

## **Indigenous Business Toolkit Project**

# **Indigenous and Non-Indigenous Businesses: Similarities and Differences**

Vern Bachiu  
Murray Fulton  
Kristy Jackson

Johnson Shoyama Graduate School of Public Policy  
University of Saskatchewan  
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# Indigenous and Non-Indigenous Businesses: Similarities and Differences

## Summary

All businesses have employees, customers, and financial resources and must maintain some minimum level of profitability to be sustainable. Beyond that, however, businesses differ in numerous ways. Indigenous businesses have some unique characteristics compared to their non-Indigenous counterparts, including the nature of ownership and management, the products or services that are provided, the customer base being served, and the values that underpin the business.

As Indigenous participation in business grows, the definition of Indigenous businesses will evolve. Successful Indigenous businesses are proving to be diverse, innovative, and successful, blurring the lines of what it means to be Indigenous in a business context.



## Similarities

Indigenous and non-Indigenous businesses have numerous similarities, including:

1. **Financial Sustainability Through Profitability:** To sustain themselves financially, businesses must ensure revenues are large enough to cover costs – i.e., profits must be positive. Without some level of positive profits, businesses cannot continue to operate over the long term. Moreover, the path to profitability is a journey: start-ups often take several years to become self-sustaining, while existing businesses must constantly check whether what they are doing is viable over the long term. Achieving profitability hinges on the key components presented below.
2. **Customers:** To generate the revenue needed to cover costs, businesses must offer products or services that customers are willing to purchase. Since customers – this includes other businesses as well as final consumers – have choices, the quality and prices of a business’s products and/or services are crucial in attracting and retaining customers. Customers seldom patronize a business because it is good for the business. Instead, customers purchase products or services from a business because doing so meets a need or solves a problem. The need for a business to provide goods and services that customers want is foundational to good business practices.
3. **People:** Successful businesses require competent management and staff. Without them costs will rise, product quality will fall, revenue opportunities will be missed, poor strategic decisions will be made, and profitability will suffer.
4. **Financial Resources:** Businesses need capital to acquire physical assets, to cover operating expenses, and to pay for the expertise required to produce a product and generate sales. The need for capital is particularly acute at start-up when the business has many costs but very little, if any, revenue. Capital is also needed once the business is up and running, since funds are needed to replace assets and make investments in new business lines.

## Unique Aspects of Indigenous Business

While Indigenous and non-Indigenous businesses share the same basic elements, Indigenous businesses have several distinct characteristics:

1. **Ownership:** While Indigenous ownership is an important feature of Indigenous businesses, the extent of Indigenous ownership varies. Some Indigenous businesses are 100 per cent Indigenous owned. Although many Indigenous groups seek majority ownership, partnerships with non-Indigenous entities are common. For instance, Indigenous groups may own a small percentage of a large project. In other cases, Indigenous groups may have majority ownership (e.g., 51% or more), but limited control because non-Indigenous partners provide capital and management. These latter arrangements are referred to as passive ownership structures or armchair deals.

Ownership alone is not a good gauge of investment desirability. For instance, the armchair deals described above may return little profit to the Indigenous owner if most of the net revenue goes to the minority shareholder through the payment of a management fee.

2. **Separation of Business and Politics:** The term “separation of business and politics” is often heard in discussions of Indigenous businesses. Since many Indigenous businesses are owned by an Indigenous community, the question arises as to whether and to what degree the community leaders will influence business decisions. While it is important for community leaders – e.g., Chief and Council of a First Nation – to have some oversight of the businesses they own, it is also important that the businesses be given the autonomy they require to make sound business decisions and to generate the trust that is required to deal with customers, suppliers, and other owners. Since the total separation of business and politics is impossible, the business-political relationship needs to be managed – indeed, experience has shown that Indigenous communities and businesses that have found the proper balance between politics and business are more successful. For further details on this issue, see the module *Separation of Politics and Business*.<sup>1</sup>
3. **History and Connection to the Business World:** Indigenous businesses are a relatively new development. For example, the longest operating Indigenous Economic Development Corporations (EDCs), the most common form of First Nation business, have only been operating for about 40 years old. While many of these EDCs have achieved significant business success, there is nevertheless a lack of long-term experience and widespread expertise with Indigenous businesses.
4. **Assets and Resources:** All businesses require assets and resources to operate. For non-Indigenous businesses, these assets and resources are normally contributed by private individuals. For many Indigenous Nation-owned businesses, these assets and resources are often provided by the community. Communal ownership requires a greater focus on governance and accountability. Indeed, Indigenous businesses often have more experience in governance than their non-Indigenous counterparts.
5. **Management and Staff:** Indigenous businesses often strive to have a higher percentage of Indigenous people in management and staff positions. However, determining the degree of Indigeneity based on staffing levels can be challenging. Experience is a crucial factor in both management and operations, and it often takes time and collaboration to build a strong Indigenous human resource capability. Sustainable businesses provide the platform to build and develop Indigenous management and staff capacity and experience when it is not there from the onset.

Indigenous businesses have often Indigenized such things as human resource (HR) policy, which in turn has an effect on how the workplace is managed. For instance, an

Indigenous HR approach may mean changes to bereavement leave policy that recognize large extended families rather than the small nuclear family.

6. **Products or Services:** Indigenous businesses may prioritize products or services rooted in Indigenous culture or values, potentially distinguishing themselves from others. For instance, businesses like the Wanuskewin Visitor Centre or Waters Edge Eco Lodge may be considered more Indigenous due to their primary focus on Indigenous offerings.
7. **Markets Served:** Some Indigenous businesses primarily cater to Indigenous markets – e.g., serving their communities with essential services like grocery and convenience stores. While the focus on community needs is not solely an Indigenous characteristic (e.g., community co-operatives also share this attribute), it is often an important trait of Indigenous businesses.
8. **Indigenous Values:** Although there is no single Indigenous worldview or set of values, the Indigenous perspectives and values of the owners are often incorporated into business practices and set Indigenous businesses apart. Companies like Mistik Management Ltd., which engages local resource users and considers Indigenous values in their operations, exemplify this approach.<sup>2</sup>
9. **Impacts and Benefits:** The extent to which a business benefits Indigenous people and nations, regardless of ownership and management, is also important. The benefits that are considered include aspects like revenue sharing, employment opportunities, support for Indigenous suppliers, and contributions to community priorities.
10. **Rights and Opportunities:** Many Indigenous Nations have rights that must be taken into account, especially when large natural resource-based businesses are being developed. In the past, non-Indigenous businesses were often reluctant to deal with Indigenous businesses. However, that is changing and some larger businesses, especially in the natural resource sector, are leading the way in developing relationships with Indigenous Nations, taking their needs and interests into account, and committing to employment, contracting, and community benefits. On some occasions, Indigenous ownership can be a competitive advantage.

## **Conclusion**

“Business is business” is true for the most businesses regardless of whether they are Indigenous or non-Indigenous. For example, Northern Resource Trucking (NRT), an Indigenous majority-owned business, wants to be known as a “good medium-sized trucking business that happens to be Indigenous owned.” While there are many similarities between Indigenous and non-Indigenous businesses, there are also important differences in ownership, governance, management, employees, and community benefits.

## Resources

Bachiu, V., M.E. Fulton, and K. Jackson. 2024. *Separation of Politics and Business*. Indigenous Business Toolkit Project. Johnson Shoyama Graduate School of Public Policy, University of Saskatchewan. <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

Bachiu, V. Wolf, P. and Fulton, M. Northern Resource Trucking (NRT). Indigenous Leadership: Governance and Development Project Case Study. Accessed February 6, 2024 at <https://www.schoolofpublicpolicy.sk.ca/documents/research/case-studies/mltcii-case-study.pdf>.

Fulton, M. and J. Wasacase-Merasty. 2002. Meadow Lake Tribal Council Industrial Investment (MLTCII). Indigenous Leadership: Governance and Development Project Case Study. Accessed February 6, 2024 at <https://www.schoolofpublicpolicy.sk.ca/documents/research/case-studies/mltcii-case-study.pdf>

## Endnotes

<sup>1</sup> See Bachiu, Fulton, and Jackson (2024).

<sup>2</sup> For more details on Mistik Management, see Fulton and Wasacase-Merasty (2022).

## **Indigenous Business Toolkit Project**

The Indigenous Business Toolkit Project is designed to provide Indigenous communities and individuals with the practical tools they and their advisors can use to undertake successful economic development. Indigenous economic development is more successful when everyone – community members, community leaders, consultants, business professionals, employees, and/or potential partners – understands its many aspects.

The Toolkit provides step-by-step instructions on selected aspects of economic development based on the best practices of leaders in the field. The modules in the Toolkit cover everything from the role of economic development in nation building, to the importance of business charters, to the various legal forms that can be used to pursue economic development, to the steps needed to identify and negotiate beneficial partnerships, to the governance challenges that economic development must address.

The modules are available for free and for use by anyone. The full set of Toolkit modules can be found at: <https://www.schoolofpublicpolicy.sk.ca/research-ideas/projects-and-labs/indigenous-leadership-governance-and-development-project.php>.

The Indigenous Business Toolkit Project is part of the larger Indigenous Leadership: Governance and Development project designed to support long-term Indigenous economic development. In addition to the toolkit, the larger project involves capturing the economic development experience of Saskatchewan Indigenous communities through a series of case studies. The case studies, along with a description of the larger project, can be found at the website listed above.

### **Disclaimer**

The information contained in this document is designed to provide an overview of a particular topic and should not replace legal and other expert advice. Groups wishing to use the concepts discussed should receive the appropriate professional advice necessary to ensure their specific goals and circumstances are considered and recognized.

### **The Authors**

Vern Bachiu, President and CEO of Triall Consulting, is a business consultant with over four decades of experience in working with Indigenous communities in business, governance, and education.

Murray Fulton, professor emeritus with the Johnson Shoyama Graduate School of Public Policy (University of Saskatchewan campus), is an agricultural economist. He has done extensive research and writing on governance, rural development, and co-operative development.

Kristy Jackson, Director of Marketing and Communications at Athabasca Basin Development, (ABD), is a member of Whitefish Lake First Nation #128. Prior to her work at ABD, Kristy was director of communications at the Saskatchewan Indian Gaming Authority.