



The Conference Board of Canada
Insights You Can Count On

CREATING VALUE THROUGH CORPORATE-ABORIGINAL ECONOMIC RELATIONSHIPS

332-01 Report • By Stelios Loizides and David Greenall

HIGHLIGHTS

- Demographic, education, employment and enterprise statistics all support the conclusion that Aboriginal peoples are increasingly an economic community that cannot be ignored by Canadian business.
- Aboriginal peoples are overcoming major challenges and making a contribution to Canada's economic well-being and competitiveness.
- There is a strong case for engaging Aboriginal entrepreneurs, individuals and communities in economic development opportunities.

Understanding the Strategic Environment Economic Analysis Business and Society Policy Analysis

Organizational Response Improving Organizational Effectiveness Managing Human Resources Managing Innovation and Technology



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Insights You Can Count On

About The Conference Board of Canada

The Conference Board of Canada is an independent, not-for-profit research organization with affiliates in the United States and Europe. Our mission is to help our members anticipate and respond to the increasingly changing global economy. We do this through the development and exchange of knowledge about organizational strategies and practices, emerging economic and social trends and key public policy issues. Since 1954, the Board has been committed to researching innovative practices, designing new strategies and providing our members with the most up-to-date information, analysis and expertise to help them excel in Canada and around the world.

About the Canadian Centre for Business in the Community

The CCBC provides the plan and the tools that Canadian companies need to develop effective corporate citizenship programs that balance business objectives and the needs of the community. The Centre has expertise and services in the areas of corporate responsibility and ethics, partnership building, corporate community investment, community economic development, and corporate-Aboriginal relations.

Preface

Aboriginal peoples are seeking to overcome the barriers and hardships that have characterized their social and economic lives for too long. Solutions cannot be reached without the involvement of the broader business community and government. It is hoped that the business case presented by this report will stimulate action on their part and will contribute to the development of corporate-Aboriginal relationships that create value for companies and society.

The report's authors would like to thank the Conference Board's partners in the Aboriginal Economic Development Program for their intellectual and financial support. The Program's partners are: Aboriginal Business Canada, Aboriginal Peoples Television Network, Alberta-Pacific Forest Industries Inc., BC Hydro, Diavik Diamond Mines Inc., Indian Affairs and Northern Development Canada, Natural Resources Canada, The North West Company, Petro-Canada, Placer Dome Limited, SaskTel, Suncor Energy, Syncrude Canada, TransCanada, and Western Economic Diversification.

Anne Golden
President and Chief Executive Officer
The Conference Board of Canada
October 2001

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“The status quo for Aboriginal people is not an option. My belief is that economic development is the engine that will drive the creation of wealth and well-being in Aboriginal communities.”

—Charlie Coffey, Executive Vice-President,
Government and Community Affairs, Royal Bank
of Canada, *The Globe and Mail*, March 16, 2001

Aboriginal people are making a contribution to Canada’s economic well-being and competitiveness. As the business case for building relationships with Aboriginal businesses, communities and individuals emerges, more and more private sector organizations are making investments in Aboriginal training, employment, mentoring, joint venture initiatives and programs that target Aboriginal customers. To take advantage of these initiatives, Aboriginal communities, enterprises and individuals are making investments in education, infrastructure and business development. As Aboriginal people gather economic strength, there is significant potential for them to play a defining role in shaping local and regional economies as well as influencing corporate performance.

The Conference Board of Canada has undertaken a comprehensive review of the literature on the rationale for engagement between corporations and Aboriginal enterprises, employees, suppliers and customers. This report, *Creating Value Through Corporate-Aboriginal Economic Relationships*, builds on this review and represents the Board’s first comprehensive examination of the current state and potential of Aboriginal economic development from a business perspective. The first in a series of three annual reports, this document makes a compelling business case for developing economic arrangements and relationships with Aboriginal businesses, individuals and communities.

The report has two main purposes. The first is to provide evidence of existing and emerging Aboriginal economic strengths that are relevant to Canada’s business community. Discussions about the state of Canada’s Aboriginal people have for too long focused on negative socio-economic statistics. Arguments about the need

for businesses to help Aboriginal people ameliorate their socio-economic situation have, by and large, placed emphasis on the moral implications of doing nothing and on the importance of corporate citizenship. The report advances the discussion to paint a meaningful and robust picture of the opportunities available to business (i.e., the business case) through the development of relationships with Aboriginal businesses, customers, employees, suppliers and communities.

The second purpose is to convince Canada’s business community of the implications of this evidence on their performance and potential. The private sector not only needs to have evidence of Aboriginal opportunities framed through a business lens, it needs to understand what the evidence means for them. Aboriginal economic performance and potential provide both opportunities and risks for Canadian business. The report examines these and develops the discussion by using case examples of how Canadian companies are working with Aboriginal businesses, employees, suppliers and customers to build and leverage economic opportunities in order to create value.

Through its Aboriginal Economic Development Program and Council on Corporate Aboriginal Relations, The Conference Board of Canada is advancing understanding among Canadian businesses of the economic benefits that Aboriginal people bring to the table. Aboriginal communities, businesses and individuals have long been relegated to the margins of Canadian economic activity. However, as the report makes clear, there is significant potential for companies to derive business benefits and enhanced ability to innovate and create competitive advantage through the economic engagement of Aboriginal people as potential business partners, local suppliers, skilled workers and customers. At the same time, corporations ignore the economic potential of Aboriginal people at their own peril.

“At Xerox Canada, we believe that supporting the Aboriginal community is both a moral imperative and a business advantage.”

—Cameron Hyde, President and CEO, Xerox Canada,
February 13, 2001

Creating Value Through Corporate–Aboriginal Economic Relationships

The Conference Board’s Aboriginal Economic Development Program

The Conference Board of Canada, with the support of its Council on Corporate Aboriginal Relations and the Department of Indian Affairs and Northern Development, has been providing leadership in promoting Aboriginal economic development for the past five years.

In 1999, the Board organized a CEO Forum on Aboriginal Issues. The Forum brought together a group of leaders (corporate, government and Aboriginal) to identify the key challenges in promoting Aboriginal economic development. Among the recommendations for action were the following:

- Corporate Canada must make an ongoing commitment to work with Aboriginal leaders in keeping Aboriginal young people in school and ultimately employed.
- Success stories of partnerships that improve the socio-economic well-being of Aboriginal people should be showcased.
- It is important to build local Aboriginal capacity for economic development.

The Aboriginal Economic Development Program (AEDP) was created to undertake initiatives that will address the recommendations. The program is funded by some of Canada’s leading private and public sector organizations and is guided by an advisory network comprised of corporate, government and Aboriginal representatives. This report is a central part of the program and acts as a valuable communication platform to get the message out to corporate leaders and key members of Canada’s business community.

The ultimate goal of the AEDP is to secure the commitment of 100 corporations (over a three-year period) to participate in and support Aboriginal economic development.

Creating Value Through Corporate–Aboriginal Economic Relationships looks at existing and emerging Aboriginal economic strengths from a business perspective. In examining the situation of Aboriginal communities, individuals and businesses, the authors asked the important question, “Why should business consider becoming involved with Aboriginal economic development?” This report provides answers to the question that are evident and compelling and serve to build a case for action by Canadian business.

Partners in the Aboriginal Economic Development Program

- Aboriginal Business Canada
- Aboriginal Peoples Television Network
- Alberta-Pacific Forest Industries Inc.
- BC Hydro
- Diavik Diamond Mines Inc.
- Indian Affairs and Northern Development Canada
- Natural Resources Canada
- The North West Company
- Petro-Canada
- Placer Dome Limited
- SaskTel
- Suncor Energy
- Syncrude Canada
- TransCanada
- Western Economic Diversification

Building upon the input of Aboriginal, corporate and government representatives, the report focuses attention on four key areas of Aboriginal economic strength and potential:

- Demographic trends
- Educational accomplishments
- Employment prospects
- Enterprise development

Key indicators are put forth to support the business case for investing in and building relationships with Aboriginal people. Some of these indicators are direct and immediately compelling; others have indirect implications that are made evident through the use of supporting case examples. This report acknowledges the inherent uncertainties that accompany attempts to forecast the future and to extrapolate from current trends and statistical data. Yet these limitations should not cast doubt on the importance of Canada’s Aboriginal peoples and their relation to the Canadian business community. The key message of this report is clear: engaging Aboriginal entrepreneurs, individuals and communities in economic development opportunities presents mutually significant benefits and competitive advantages.

Aboriginal Economic Development Program Advisory Panel

- Jeff Moore, Executive Director, Aboriginal Business Canada
- Ron Nadeau, Chief Operating Officer, Aboriginal Peoples Television Network
- William Hunter, V.P., Operations, & General Manager, Alberta Pacific Forest Industries
- Randy Brant, Manager, Aboriginal Relations Department, BC Hydro
- Dr. Stephen F. Prest, President, Diavik Diamond Mines Inc.
- David Tuccaro, President, Neegan Development Corporation
- Edward S. Kennedy, President and Chief Executive Officer, The North West Company
- Marie E. Fortier, Associate Deputy Minister, Indian Affairs and Northern Development Canada
- James K. Gowans, President and Chief Executive Officer, Placer Dome Canada
- David Stuart, Senior Director, Environment, Health and Safety, Petro-Canada
- Vanda Conway, Manager, Human Resources & Strategic Planning, SaskTel
- Sue Lee, Senior V.P., Human Resources & Communications, Suncor Energy
- Bob Loader, Manager, Aboriginal Relations & Regional Development, Syncrude Canada
- Ron Turner, Executive V.P., Operations & Engineering, TransCanada
- Oryssia Lennie, Deputy Minister, Western Economic Diversification

“At Royal Bank, we see Aboriginal issues as a matter of concern for all Canadians and Aboriginal economic development as having a significant impact on the national economy and the corporate sector.”

—Charlie Coffey, Executive Vice-President, Government and Community Affairs, Royal Bank, 1997

Key Indicators of Aboriginal Business Strength

The statistics offered in this section paint a picture of existing and emerging Aboriginal economic strengths that, if ignored, represent a significant opportunity cost and business risk. The time is now for the Canadian private sector to take action to create value and take hold of advantages while also contributing to Aboriginal economic potential. These indicators provide the basis for a discussion, in the following section, of the business opportunities offered by taking action as well as the risks to the private sector of doing nothing.

Wherever possible, quantitative evidence is provided in aggregate for all Aboriginal peoples. Incomplete data sets

(i.e., availability, currency, comprehensiveness) for Inuit, Metis and non-status Indians limit the ability of this report to provide a detailed analysis using data for these Aboriginal groups. Quantitative evidence regarding status Indians is the most widely available and is therefore frequently cited. Data for Metis and Inuit people are less available and up to date and are used less often as evidence. Subsequent reports in 2002 and 2003 will make use of Census 2001 data to provide a greatly enhanced current assessment of economic strengths among First Nation, Inuit and Metis peoples.

Aboriginal Demographics: A Fast Growing Population

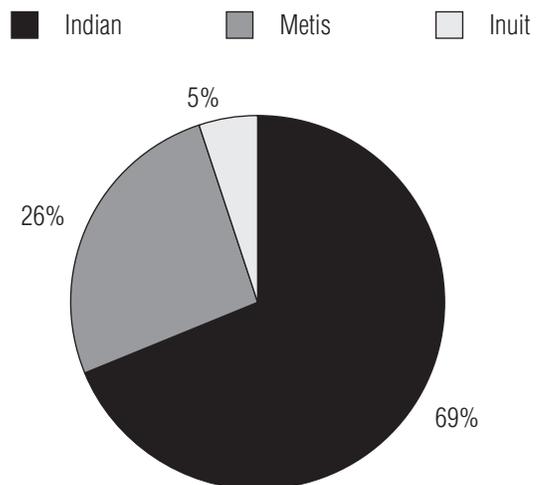
“Business can see that its future labour force, and its future consumer base, is comprised increasingly from the Aboriginal population. In communities right across the country, the private sector and provincial and territorial governments are leading the way in recognizing the benefits of tapping into the huge potential of this labour force and in working more closely with Aboriginal communities.”

—Hon. Robert Nault, Minister for Indian Affairs and Northern Development, March 16, 2001

According to the latest census survey, Canada’s Aboriginal population in 1996 totalled 1,309,600 persons (Chart 1).¹ At that time, Aboriginal people represented approximately 3 per cent of Canada’s total population.

The Aboriginal population is increasing in both absolute and relative numbers. The registered Indian population is

Chart 1
Aboriginal Population, 1996

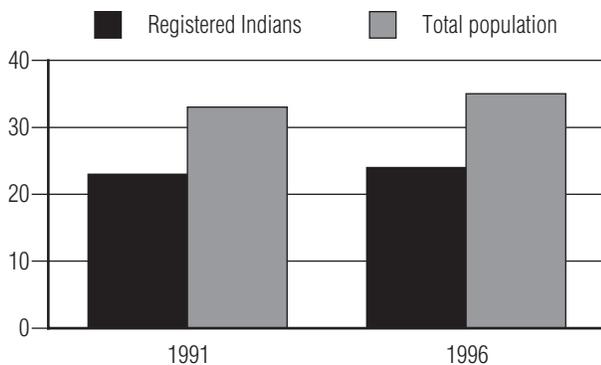


Source: Statistics Canada, 1998.

expected to increase at an annual rate of 1.9 per cent between 1998 and 2009, from 642,414 to 810,989 persons.² This growth can be attributed, to a significant degree, to the large and relatively youthful structure of the Aboriginal population. As Chart 2 illustrates, between 1991 and 1996 the median age of the total Canadian population rose from 33 to 35 years, while the median age of the registered Indian population rose from 23 to 24 years. Further, according to the Department of Indian Affairs and Northern Development, by 2008 young people under the age of 19 are expected to make up approximately 39 per cent of the total registered Indian population.

Projections of population growth between 1996 and 2011 indicate a sharp difference in Aboriginal and non-Aboriginal rates. According to one estimate, the Aboriginal population is projected to increase 28 per cent, from 1,309,600 to 1,676,288, during this period, while the non-Aboriginal population is expected to increase by only

Chart 2
Registered Indian vs. Total Canadian Median Age
(years)



Source: Statistics Canada, 1998.

6 per cent. The proportion of Aboriginal youth to the overall population is also expected to increase as a larger share of the Canadian population ages.

The distribution of this Aboriginal population is not expected to be uniform. There are differences in population growth between regions (e.g., the provinces of Manitoba and Saskatchewan are projected to have the greatest percentage increase over the next 20 years) and between rural and urban areas. Of the forecast Aboriginal population increase, 44 per cent is expected to occur on reserves.

Studies of Aboriginal migration and mobility indicate that Aboriginal people are becoming mobile as they seek out and pursue economic opportunities. They are moving among provinces, locating in urban and semirural areas. Aboriginal people represent a growing population in cities like Winnipeg, Saskatoon and Regina.

Saskatchewan

The province's total population of 15–24 year-olds is projected to decrease 6 per cent by the year 2011, while the corresponding Aboriginal cohort will increase 71 per cent. In the 0–24 age group, Aboriginal people are expected to comprise 38 per cent of the population by 2011.

By 2001, one-third of all new school entrants [in Saskatchewan] will be Aboriginal, with the vast majority being Indian.

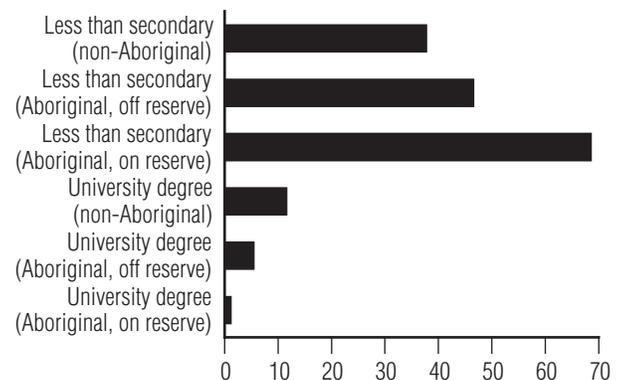
Source: *Saskatchewan and Aboriginal Peoples in the 21st Century*, 1997.

Aboriginal Education: Developing Skills in Demand

Aboriginal people are becoming better educated, developing more employment-relevant skills than previous generations. However, there is a significant gap between levels of educational attainment for Aboriginal and non-Aboriginal people. According to the 1996 census, only slightly more than 50 per cent of Aboriginal people have completed secondary education compared to over two-thirds of non-Aboriginals. At the other end of the educational spectrum, while over 11 per cent of other Canadians have completed a university degree, only half as many Aboriginal people living in urban areas have done so, and the share of university graduates among those on reserve drops to slightly over 1 per cent (see Chart 3).

At the provincial level, some 60 per cent of Aboriginal people in Manitoba and Saskatchewan and between 71 and 78 per cent of those on reserve have less than secondary education. These lower levels of education are partly the result of poor economic and social conditions, including limited family support and encouragement, lack of role

Chart 3
Education Attainment
(percentage)



Source: *Employment Prospects for Aboriginal People* (Ottawa: The Conference Board of Canada, 1998).

models and lack of access to high school and educational resources (including learning technologies).

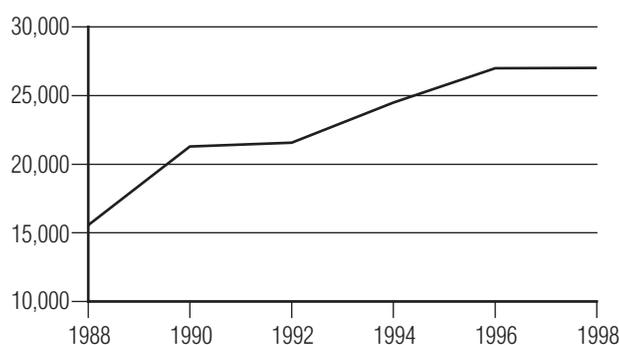
Enrolment of Aboriginal people in post-secondary institutions (university, college and technical schools) has risen dramatically over the past 10 years. Between 1988 and 1998, the number of Indians and Inuit enrolled almost doubled from 15,572 to 27,026 (Chart 4). The marked increase in post-secondary education will lead to improved employment prospects and higher future incomes. These numbers are likely to continue increasing, given the large number of Aboriginal youth under age 25; almost 50 per cent of Aboriginal people are under this age.

Aboriginal people enrolled in post-secondary programs are choosing fields of study that increasingly match up with the needs of Canadian business. As of 1991 (Chart 5), the

main areas of study in non-university institutions were technical programs, followed by commerce and business management programs. Within universities, Aboriginal students are primarily focused on social science programs, with commerce and management having a lower representation.

The progress of Aboriginal people within the secondary and post-secondary education systems implies that there is significant potential for them to play an active and contributing role in Canada's pool of skilled human capital. The percentage of Aboriginal people entering post-secondary institutions is likely to increase further in the future, given significant government funding, corporate scholarships and the increasing relative wealth of Aboriginal people. Increased levels of schooling and enhanced skills development are likely to strengthen the basis for the realization of Aboriginal socio-economic potential.

Chart 4
Post-Secondary Enrolment, Registered Indian and Inuit



Source: Department of Indian Affairs and Northern Development (DIAND), 1998.

"They are the best educated generation of First Nations people ever. They are well trained and equipped to make their way in the new global, knowledge-based economy. And I believe that the rest of the country, especially the business sector, is starting to wake up to this reality."

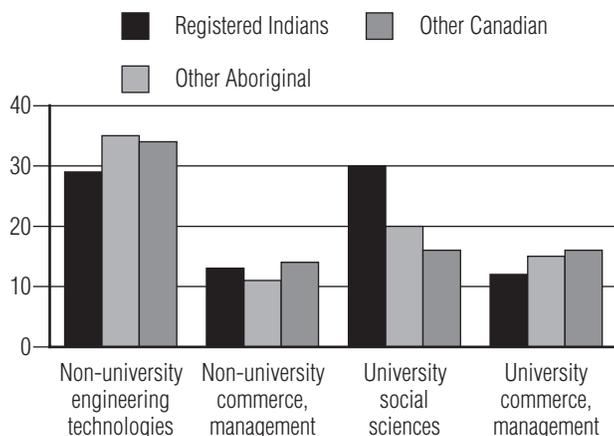
—Hon. Robert Nault, Minister for Indian Affairs and Northern Development, March 16, 2001

Aboriginal Employment: Making a Contribution to Canada's Workforce

As Aboriginal people achieve higher levels of education and become more skilled, they are increasingly regarded as valued additions to Canada's workforce. Matching skills with economic opportunities is still a challenge for many Aboriginal people, especially those located on reserve and in rural areas. Because of their younger age structure, there will be a larger number of Aboriginal people entering the labour force in the next 10 years. Given their lower labour force participation rates, there will be increasing pressure to create more employment opportunities.

As Chart 6 demonstrates, registered Indians, for example, have lower overall levels of workforce participation than do non-Aboriginal people. In 1996, there were 389,700 employed Aboriginal people out of a total of 771,010 aged 15+. As a whole, Aboriginal people had a participation rate of 63 per cent, with registered Indians having a participation rate of 54 per cent, compared to 65.5 per cent for the total Canadian population. The difficulty of obtaining employment is particularly acute for on-reserve Aboriginal people, who face geographic disadvantages in terms of access to jobs (i.e., non-resource industrial, manufacturing and knowledge enterprises are primarily urban based). The unemployment level among

Chart 5
Major Fields of Study, Post-Secondary Education, 1991
(per cent)



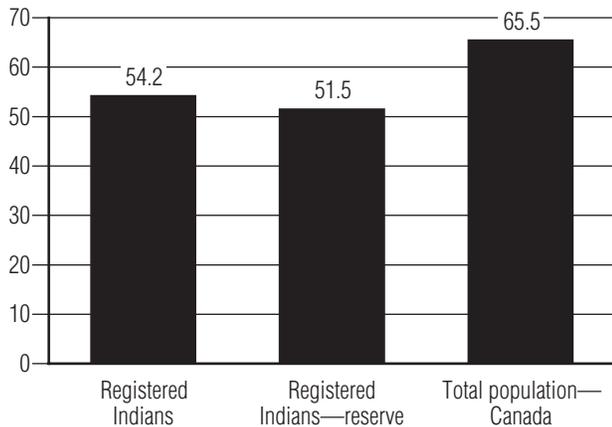
Source: DIAND, 1996.

Aboriginal Employment–Population Ratio

This ratio reflects the degree to which a labour pool is effectively utilized.

In 1996, the rate for on-reserve registered Indians was 36.7 per cent; for the Canadian population, the rate was 58.9 per cent.

Chart 6
Registered Indian Labour Force Participation, 1996
(per cent)



Source: DIAND, 1996.

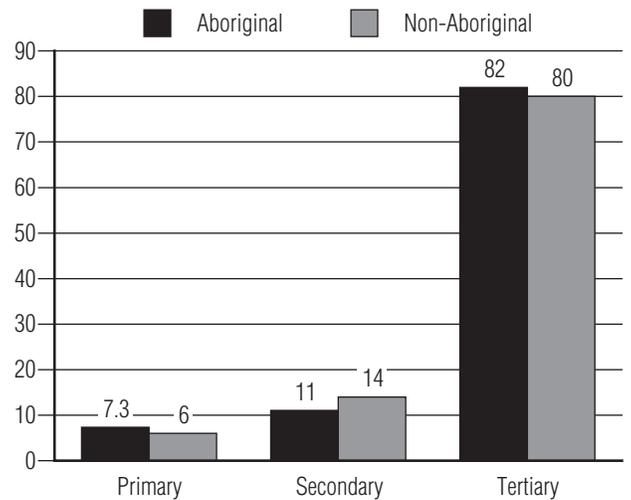
Aboriginal peoples is higher than the average, with only 36.7 per cent of on-reserve Indians being employed.

As of 1996, the distribution of the Aboriginal labour force paralleled that of the non-Aboriginal labour force (Chart 7). The vast majority of Aboriginal workers find employment in the tertiary/service sector, with manufacturing and processing following. The primary and secondary sectors provide employment for only a small proportion of the Aboriginal workforce.

Projections of Aboriginal population growth over the next decade indicate that an additional 160,000 jobs will have to be created just to maintain current labour force participation rates and levels of employment. Given that as of 1996 there were 169,000 registered Indians employed in the workforce, plus a smaller number of Inuit and Metis workers, an almost twofold increase in the number of jobs will be required to simply maintain the status quo.

It is projected that the western provinces will have the most pronounced growth in the Aboriginal workforce. As Chart 8 illustrates, cities such as Winnipeg, Regina and Saskatoon are projected to have an Aboriginal workforce by 2016 that exceeds 15 per cent of their total labour force. The flow of Aboriginal people into urban areas will place additional stress on the ability of cities to absorb

Chart 7
Labour Occupation by Sector, 1991
(per cent)

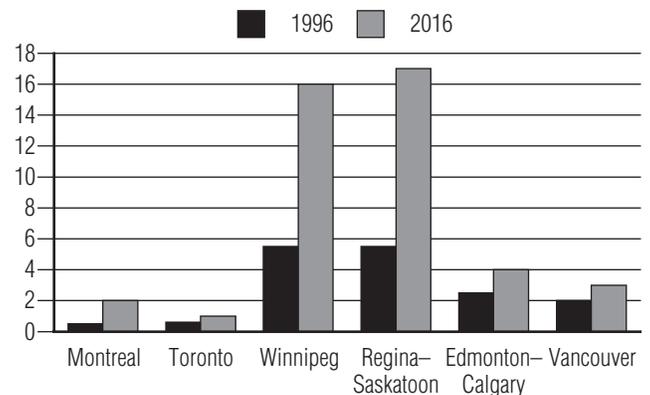


Sources: DIAND, 1996; Royal Commission on Aboriginal Peoples, 1996.

them. At the same time, Aboriginal people could come to play an important role in meeting the labour needs of Canadian business.

The looming impact of the Aboriginal employment situation is captured succinctly in a 1998 paper prepared for Human Resources Development Canada, which states that "...there is probably no single more important issue for the economic future of the Prairies, and more particularly, Manitoba and Saskatchewan, than the advancement of its Aboriginal human resources" (Michael Mendelson, *Recent Trends in Labour Markets for Aboriginal Peoples*, 1998).

Chart 8
Projected Aboriginal Workforce, Major Cities to 2016
(per cent)



Source: Michael Mendelson, *Recent Trends in Labour Markets for Aboriginal Peoples*, 1998.

Aboriginal Enterprise: Partners in Economic Development

“The broader Canadian business community is looking around and saying, ‘Hey, this is an opportunity,’ because Aboriginal people are in control of a significant amount of land and resources.”

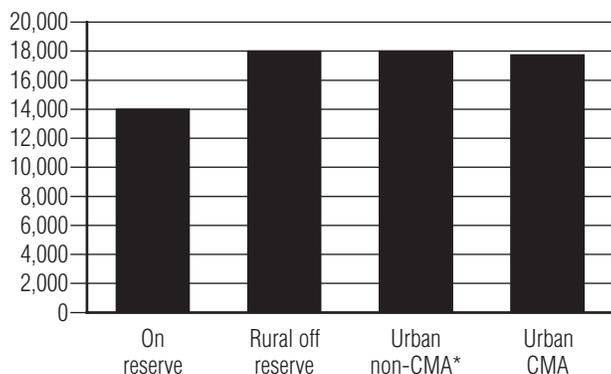
—Ron Jamieson, Senior VP, Bank of Montreal

This quote captures the emerging reality for many Aboriginal communities across Canada. Settlement of land claim and treaty entitlement negotiations has given Aboriginal people financial capital and ownership of lands and resources. They now have the ability to participate in joint venture development projects, become important “customers of choice” for suppliers and consumer goods retailers, and pursue business activity both on and off reserve.

Aboriginal people have money to spend (Chart 9). Between 1986 and 1991, the purchasing power of Aboriginal people increased by 150 per cent, from \$4.5 billion to \$11.35 billion. Although average annual incomes for individuals are below non-Aboriginal averages (from 30 per cent in urban areas to 50 per cent on reserve), there is potential for these figures to rise. This potential exists in the form of increases in entrepreneurial activity, wage employment, and financing from land claim settlements and government-sponsored economic development programs, including funding for equity investment.

Entrepreneurship among Aboriginal peoples has increased dramatically over the past decade. Aboriginal people are more likely than the general Canadian population to take advantage of entrepreneurial opportunities.

Chart 9
Average Annual Income by Place of Residence, Ages 20–64, 1996
(dollars)



*CMA=census metropolitan area.
Source: DIAND, 1998.

Between 1981 and 1996, growth rates for Aboriginal entrepreneurial activity rose dramatically (Chart 10).

Aboriginal youth are starting up businesses at a rate almost two and a half times that of non-Aboriginal youth. Given the demographic structure of the Aboriginal youth population, this statistic bodes particularly well for new business creation, particularly in western Canada.

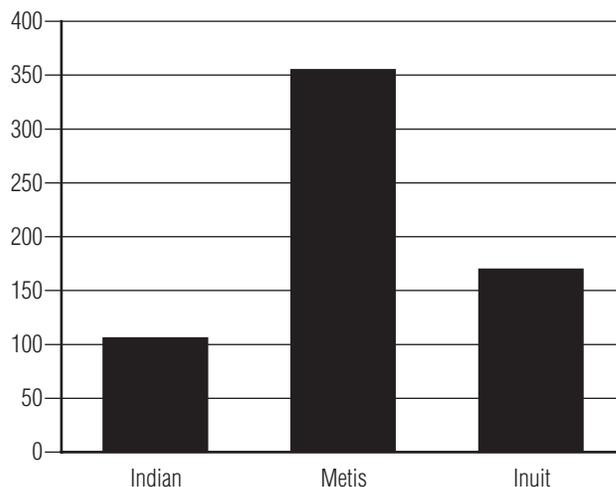
Most Aboriginal businesses are located in primary industries, although more and more companies are being created to service other sectors of the economy. As Chart 11 illustrates, the fastest growing areas of Aboriginal business development are in the computer services and information technology sector and in professional services such as accounting and engineering.

The development of Aboriginal-owned firms is being aided by the increased availability of funding through government-sponsored programs, land claim settlements and Aboriginal financial institutions. Since 1989, government programs such as Aboriginal Business Canada and the Opportunities Fund of Indian and Northern Affairs Canada have provided assistance to Aboriginal firms. Aboriginal financial institutions inject \$40 million to \$50 million per year into Aboriginal business development. Mainstream financial institutions are playing an important role in the establishment and growth of Aboriginal firms.

Proportion of Self-Employed Youth, 1996

- Aboriginal 1.2%
- Non-Aboriginal 0.5%

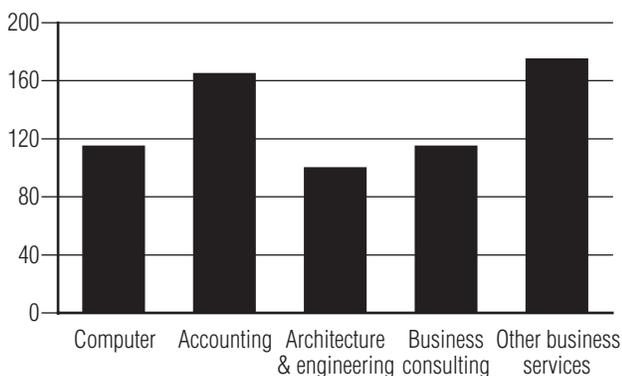
Chart 10
Growth in Aboriginal Entrepreneurship, 1981–96
(per cent)



Source: Aboriginal Business Canada, 1998.

Chart 11

Areas of Aboriginal Entrepreneurial Growth, 1981–96
(per cent)



Source: DIAND, 1998.

Aboriginal Financial Institutions

- 41 Aboriginal capital corporations have been established since 1985. They are an important source of capital, primarily through issuance of debt.
- Industry Canada's Community Future Development corporations provide loans and business services to Aboriginal firms.

Between 1989 and 1996, Aboriginal Business Canada investments totalled \$388.7 million. These contributions have resulted in an overall total investment—from all sources—of \$1.1 billion in the Aboriginal economy.

Source: *Aboriginal Entrepreneurs in Canada: Progress & Prospects*, 1997

Over the next five years the National Aboriginal Capital Corporation Association projects that Aboriginal financial institutions will flow roughly a quarter of a billion dollars [into Aboriginal economies].

Source: National Aboriginal Capital Corporation Association, 2001

Making the Business Case: How Canadian Companies Can Take Advantage of Aboriginal Opportunities

Aboriginal people have the potential to make significant contributions to the Canadian economy and to their own economic development. Previous sections have analysed the indicators of the Aboriginal socio-economic situation.

This section places the analysis in the context of the question “How can business benefit from this potential while addressing some of the challenges?” In the process, indicators are examined through a business lens, and options and opportunities for Canadian business are explored and evaluated.

Aboriginal Workers: A Valued Source of Skilled Labour

In some areas of Canada, Aboriginal people will represent a significant proportion of the population, with western provinces and reserves witnessing the largest increases in both absolute and relative numbers. In addition, Aboriginal students are staying in school longer and are developing skills and competencies that are relevant to today's economy. These trends present both opportunities and challenges for the private sector.

Opportunities: Canada is projected to have a shortage of 950,000 workers by 2010.³ This impending labour deficit is a critical issue, with major economic implications for Canada's performance and potential. As Canada's overall demographic structure ages, labour and skills gaps will have to be filled through the recruitment of new workers. Strategies to address the shortage include:

- increasing the level of labour productivity of the existing workforce through capital and education investments;
- bringing in skilled immigrant workers to meet demand; and/or
- developing the skills and knowledge base of under-utilized segments of the workforce to meet demand.

Aboriginal people are one of the most important available sources of labour. They are becoming more educated and technically skilled than ever before. Their increasing rates of enrolment and graduation over the past decade have put them—both youth and adults—in a position to contribute meaningfully to local economies and to Canada's overall economic performance. While the latest data indicate the majority of post-secondary Aboriginal students are enrolled in social sciences, there is recognition among Aboriginal communities of the need to stream students into sciences and technical studies that match the labour demand of the broader business community.

Business has a direct interest in contributing to the development of a pool of competent and available labour within Canada, and Aboriginal people represent a critical portion of this pool. The connection with the situation of Aboriginal peoples is clear: tapping into this underused and valuable source of available labour has positive implications for both communities and the business world.

Challenges: The relatively young population structure means large numbers of Aboriginal youth (age 15+) will enter the workforce in the next decade. If these youth are

unable to participate in the labour force due to mismatched skills and/or lack of employment opportunities, they will represent an economic cost for Canada. This cost will translate into an increased tax burden on business and individuals and an opportunity cost to society in the form of unused human capital potential. There may also be increased calls for the private and public sectors to undertake more employment and economic initiatives based on moral and social responsibility as opposed to business case rationales.

Building Joint Ventures: Mutually Beneficial Investment

“Strategic investments, in our view, are essential to build some real economic power at a level that will make a difference. You need strategic investments but you also have to have local economic development.”

—Marvin Tiller, CEO, Tribal Councils Investment Group of Manitoba

The settlement of specific and comprehensive claims with the federal government, rising average incomes and the availability of government-sponsored funding programs have enabled many Aboriginal communities to make investments in local economic development. Aboriginal entrepreneurs are increasing in number and importance, with many possessing business capacity and expertise that equals that of their non-Aboriginal counterparts.

The settlement of grievances with the federal government has given many Aboriginal communities ownership (from fee simple title to resource and mineral rights) of valuable land and natural resources. Corporations that want access to these resources now often have to negotiate directly with Aboriginal communities. Many of these communities are going beyond past approaches that provide impact-and-benefit agreements and royalty sharing and are seeking direct participation (equity and management) in developments on their traditional lands.

Aboriginal groups are increasingly sophisticated in their understanding of and approach to partnerships with

SaskTel, in partnership with the Federation of Saskatchewan Indian Nations (FSIN), has been providing opportunities for young Aboriginal students to become exposed to science and technology in the corporate environment. SaskTel sponsors Super Saturday camps (a program that was recognized by The Conference Board of Canada with the 2001 National Award for Fostering Aboriginal Learning and Achievement). The FSIN, the Saskatoon Tribal Council and the University of Saskatchewan have designed a series of Saturday camps enabling Aboriginal youth to learn more about math, science and technology, with some very practical applications.

Another initiative, the South East Metis Development Program, provides young Metis adults with training in electronic data processing and computer programming. SaskTel has a partnership agreement to hire the students in co-op and summer jobs. The objective is to increase the students' entry-level employment opportunities in information technology.

The business rationale for entering into these partnerships is that provincial demographics show that Aboriginal people are becoming an important customer base and labour pool. HRDC forecasts a shortage of diploma-level technologists in the electronics field over the next 10 years, and SaskTel is attempting to maximize its ability to tap into an existing local pool of talent.

Suncor Energy and Keyano College are involved in a successful partnership to prepare the Aboriginal people of Fort McMurray to take advantage of employment opportunities in the oil sands industry. The partnership, which was recognized by The Conference Board of Canada with the 2001 Top Employer of Youth Award, provides training as follows through the Mine Operations program:

- On-site work experience and industry participation in curriculum development, instruction, student screening, employee selection and post-graduate follow-up evaluations
- An awareness component emphasizing respect for cultural diversity and the importance of the required skills and attributes of employees as they relate to an organization
- Orientation to oil sands mining and processing and computer and business literacy

The training program provides benefits to the Aboriginal community by building student competence in information management, computer literacy and communications that enables graduates to embrace change and advance in the workplace. For Suncor, there are three clear business benefits:

1. An increased supply of Aboriginal skilled labour to meet its labour force needs
2. Stronger relationships with Aboriginal leaders, organizations and partners
3. Enhanced corporate citizenship reputation

The North West Company, with its headquarters in Winnipeg, has a large number of retail stores in northern Canada. Because the company operates in Aboriginal communities, Aboriginal people represent an important and utilized source of labour: of the company's 4,500 employees, 50 per cent are Aboriginal.

The company's decision to hire and promote Aboriginal people simply makes good business sense. The company recognizes that it makes sense for an organization that does business with Aboriginal people to have more of them as part of its labour force. The composition of the staff and management should reflect the make-up of the labour force, which in turn should reflect the composition of the customer base: about 80 per cent of North West's customers are Aboriginal people.

How has this way of operating enhanced business value? In the words of Edward Kennedy, President and CEO of The North West Company, *"Having more local, Aboriginal store managers has lowered the costs of recruiting, transporting and housing management associates from outside the communities we serve. Having members of a community and regular customers work for our company at intermediate and senior levels has enhanced community relations and customer knowledge."*

the private sector. Entrepreneurial Aboriginal leaders have in many instances moved beyond dependency mind-sets and realize that they bring valuable assets to economic partnerships. They understand that the long-term sustainability of their communities and local economies is dependent on both their active involvement in the management of industrial projects and their contribution to the achievement of bottom-line financial returns.

"We have to develop our own revenue streams and get away from dependency on the federal government. That's the only way to true self-government."

—Bernd Christmas, Membertou Development Corp.,
The Globe and Mail, May 9, 2001

In order to strengthen their local economies, a number of Aboriginal bands have established economic development and business investment arms. To obtain the outside resources and expertise needed to pursue a diversified portfolio of investments for the band, these organizations are seeking and engaging in joint ventures, finding and developing business opportunities for their communities, creating wealth and employment and reducing dependence on government.

Sourcing and Purchasing Locally: Aboriginal Firms in the Product Chain

"There are some extremely sophisticated Aboriginal-owned corporations that have emerged over the last number of years covering a wide range of services."

—Pierre Alvarez, President, Canadian Association of Petroleum Producers

Between 1981 and 1996, the number of Aboriginal-owned businesses grew by 210 per cent. There are now more than 20,000 Aboriginal businesses in operation. These businesses, especially those on reserve or in remote areas, are often important suppliers of local and imported products and services to Canadian companies. Many corporations, especially those in the natural resource sector (e.g., mining, forestry) have to import materials at high cost to remote project locations. Aboriginal entrepreneurs are stepping in and supplying products and services. For both Aboriginal businesses and corporate customers, these initiatives present win-win opportunities, as Aboriginal firms often have comparative advantages based on location, cost and proximity to customers.

One of the primary goals of **Alberta-Pacific Forest Industries (ALPAC)** is to strengthen its partnerships with First Nations communities in areas where it operates. In 1995, ALPAC signed a memorandum of understanding to enter into a business arrangement with the Bigstone Cree Nation that provides financial, management and technical support to the Bigstone Forestry operation. As part of the arrangement, an executive from ALPAC was seconded to Bigstone Forestry to manage the operation for three years (1999–2002). Bigstone Forestry has generated profits that are reinvested to expand operations as well as contribute to the diversification of the local economy.

ALPAC sees a strong business case for building strong linkages with Aboriginal-owned firms:

- Building supplier capacity through the development of management and technical skills in the Aboriginal venture for three years
- Improving Bigstone Forestry's understanding of corporate customers' needs and expectations
- Certainty of supply through securing a five-year (1999–2004) harvesting contract with Aboriginal contractors

The successful partnership of **Domtar Inc.** and the Waswanipi Cree community in Quebec centres on the joint venture company Nabakatuk Forest Products Inc. Nabakatuk is a sawmill jointly owned by Domtar (45 per cent) and the Mishtuk Corporation (55 per cent) controlled by the Waswanipi Band Council. The sawmill supplies wood that is turned into lumber and marketed by Domtar. As part of the joint venture, Domtar provides professional, technical and forest management training.

The venture provides a business opportunity for Domtar, while also allowing the corporation to strengthen its relationship with the Cree and develop Aboriginal expertise in business. The Waswanipi Cree community benefits through improving its business expertise, creating jobs for the younger generation and strengthening its economy through the reinvestment of revenues. The joint venture provides benefits to Domtar in the form of:

- a business opportunity that meets market demand and is likely to be profitable and provide a return to shareholders;
- access to raw material (wood chips) and local labour; and
- enhanced relations with and understanding of the community.

The joint venture is exploring opportunities to expand business operations and financing.

Money to Spend: Aboriginal People and Firms as Customers of Choice

“I remind people that the strategic importance of the Aboriginal market should not be lost on any financial organization. Companies supplying services, financial or otherwise, ignore that market at their own peril.”

—Charlie Coffey, Executive Vice-President,
Government and Community Affairs, Royal Bank

Rising numbers of Aboriginal youth, increasing personal incomes, settlement of land claims and an expanding number of Aboriginal-owned businesses mean Aboriginal communities are important markets for goods and services. As more Aboriginal people enter the workforce, more money will be available for purchase of goods and services. As demographic figures indicate, much of this growth will occur on reserve and within urban areas. For Canadian businesses operating in rural areas, Aboriginal communities are becoming increasingly important as customers and sources of revenue. Many firms created by Aboriginal entrepreneurs will also be important destinations for products and services. New markets will emerge for Canadian companies that realize these opportunities and develop strategies to meet Aboriginal needs.

Reputation and Relationships: Maximizing Opportunities, Managing Risks

Strong relations with Aboriginal communities, individuals and firms can also create business value that is not immediately apparent. Intangible assets such as reputation, corporate image and social capital are taking on increasing importance as competition in the business environment increases. Companies that are able to leverage these assets through strong Aboriginal relationships are often able to produce significant business opportunities while also helping to minimize their exposure to business risk.

Facilitating Resource Development: Aboriginal communities are often the first ones affected by industrial and resource development and are often able to have a significant impact on the ability of firms to obtain access to lands and resources. Through direct land ownership (treaty and/or land claim settlements) or indirect involvement in land

Aboriginal
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importance.

Placer Dome recognizes the business value of gaining access to local suppliers that are easily accessible and often less expensive than outside ones. The company's policy is to maximize the outsourcing of products and services to Aboriginal-owned businesses. In doing so, it recognizes that it takes time to build the capacity of local suppliers to provide quality products/services at competitive prices and on time. In line with this, Placer Dome has entered into contracts with two Aboriginal-owned airlines that support its operations at the Musselwhite site in northern Ontario. The combined value of these contracts is more than \$1.4 million per year.

Other contracts with Aboriginal businesses cover the provision of janitorial and laundry services and camp catering for 200 people. Placer Dome and the Windigo Tribal Council helps these businesses develop the business management skills they need to provide quality products and services, on time and at competitive prices. Placer Dome has awarded construction contracts to a First Nation joint venture for \$4 million in 2000 and 2001.

Syncrude Canada recognizes the importance of having viable and competitive local Aboriginal firms to provide goods and services.

Syncrude has been supporting the ability of Aboriginal firms to respond to contracting requirements in a number of ways:

- The company provides information about its needs and expectations.
- Purchasing executives help Aboriginal firms to understand the bidding process.
- A coordinator of Aboriginal business helps firms to market their products and services to Syncrude and to identify contract opportunities.

While supporting Aboriginal firms, Syncrude stresses the need for competitive price and quality. Aboriginal firms have established their credibility as reliable suppliers through a good record of performance, a long-term relationship and commitment, and competitive price and quality.

Syncrude's commitment to support the establishment and growth of local Aboriginal suppliers has resulted in a large number of service and material contracts with them. Forging these business relationships has enabled Syncrude to develop a greater number of competitive suppliers, to contribute to Aboriginal economic development, and to enhance its corporate reputation.

Manitoba Hydro has a northern purchasing policy that promotes business opportunities for northern Aboriginal people. This policy requires contracts with northern Aboriginal businesses and stresses that quality, timeliness and acceptable costs are the primary factors when considering purchase decisions. In support of its policy, Manitoba Hydro:

- provides information to northern Aboriginal organizations and businesses on upcoming contracts and work packages;
- visits northern communities to assess business capabilities;
- helps northern Aboriginal businesses understand the technical requirements of contracts; and
- waives bid and/or performance bonding in some cases.

A strong business rationale exists for the company's northern Aboriginal purchasing policy. Having local capacity reduces the costs and improves the availability of goods and services. Also, ensuring that Aboriginal businesses benefit from hydro and resource development helps to build valuable goodwill between Manitoba Hydro and Aboriginal communities.

use planning and environmental assessment regimes, Aboriginal communities have the ability to affect project time frames and budget costs. Aboriginal communities are able to obtain information about the corporate citizenship performance of companies seeking access to their traditional territories. A company that has a positive reputation for Aboriginal engagement practices, a strong environmental track record and support for Aboriginal economic development programs is better positioned to gain access to these resources than a company with a weak reputation.

Reduction of Business Risk and Cost in Uncertain Times: Shifting consumer needs and expectations, employee concerns, and legal and political developments make competitive business environments complex, fluid and transitory. Strong relationships with Aboriginal communities, businesses, employees, customers and suppliers can confer the advantage of greater understanding of the implications of these shifts. Often, strong relationships can act as an early warning device that can help companies respond to and avoid emerging business risks (e.g., community opposition during environmental assessment

The Royal Bank, the Bank of Montreal, the Canadian Imperial Bank of Commerce and the Bank of Nova Scotia view

Aboriginal people as an emerging market that has traditionally been underrepresented in terms of access to and use of personal and commercial banking services. Joint venture investments, rising personal incomes and settlement of land claims have injected money into Aboriginal communities. These communities and individuals need investment advice and portfolio management expertise. Realizing the business opportunities offered by this relatively untapped market segment, the banks now offer personal and commercial banking as well as trust and investment services.

These banks realize that in order to increase business opportunities with Aboriginal communities and organizations, traditional need/satisfaction marketing techniques must be combined with initiatives that promote economic development opportunities for Aboriginal people. The transfer of financial and business skills helps to attract and retain Aboriginal businesses and minimizes the risk to the banks, thus increasing revenue and reducing administration expenses on loans. This in turn can improve profits and shareholder value.

A Partnership Model: Corporate Responsibility in Action

Presentation by Eric Newell, Chairman and Chief Executive Officer, Syncrude Canada Ltd., at the CEO Forum on Aboriginal Issues, Ottawa, November 17, 1999.

"Syncrude's relationship with Aboriginal communities is, itself, an enduring experience . . . it predates the commencement of its operations in 1978. And as you might imagine, with anything that has lasted that long, it has been complex, challenging, rewarding, frustrating and educational.

"Syncrude makes crude petroleum from its operations north of Fort McMurray, Alberta. The company is located in the Regional Municipality of Wood Buffalo, which includes one of Canada's highest proportions of Aboriginal people as a percentage of the local population. Syncrude employs over 700 Aboriginal people on its site (including contractors)—about 13–14 per cent of its workforce, which is appropriate, given Aboriginal representation in the region's population. Syncrude has done over \$50 million business with Aboriginal companies, many of which it helped create.

"Syncrude knew that its operations were going to have a major impact on the Aboriginal communities in the region . . . groups of people, many of whom led a more or less traditional way of life. The culture shock was tremendous. So the company planned for the impact before it became a problem. Syncrude worked closely with Aboriginal communities from the outset—sharing the wealth and creating widespread opportunity all along the way. **The company integrated its Aboriginal Development Program into its operations as a normal way of doing business.**

"The fundamental objective should be to help Aboriginal people to help themselves. And that's the only premise that will work in the long run. Syncrude works with Aboriginal employees and contractors on meaningful opportunities and helps them develop the tools to achieve their goals.

"But while Syncrude remains free to work on initiatives like that on its own, a more recent and perhaps more significant development is the 'regionalization' of the relationship between the entire oil sands industry and resource industry developers and five of Wood Buffalo's First Nations. In the normal course of business, industry consulted with stakeholders, including the Athabasca Tribal Council (ATC), made up of the Fort McKay First Nation, the Athabasca Chipewyan First Nation, the Mikisew Cree First Nation, the Fort McMurray Number 468 First Nation, and the Chipewyan Prairie First Nation. The ATC developed a strategic plan—the ATC Resource Development Strategy—designed to help First Nations to better understand the issues, to argue for or against them from a base of sound knowledge, and to share in the benefits of a significant amount of economic activity in the region.

"The ATC strategic plan formed the basis of an agreement (signed March 1999) between the ATC and a group of resource industry companies known as the Athabasca Regional Developers (including Syncrude, Suncor, Koch, Gulf, Petro-Canada, Shell and Al-Pac), as well as the provincial and federal governments—the *Capacity Building Agreement*.

"You do need to build a structure if you hope to achieve your goals. The agreement provides the means for groups of people and companies with common regional interests or concerns to come together and deal with them more effectively. As Chief Jim Boucher, President of the ATC, put it in a letter to *The National Post*: **Industry and government are working together for the responsible development of the oil sands . . .**, and they worked hard to include Aboriginal stakeholders in good-faith public consultations around the many issues arising from this major economic development.

"The Capacity Building Agreement is an extension of the **principles and philosophies** embodied in Syncrude's Aboriginal Development Program. For example, where skills upgrading initiatives help Aboriginal people to share in the benefits of expansion, it would be wrong to look at its involvement in education as a gift—because the company gets something out of it too: employees who are just as productive and reliable as any other, who earn their salaries or contract fees, who know how companies work, know what companies need, and who themselves contribute to the creation of opportunity.

"Syncrude's relationships with Aboriginal communities have produced win-win outcomes, and the Capacity Building Agreement gives Syncrude the opportunity to create an even stronger base for more growth and better understanding in the future. What's more, there are advantages to industry and government working together . . . we can share the costs . . . we can respond to common issues much more quickly . . . and we can more easily **build consensus, common understanding, and effective action plans**. In short, we can solve challenges and build opportunity quickly and effectively as a result of the Capacity Building Agreement.

"The Athabasca Regional Developers will work with the ATC so that First Nations communities can build the capacity needed to reach their objectives. The agreement, which involves funding for the process by industry and government, sets out industry's involvement in environmental consulting, infrastructure issues, employment and training initiatives, health and social infrastructure, as well as ATC's longer term goal of achieving self-sufficiency.

"The Capacity Building Agreement, like the majority of Syncrude's Aboriginal initiatives, **is about building partnerships that work . . . is about creating understanding and mutual respect . . . and is about sharing the benefits of the opportunities we create for ourselves**. Partnerships like this take some time to foster—but it can be done. Partnerships of mutual benefit can be established, and we can move forward and prosper together.

"Syncrude's message to other corporations: **Apply your strategy with total commitment . . . agree to work together constructively . . . accept that there will be times it will seem easy to quit . . . and be sincere. This is the recipe for success.**"

reviews). For example, **Syncrude**'s plans for expansion were facilitated by its excellent relationship with Aboriginal communities, people and firms. The costs of delay can potentially amount to millions, and the ability to expedite regulatory processes through positive reputation can have a significant bottom-line impact.

The ability of companies to differentiate themselves on the basis of their reputation with Aboriginal communities can lead to significant reduction of business risk and cost. Strong relationships build strong mutual understanding and can enable companies to identify emerging opportunities that, through innovation, creativity and agility, can often provide "first mover advantage." In competitive and often turbulent markets, the ability to avoid risks and capitalize on opportunities in advance of competitors is a competitive advantage.

Gaining Customers Through Relationships: Aboriginal people, entities and firms are becoming an important emerging market for a cross-section of large and medium-sized corporations. For example, the **Bank of Montreal** has been successful in serving this emerging market through "points of access" and developing service delivery people who are representative of the Aboriginal customer base. Over the past 10 years, the Bank has been developing relationships with Aboriginal entities, firms and individuals and has gained a reputation for respecting Aboriginal culture and values while developing programs and services that meet local needs and support self-reliance. The Bank has achieved substantial business return through commercial loans to Aboriginal businesses and entities, financing of joint ventures, and provision of mortgages to Aboriginal institutions and individuals. Companies that are aware of emerging markets can design products and services that meet the needs of a new customer base while at the same time leveraging the benefits of their own strong reputation and positive relations. The risk of not engaging Aboriginal people is to be shut out of an emerging market.

Learning from Experience: Factors Critical to Achieving Success

"By taking a direct role in the economic development of Aboriginal communities across Canada, businesses will not only ensure a better standard of living for Aboriginal Canadians but will ensure long-term value for their own shareholders. It is not just a matter of corporate responsibility, but good business sense, to create a more prosperous future for all of us who call Canada home."

—John E. Cleghorn, Chairman and Chief Executive Officer, Royal Bank, 1997

Many companies have moved or are moving into diverse business arrangements that create wealth and employment for Aboriginal people while enhancing corporate performance and value creation. While the rewards of these arrangements are potentially significant, so too are the risks and challenges. The experiences of profiled Canadian companies, as well as others not examined in this report, have created a foundation of knowledge upon which the development of existing and/or future business arrangements can draw. Reconciling different ways of operating, respecting cultural differences and sensitivities, and communicating effectively are only a few of the critical steps that need to be taken for economic partnership arrangements to succeed and flourish. This section identifies a number of guiding principles and practices drawn from the experiences of profiled companies as well as from member companies of the Conference Board's Aboriginal Economic Development Program and the Council on Corporate-Aboriginal Relations.

Aboriginal people
and firms are
an important
emerging market.

Principles and Policies

The following principles can be used to guide the development, implementation and management of effective economic arrangements between Aboriginal people and Canadian businesses.

- *Openness:* Partners need to be open and honest about objectives and expectations regarding the arrangement.
- *Trust:* Believe in and support mutual goals and value each other's opinions, motives and contributions.
- *Flexibility:* Arrangements need to be able to shift to meet the changing needs and expectations of involved parties as well as to accommodate external pressures.
- *Respect:* Companies need to get to know Aboriginal people—where they are coming from and where they are going—and relate to them in a respectful and responsible way.
- *Equity:* Find out what constitutes a proper sharing of benefits. Each party's contribution must be seen by all involved as being fair and equal in terms of the risk and return expected.
- *Support:* Economic arrangements succeed when each party uses its core competencies to assist the other in realizing its full potential for mutual benefit.
- *Understanding:* Each party needs to clearly articulate what it wants to get out of the relationship, where it wants to take the project or business, how to seize upon opportunities and how to resolve problems.

Business Relationship Principles

Diavik's approach to building strong business relationships with northerners is based on the following principles:

- Businesses must be competitive and meet the service and quality standards of the mining industry.
- Long-term viability is a primary consideration in encouraging and assisting northerners in fostering business relationships with Diavik.
- Increasing northern business capacity (i.e., building technical and business capacity that may be applicable to other markets) is important to Diavik.
- In providing support, all businesses, regardless of size and capabilities, will be treated fairly and with respect.
- Maximum transparency and confidentiality in its business dealings with the public are important to Diavik.
- In dealing with northerners, Diavik subscribes to all applicable northern business codes, practices and guidelines.
- Diavik is committed to taking an active role in the business opportunity identification and planning process.
- Diavik helps businesses to develop long-lasting "corporate capacity" and realize economic benefits from relationships with the company.

From Principles and Policies to Practice

Moving from principles and policies to practice requires commitment on the part of business. While company approaches will vary, depending on the specific situation and nature of the economic relationship, following some important steps will help to increase the likelihood of success:

- Look for a long-term relationship; build loyalty and a common vision.
- Understand the unique goals, needs and capabilities of your partner.
- Anticipate challenges and be flexible about different approaches to dealing with them.
- Maintain an open and honest exchange of ideas.
- Be patient and listen.

Following these steps can assist companies in realizing the benefits of entering into economic arrangements. For example, successful supplier relationships with Aboriginal firms can be developed by following these "good practice" activities:

1. Top-level management gives full, hands-on support.
2. The relationship is based on the supply of a particular direct material or material class.
3. A sincere intent exists for a commitment to a long-term, mutually beneficial relationship.
4. A joint, multidisciplinary team is typically in place to assure the relationship stays healthy and pursues a

"continuous improvement" philosophy towards quality, service, cost of material, and ownership.

5. There is frequent high-level executive communication between parties, and occasionally executives are designated to be liaisons or mentors to the relationship.
6. Confidential information about design, process, cost and technical issues is openly shared between companies during the life cycle of the supplying relationship; this openness comes as a fruit of many years of getting to know and trust one another.
7. Formal and comprehensive supplier evaluation and performance mechanisms are in place.
8. Economic and operational benefits are achieved through the relationship.

Beyond principles and "good practice steps" there are real challenges that must be addressed in order for Aboriginal firms to take advantage of business opportunities. Some of these challenges can be addressed with the help of Canadian business; other challenges are more complex and require substantial changes to the current Aboriginal economic system. Within the context of the former, some of the needs of Aboriginal firms are as follows.

- Boards of directors of First Nations companies need to continue the development of business skills that will enable them to make decisions about direction/operation.
- Information about dealing with large corporations is required. There is a need to develop relationships to enable Aboriginal firms to adapt. These firms also need timely information from corporations to ensure that they are given opportunities to respond to emerging business opportunities.
- Managers need the capacity to prepare a profile of their capability, plan and organize a project (including design and construction management) and design marketing material, as well as develop an inventory and understand the business sector, market trends, project performance measurement, and quality.
- Access to a construction contractor can provide pre-construction advice on costs, schedule, construction methodology, and conditions in the marketplace.
- Access to capital and technical assistance is limited, although regional business centres can provide loans and help with the preparation of the business plan. Cash flow difficulties arise because of limited knowledge of accounting principles and practices.
- Corporations and governments can provide mentoring in business planning, financial management, and accounting and administrative systems through secondment/lending of employees to help build the capacity of Aboriginal firms. Corporations can provide interim financing by advancing loans/grants.

- Government contracts could be awarded on the basis of a construction management model rather than by the traditional open bid approach, which doesn't maximize the use of local resources, the building of corporate capacity by First Nations communities or the transfer of skills to local labour.

Specific actions that businesses and government (as partner and facilitator) can undertake to address the needs of Aboriginal firms are shown in the box below.

Summary

Aboriginal people are on the threshold of becoming important economic players. *Creating Value Through*

Trust is
critical in
a business
relationship.

Corporate-Aboriginal Economic Relationships shows how corporate-Aboriginal economic relationships can build business value while shifting mainstream

Aboriginal socio-economic analysis away from a dependency focus. Aboriginal people are working to move beyond

dependency relationships and are strengthened by a heightened sense of economic importance and their ability to shape their own future. Demographic, education, employment and enterprise statistics all support the

conclusion that Aboriginal people are increasingly an economic community that cannot be ignored by Canadian business. Canadian businesses that fail to recognize these trends or to develop strategies that tap into the possibilities presented by them will miss out on opportunities to create business and societal value and may become exposed to substantial business risks.

As the preceding analysis shows, substantial business and societal benefits arise from effective Aboriginal engagement strategies, such as:

- creation of a skilled labour force for the company and society;
- increased corporate Aboriginal employment, leading to a more representative labour force;
- transfer of business opportunities and skills to Aboriginal enterprise, creating effective corporate suppliers and business partners; and
- higher Aboriginal employment and income, leading to an expanded customer base.

Canadian businesses that are forward-looking have the opportunity to develop strategies for working together with Aboriginal people to build win-win economic relationships that create wealth and value for business and society. Canada's performance and potential are greatly influenced by the business community's ability to take the lead and be innovative in realizing opportunities while minimizing risks by addressing challenges.

Addressing Aboriginal Firms' Needs: What Can Corporations and Governments Do?

1. Plan for Aboriginal firms' participation by matching business opportunities with Aboriginal business capabilities.
2. Communicate business opportunities and project requirements to Aboriginal firms in a timely and effective manner that will allow them to prepare for business opportunities.
3. Ensure that the business relationship process is technically and financially viable.
4. Ensure that all business relationships with the company result in opportunities for Aboriginal firms to participate. Price/quality competitiveness should be key to achieving this goal.
5. Use the available economic and business development programs of governments, Aboriginal capital corporations, etc., aimed at maximizing Aboriginal firms' participation in business.
6. Encourage joint ventures and business collaboration between major corporate suppliers/contractors and Aboriginal firms.
7. Assist Aboriginal firms to develop sustainable corporate capacity to take advantage of business opportunities with your company, your contractors/suppliers and other corporations in the area/sector.
8. Treat Aboriginal firms with fairness and respect based on responsible business practices and applicable local business codes, practices and guidelines.
9. Monitor, evaluate and report to stakeholders any business development results, issues or expectations that can affect or are affected by corporate operations.

Corporate-Aboriginal economic relationships should be viewed as a business opportunity and an investment that creates value rather than a cost and a risk. As the examples of the companies highlighted in this report show,

leadership and innovation in corporate-Aboriginal economic relationships have contributed to improved corporate performance through the creation of value and the reduction of business cost and risk.

1 The total of 1.3 million is a DIAND estimate (1998). According to the 1996 Census, there were 799,010 Aboriginal people. Due to gaps in reserve enumeration (some bands chose not to participate), and changes to definition and how Aboriginal ancestry was identified, the census figures are considered to underrepresent the actual population. Therefore, the DIAND figures have been used in this report.

2 A registered Indian is a person who is eligible to receive benefits under the *Indian Act*. Eligible persons are considered to be status Indians.

3 *Performance and Potential 2000-2001* (Ottawa: The Conference Board of Canada, 2000).

Other Conference Board Research on Corporate–Aboriginal Relationships

During the past five years, The Conference Board of Canada has carried out research on corporate–Aboriginal relations. Below are the key findings of the research.

Employment Prospects for Aboriginal People, Summary (1998)

Over the next 10 years, Canada will witness a dramatic increase in the size of the Aboriginal working-age population, which will grow three to five times as fast as its non-Aboriginal counterpart. Just to maintain current levels of employment, given stable labour force participation rates, an additional 160,000 Aboriginal people will need to find work by 2006. This will mean increasing the number of employed Aboriginal people by 50 per cent—a truly daunting task. Aboriginal communities and the private and public sectors will have to implement creative solutions to narrow the education and employment gaps that exist among Aboriginal people.

Some Canadian companies are already taking action and have implemented corporate Aboriginal employment strategies to lessen this looming crisis. Others are approaching the situation as an opportunity to create and retain diverse workforces while building relationships with Aboriginal communities.

Companies leading the charge stress the importance of developing and implementing such a strategy. Those that have done so have found that they are better able to:

- recruit and retain Aboriginal employees,
- build relationships with Aboriginal communities, and
- participate in multi-stakeholder training-to-employment partnerships to increase the number of Aboriginal people employed in high-growth job sectors.

Recruitment strategies focus on providing career information and counselling in Aboriginal communities through career seminars and networking with local leaders. A strong

outreach program with the Aboriginal communities leads to better mutual understanding of corporate and Aboriginal cultures and enhances the success rates for recruitment and retention.

Retaining Aboriginal employees clearly requires sensitivity and mechanisms such as support groups and mentoring programs. An emphasis on cross-cultural training programs and awareness training for all employees is crucial. In-house Aboriginal advisory groups and liaison officers can build bridges between Aboriginal and non-Aboriginal employees within the company.

These and other corporate approaches have been designed to minimize the key factors preventing greater participation in the workforce by Aboriginal people. Such factors include the following.

- The mismatch in the geographical distribution of jobs and Aboriginal people, a situation that is likely to be exacerbated, as the majority of jobs created over the next 10 years will be in the provinces with smaller shares of the Aboriginal population.
- The relatively low level of educational attainment of Aboriginal people in younger age groups (15 to 24 years of age), where participation rates are lower than among non-Aboriginal people.
- The low number of Aboriginal applicants even when jobs are available, due to information gaps as to what jobs are open and what skills they require.
- The lack of role models in such high-demand careers as computer science, electronics, business, engineering and science.
- The lack of educational institutions that provide the education and skills Aboriginal youth need to compete in the labour market. ■

The Best of Both Worlds: Corporate Responsibility and Performance in Aboriginal Relations, Summary (2000)

Aboriginal people are seeking opportunities to participate in Canada's economy and business in order to become self-reliant—on their own terms. A growing and relatively young Aboriginal population, economic and business development, treaties, land claim settlements and moves towards self-government are redefining the relationship between Canada and its Aboriginal population.

These developments translate into opportunities and challenges for Canadian corporations. Many corporations recognize that they need to build mutually beneficial relationships with Aboriginal people—as employees, customers, business partners and stakeholders. They see that it is in their business interest to do so: a number of them have significant investments on Aboriginal lands; Aboriginal-owned companies have become important suppliers and business partners; and Aboriginal people form a significant and growing part of both their labour force and their customer base.

A number of corporations have developed successful strategies to train, recruit and retain a larger percentage of Aboriginal people and reduce their higher than average level of unemployment. In partnership with Aboriginal leaders and government, they have been supporting educational and on-the-job training initiatives that enhance the employability skills and employment prospects of Aboriginal people. With a large young Aboriginal population entering the labour market, more needs to be done to avert the looming crisis of increasing unemployment.

In order to promote their economic and business development and create employment for their people, Aboriginal leaders have been diversifying and expanding their economies, developing resources and keeping the benefits in their communities, and improving their

capacity for creating wealth and employment. To gain access to the investment and expertise needed for building their capacity for economic development, they have been forming partnerships with corporations.

Natural resource companies operating on or near Aboriginal lands are joining forces with Aboriginal communities to develop the resources for their mutual benefit. Through consultation, they are entering into agreements that provide business certainty while ensuring business, training and employment opportunities for Aboriginal people.

Leading corporations have found that by establishing trust and a respectful relationship with Aboriginal communities and by supporting their economic and business development efforts and aspirations towards self-reliance, they improve their own performance. ■

The Ties That Bind: Corporate Mentoring With Aboriginal Firms, Summary (2000)

- *Through mentoring relationships, leading corporations have been transferring management and business skills, establishing supplier relationships and facilitating access to contracts for Aboriginal firms.*
- *Corporate mentoring has strengthened Aboriginal firms' business capacity, growth and diversification and contributed to economic development in Aboriginal communities.*
- *For corporations, mentoring with Aboriginal firms has facilitated market access, improved the cost and quality of goods and services from suppliers and enhanced their reputation with key stakeholders—Aboriginal leaders, communities and people.*

Corporations are interested in the success of Aboriginal firms—as joint venture partners, subcontractors, suppliers of goods and services, customers, and sources of economic development in Aboriginal communities. The corporate business rationale for building Aboriginal corporate capacity is that it is good business practice, it establishes a source of effective local suppliers, and it ensures that a “fair” share of the benefits from economic development goes to Aboriginal communities.

Corporate performance in building business relationships with Aboriginal firms is determined by three factors:

- senior management commitment and direction in ensuring that business units, contractors and suppliers maximize the use of Aboriginal firms
- identification of departmental needs and alignment of these with Aboriginal contractors' (current and new) business capabilities

- monitoring of performance and ongoing transfer of business, management and administrative expertise to Aboriginal firms

A corporate–Aboriginal relations policy needs to be put in place and have senior management commitment to make sure that there are specific goals and deliverables/defined outcomes for Aboriginal business participation. Support from different corporate departments helps to ensure that the Aboriginal firm gets its share of business contracts. Sole-sourcing of contracts to Aboriginal firms at an early stage helps them get off the ground. A long-term relationship/commitment provides opportunity for growth and diversification based on the changing needs of business. A three- to five-year contract provides stability in cash flow and facilitates access to lines of credit from financial institutions.

A number of Aboriginal firms have developed the capacity to deliver quality products and services on time, devised business plans that respond to emerging needs and contract opportunities, and obtained the business management tools and knowledge to run their companies efficiently. Aboriginal firms are establishing business relationships with corporations in order to improve their access to capital, markets, management skills and technical training. Subcontracting and business joint ventures have enabled these businesses to establish themselves as reliable suppliers and partners to corporations.

Corporations and federal/provincial governments must work together to address the needs of Aboriginal firms and the various responsibilities for ensuring that these firms succeed. It is important to develop a profile of these firms—their expertise, capacity and potential—and identify any gaps and the resources needed to close those gaps. There is often a lead time required to develop the needed business capacity.

The commitment of senior corporate executives, the dedication of resources, and the setting of goals and targets for performance are key. There is a need to establish an ongoing business relationship that reconciles corporate objectives with First Nations' needs and aspirations.

Corporations can enhance Aboriginal firms' performance by transferring management expertise (especially by short-term assignment of executives), facilitating access to contracts, and encouraging contractors to partner or subcontract with Aboriginal firms. ■

Glossary

Aboriginal	Aboriginal peoples are considered, in accordance with Section 35(2) of the Constitution, to include “the Indian, Inuit and Metis peoples of Canada.”	Métis	People of mixed First Nation and European ancestry who identify themselves as Metis people, as distinct from First Nations people, Inuit or non-Aboriginal people
Band	A group of First Nations people for whom lands have been set apart and money is held by the Crown	Non-Status Indian	Indian person who is not registered as an Indian under the <i>Indian Act</i>
First Nations	Indian people in Canada, both status and non-status; also used in the singular to replace the word “band” in the name of their community	Registered Indian	Indian person who is eligible to receive benefits under the <i>Indian Act</i> ; also referred to as status Indian.
Indian	All Aboriginal people in Canada who are not Inuit or Metis. There are three legal definitions that apply to Indians in Canada: status, non-status and treaty.	Status Indian	Indian person who is registered under the <i>Indian Act</i>
Inuit	Aboriginal people in northern Canada, who live above the tree line in Nunavut, the North West Territories, northern Quebec and Labrador		

Source: Indian Affairs and Northern Development Canada, 2000.



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TAKING STEPS TO ADVANCE CORPORATE-ABORIGINAL ECONOMIC RELATIONSHIPS

Corporate Canada has made significant advances but needs to move beyond discussing current practice in economic relationships with Aboriginal peoples, and begin to collaboratively come up with innovative solutions to address challenges and realize opportunities.

This message was clearly voiced at the first *Business Leaders' Forum on Aboriginal Economic Development*, held on November 15, 2001, in Toronto. This meeting brought together senior representatives from business, Aboriginal and government sectors to discuss The Conference Board of Canada's report *Creating Value Through Corporate-Aboriginal Economic Relationships* and to identify strategies for developing innovative approaches to enhancing Aboriginal education and training, employment and enterprise.

Communicate the message

Participants identified *Creating Value Through Corporate-Aboriginal Economic Relationships* as a potentially powerful tool for changing attitudes and perceptions that disbelievers, sceptics and the non-engaged sometimes have towards Aboriginal people, firms and communities.

The Conference Board is taking steps to address this recommendation: over the next year a comprehensive communications campaign will bring the message to Canada's business community. To this end, the Board has created a special Web site at www.aboriginalrelations.com to get the message out.

“For the first time, a solid ‘business case’ for economic engagement has been articulated in a way that Canadian companies concerned about minimizing downside risk and maximizing upside opportunity will be hard pressed to ignore.”

—Ronald Turner, Executive V.P.,
Operations & Engineering, TransCanada

Understanding the Strategic Environment Economic Analysis Business and Society Policy Analysis

Organizational Response Improving Organizational Effectiveness Managing Human Resources Managing Innovation and Technology

Actions that business, government, the Conference Board and Aboriginal partners can undertake to advance the pursuit of innovative solutions

The challenge of building Aboriginal economies through business relationships requires single-issue as well as holistic solutions. Representatives from government, corporate Canada and Aboriginal business identified steps that can be pursued either through individual action or through partnership:

- Take steps to enhance Aboriginal business entrepreneurial capacity
- Link Aboriginal employability skills training with private-sector demand
- Develop effective public policies to influence and encourage Canada's private sector to become more involved in Aboriginal economic development
- Engage organized labour in the development of strategies to include local Aboriginal peoples in employment opportunities
- Identify Canada's future workforce needs (i.e., skills, education) and develop strategies that will enable today's Aboriginal youth to meet them
- Encourage Canada's private sector to become involved in financial mechanisms that promote activities with Aboriginal businesses such as joint ventures, mergers and acquisitions
- Develop mechanisms that enable Aboriginal start-ups/small businesses to grow and expand
- Encourage Aboriginal communities to join forces, either with one another or with non-Aboriginal businesses to realize large market opportunities (i.e., increase scale of operation)
- Conduct research and communicate insights to strengthen conceptual understanding of the elements that contribute to successful economic relationships, at both macro and micro levels, between Aboriginal and non-Aboriginal businesses

“Canadian business has a wealth of insight, experience and capacity that can be applied to the development of innovative solutions. We can't solve all the challenges, but by applying ourselves to these action steps we may be able to open up new opportunities and help create further economic relationships with Aboriginal peoples.”

—Sue Lee, Senior V.P., Human Resources and Communications, Suncor Energy

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