northern society.

Enable Inuvialuit to be equal and meaningful participants in the northern and national economy and society.

Protect and preserve the Arctic wildlife, environment and biological productivity (ICG, 1997: 4).

In both their objectives (to preserve and enhance culture and traditional practices while participating fully in the local, regional and national economy) and their approach (collective with the people participating through their communities and the assets held by the communities in common), the Inuvialuit provide another example the Aboriginal approach to development described earlier.

The question is, is the Inuvialuit approach working?

The results reported in the 1997 annual report of the Inuvialuit Corporate Group (ICG) answer this question with a resounding yes! The ICG ended 1997 with total assets of \$305.4 million as compared to \$286 million at the end of 1996. Over the same period, its liabilities declined from \$118 million to \$93.4 million and beneficiaries equity rose from \$168 million to \$212 million. The three economic subsidiaries of the ICG — the Inuvialuit Development Corporation, the Inuvialuit Petroleum Corporation and the Inuvialuit Investment Corporation — earned a combined after tax profit of \$12.6 million in 1997, up from \$11.3 million in 1996. The 1997 profit was earned on revenues of \$146.3 million. Revenues in 1996 were \$130.3 million.

In earning its 1997 profits, the ICG paid out a total of \$6.2 million in wages and salaries. In addition to these salaries, the Group paid honorariums of \$525,692, provided student financial support of \$341,500, made payments to elders and youth of \$494,500, distributed \$819,500 in dividends to beneficiaries, paid \$390,000 to Community Corporations and made other payments of \$145,665. In total, in 1997 almost \$8,875,000 was provided from the operations of the Inuvialuit Corporate Group to Inuvialuit individuals, groups and communities (ICG, 1997: 25). This is a significant increase over the already impressive \$6,150,000 paid out in 1996. All of this is an excellent and on-going return on the \$62.5 million the Inuvialuit received over the preceding decade under the terms of the IFA. Further evidence that investing economic development capacity through landclaims settlements works, and works well.

Finally, the First Nations in Saskatchewan. Research conducted in 1996 (Anderson, 1995) into the economic development activities of the 70 First Nations in Saskatchewan indicates that they are implementing the approach to development described in Figure 1. First, the findings indicated that 18% of the First Nations' business arrangements targeted national/international markets and 58% regional markets, while only 24% targeted local markets. Further, the results showed that 85% of the national/international businesses were joint ventures, as were 58% of all regional businesses. Finally, 'collectively-owned' businesses accounted for 91% of national/international and 76% of regional business arrangements. Clearly, the First Nations of Saskatchewan have implemented a collective approach to business development that is outwardly focussed and in which joint ventures play a prominent role.

The results also indicated a relationship between the form of ownership and geographic focus of a business and the size of the business. Among businesses with revenues of less than \$100,000, 86% were owned by First Nation individuals, 10% by First Nations and 4% were joint ventures. For those with revenues between \$100,000 and \$400,000, the distribution was 42%, 32% and 26% for individual-owned, First Nation-owned and joint venture businesses, respectively. A marked shift in the ownership distribution pattern became evident with the next category. Sixty-seven percent of the businesses in the category \$400,001 to \$750,000 were owned by First



Nations and 33% were joint ventures. None were owned by individuals. The pattern is similar for the category \$751,000 to \$2,000,000 with 56% being First Nation-owned and 33% joint ventures. One business in this category was owned by an individual. Finally, joint ventures accounted for 75% of the businesses with revenue over \$2,000,000. First Nations owned the remaining 25%. None were owned by individuals. From these results, it is apparent that the type of businesses favoured by the First Nations' approach to development (collectively-owned owned focusing on regional, national and international markets) are the largest in terms of revenue.

*The Road Less Traveled: Aboriginal Entrepreneurs Building Economic Independence in the 1990s*, a report jointly prepared by Native Investment and Trade Association and Growth Strategies International, offers additional evidence that Aboriginal people are successfully implementing their approach to development. According to the report, Aboriginal companies that focus on serving markets at the regional, national and international level are outperforming those that focus on serving local markets. For example, the report states that:

The most successful method of expansion was to *expand beyond current markets to international markets beyond Canada*. ... companies that expanded internationally had average profits of \$27,000 per employee and profit margins of 10.8 percent compared with profits of \$18,000 and margins of 4.6 percent for companies that did not.

The second most successful method of expansion, and one much easier to implement, was to *find new markets within Canada*. Companies that expanded within Canada had average profits of \$24,000 and margins of 8.5 percent (NITA & GSI, 1998: 78).

Two conclusions flow from these findings. First, Aboriginal companies are participating in the broader regional, national and international markets as one would expect given the Aboriginal approach to development. Second, businesses operating at this broader market scale are more successful (profit and margin) than those targeting local markets.

In addition, evidence from *The Road Less Traveled* also indicates that entrepreneurial process plays an important role in the success of

Aboriginal businesses. The report's authors concluded that:

The factors with the greatest impact on the performance of Aboriginal companies were their willingness to continuously innovate [and to] build core competencies in their managers and employees (NITA & GSI, 1998: 96).

More specifically, when exploring the impact of innovation, the authors found that:

Innovation strategies were strongly related to the incomes, profits, and margins of the Aboriginal companies. Companies that were implementing new products/services had margins of 10.4 percent compared with 3.0 percent for companies not doing so.

While with respect to competency in management, the report says that

Improved general management skills was the core competency related to the highest gain in margin (126% gain). ... reduced costs (124% gain), improved marketing (97% gain), better employee skills (92% gain), and improved financial management (61% gain) were all related to solidly stronger profit margins (NITA & GSI, 1998: 97).

In other words, the better an Aboriginal company was at entrepreneurship, the more successful it was.

## Conclusions

The current socioeconomic circumstances of Aboriginal people in Canada are unacceptable and they will worsen over time unless 'something' is done. The cost of failing to do 'something' will be immense and will be borne by all Canadians not just Aboriginal people. The 'something' that needs to be done is economic development.

Aboriginal people in Canada have a clear picture about how they will approach economic development (collectively), and what they want to achieve as an outcome (economic self-sufficiency and self-government, improved socioeconomic circumstance and the preservation and use of traditional values). Business development lies at the heart of the process adopted to achieve these purposes. To create, operate and grow these businesses, Aboriginal people must be able

to do entrepreneurship successfully over and over again. Entrepreneurial success requires

1. the ability to identify viable opportunities;
2. the ability to apply the tools and techniques of management to convert opportunities into viable businesses, products and/or services; and
3. the resources necessary to create viable business from the opportunities identified.

The key to the first two is education and experience. Entrepreneurship can be learned and practiced. The settlement of land claims and the realization of treaty rights play a large role in the third factor. These rights are the 'capital' of the Aboriginal people in Canada.

The just settlement of outstanding claims does not provide a benefit to Aboriginal people at the expense of non-Aboriginal Canadians. Rather, such settlements will provide the foundation for a better future for all. The people of Canada can make a modest investment in Aboriginal economic development capacity now and over the next decade and reap the benefits, or they can do nothing and pay a tremendous price in the future.

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