

LINKS TO LEARNING

Establishing a First Nation's Economic Development Corporation Workshop

December 14th, 2016
Westin Bayshore

By Transformation: Social and Economic Development
Via AFOABC
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Agenda

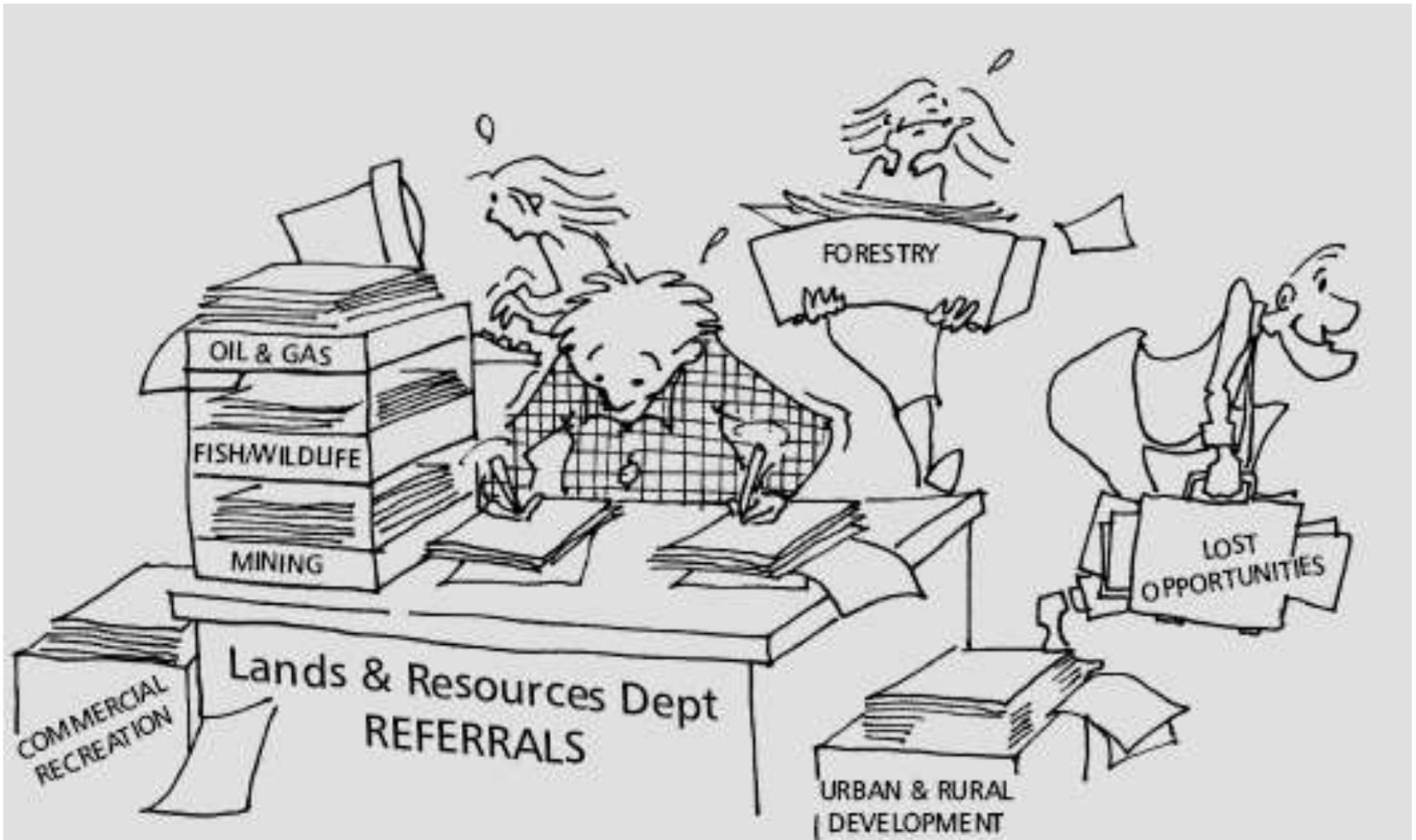
- **9 am-12:pm**
- **Introductions 9- 9:15 am**
- **Module 1 Introduction 9:15- 10:00 am**
- **Module 2 EDO Development 10:00- 10:30 am**
- **Break 10:30- 10:45 am**
- **Module 3 Economic Development Processes
10:45- 12 pm**

MODULE 1 INTRODUCTION TO EDO's

Introduction

- Economic development is the development of economic wealth of the Nation for the well-being of the community
- It is a sustainable increase in living standards that includes an increase in revenue, better quality of life, as well as environmental protection while keeping close ties with culture and traditions.
- Requires clear relationship between Council, EDO, lands and resources department and community and a Trust or wealth management process

Context



Why an EDO?

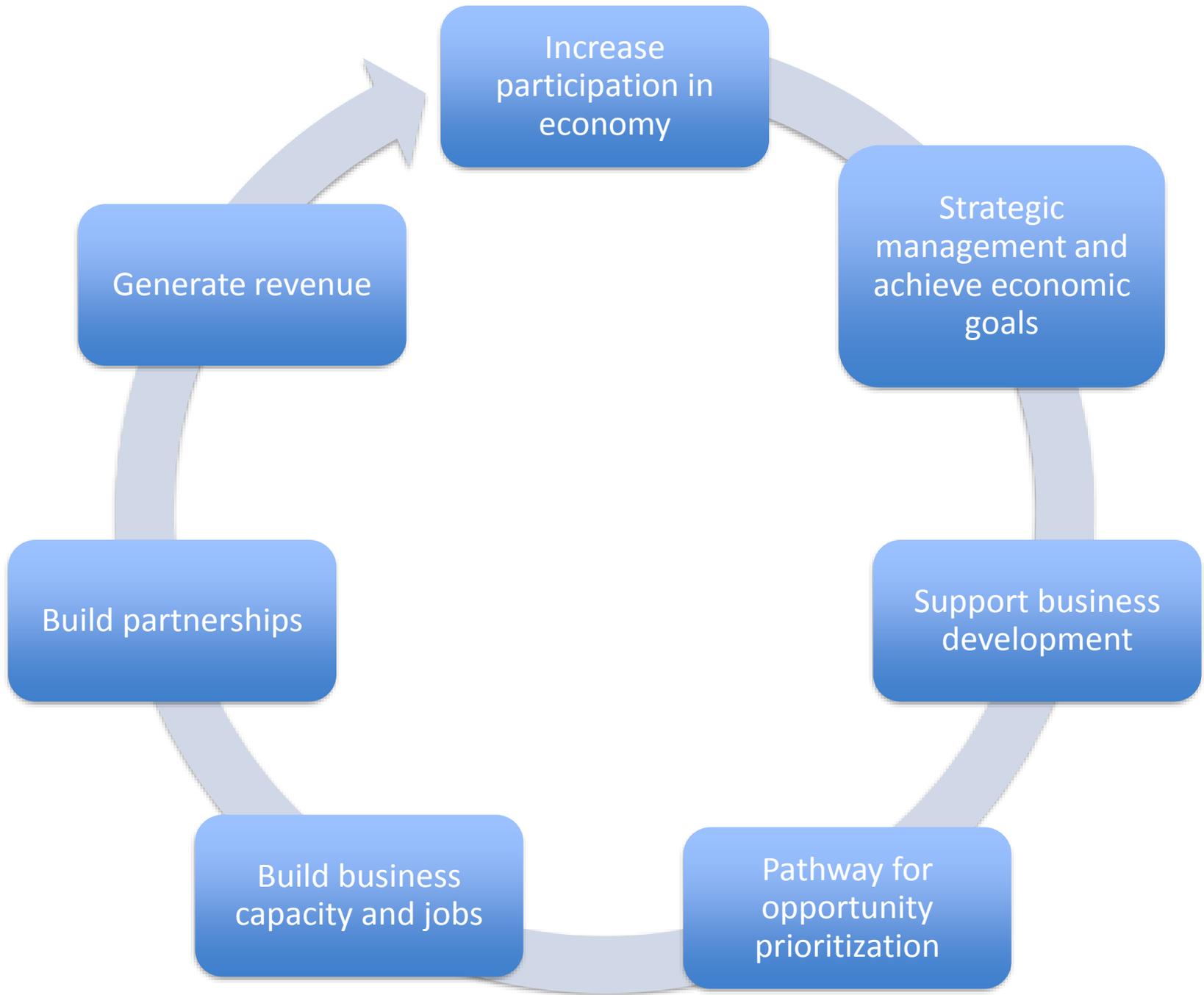
- Examine the business needs of the future
- Establish a management structure
- Frames economic policy
- Link lands management and business development
- System to develop and review mechanisms/deals
- Forward looking budgets and financial projections
- Need for implementation strategies and monitoring
- Clear plan for growth

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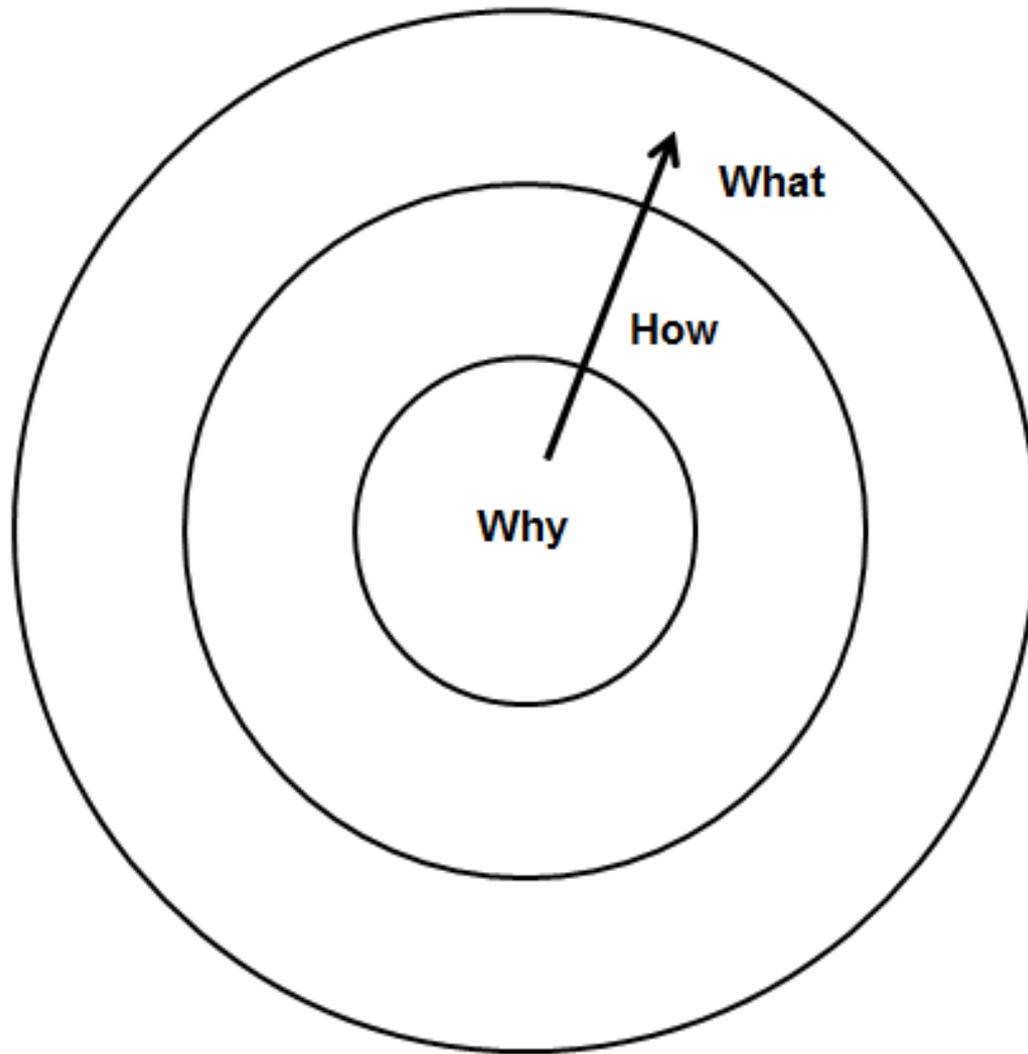
- Establishes corporate structure
- Builds greater controls
- Perception of EDO and its presence externally
- Establish mandate and vision
- Adding new business entities to structure
- Structuring flow of revenue
- Moving from reactionary to strategic
- Create own source revenue

continued

- Systematically removes barriers to development
- Is a structure for accessing business opportunity
- Structure to manage business, projects and distinguish from the FN Government
- Separate risk from the Nation
- Business thinking - instead of program thinking
- Means to access business funding- capital/equity
- 'Closing the gaps' on social and economic



“ Economic development produces the resources and opportunities for Aboriginal people to improve their standard of living and socio-economic well- being through business and employment. It is a way for First Nations and people to achieve self- determination.”



What: The products or services your organization offers.

How: Your organizations unique value proposition or differentiator from your competition.

Why: The very reason your organization exists. A purpose, a cause or belief.

Establishing an Economic Development Corporation

4 primary reasons to structure and EDO:

1. To reducing liability exposure;
2. To maximizing profits (by minimizing taxes and ensure own source revenue
3. To separate political considerations from business decisions
4. Work with business development both on and off reserve lands

Continued

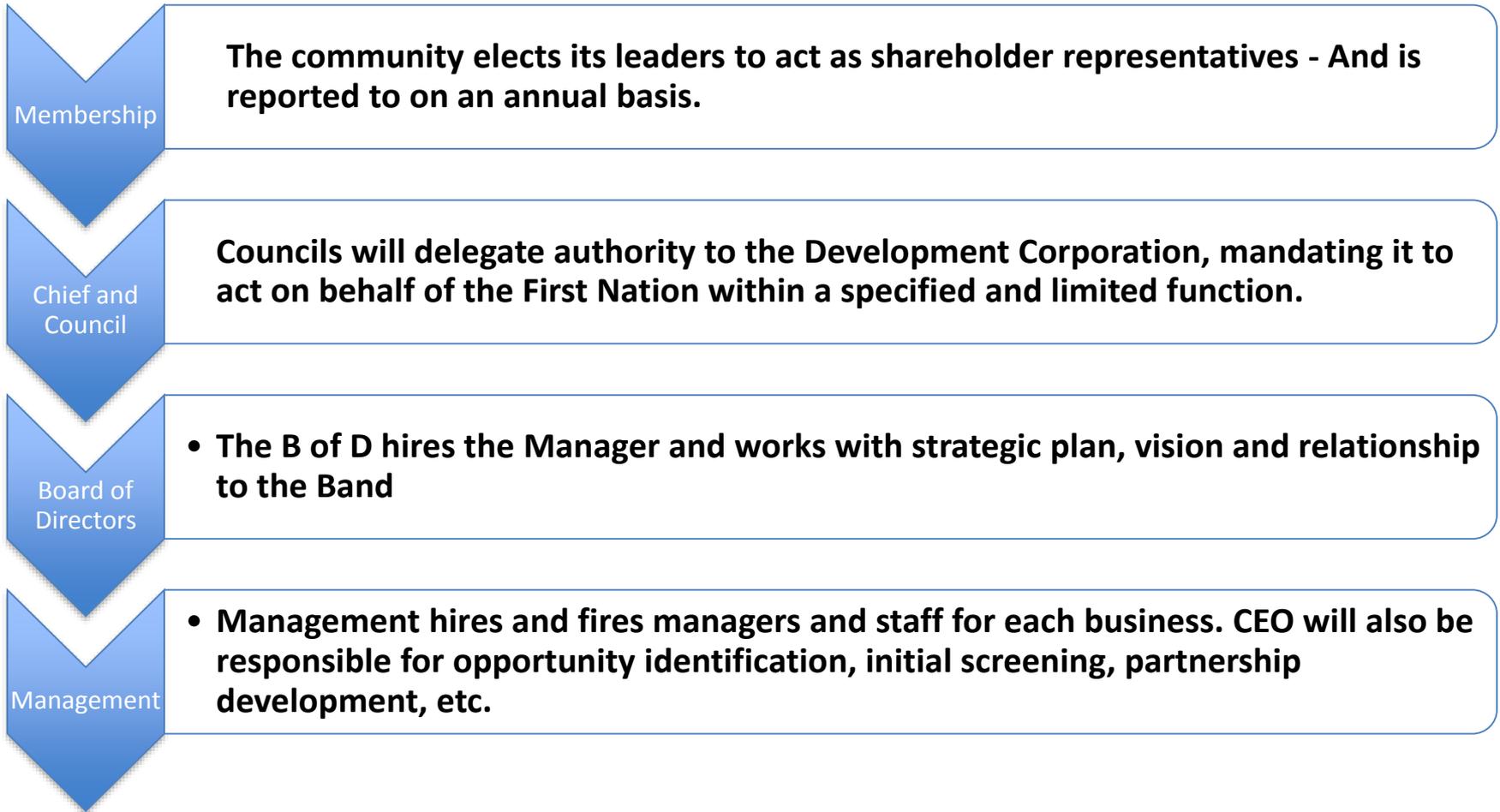
- Vehicle that communities create in order to travel toward a destination
- Create a separate legal-entity business Development Corporation
- Support of new and existing economic development projects and businesses
- Increase investment readiness
- Increase engagement with outside partners and organizations
- Support development of rights and title initiatives

Structuring

Structuring addresses:

1. A corporate structure (creating the legal entities and relationships owned by the First Nation to carry out its economic development); and
2. A governance structure (establishing the processes, roles and responsibilities of the key stakeholders in the First Nation's economic development).
3. Financial structure- establishes the processes for revenue generation and distribution
4. reducing liability exposure;
5. maximizing profits (by minimizing taxes and avoiding own source revenue claw backs by Canada); and
6. Separating political considerations from business decisions.

Structure



Barriers to Economic Development

- Barriers to accessing economic development resources
- Barriers to accessing business support programs
- Barriers resulting from federal management and institutional development approaches.
- An EDO needs to be developing a strategic response to internal and external barriers and limitations

Continued

- Lack of capital
- Political interference
- Lack of continuity in leadership
- Lack of long term planning
- Focus on social issues rather than economic ones

MODULE 2 EDO DEVELOPMENT

Creating an Economic Focus

- Know what business you are in and what business you are not in
- Know the outcomes or results you want – this is the point you manage from
- Know your economic development mandate

Core EDO Business Functions

- Governance process
- Administration process
- Finance
- Operations
- Marketing/Communications

Next Level Business Development

- **What gets you there in an EDO- moving forward**
 - Good governance ability
 - Good management ability
 - Good partnerships- defined
 - Good business risk - leveragability
 - Good business performance- expectations/results

Economic Development Governance Qualities

- Stability, consistency
- Makes timely and informed decisions;
- Eliminates inappropriate political interference in business and program operations;
- Fair and non-political in resolving disputes;
- An entity that can get things done, make progress
- Committed from the top leadership – connection across the Nation
- Investment readiness process set up
- Able to focus on long term strategy
- Stops being reactive and becomes responsive

Organizational Core Documents

Creating an organizational binder keeps all the important information in one place for easy reference and tracking and contains:

1. Governing statute – incorporation papers - Certificate of Incorporation
2. Key dates - note of any deadlines or other important dates in your Organizational Calendar.
3. Agendas
4. Policies and practice – bylaws
5. Minutes of board meetings
6. Minutes of AGMs
7. Minutes of committees
8. Rolling list of decisions
9. Financial affairs - annual budget , your audited -organization’s major sources of revenue, expenses and debts- cash flow
10. Key agreements and outcomes
11. Key reports
12. Strategy plan

Financial Investment and Risk

- Overcoming financial barriers
- Build understanding of how money works
- State of cash flow
- Ability to leverage- know where you are at
- Building financial relationships
- Reduce business risks
- Create environment of business stability
- Build internal financial transparency

Financial Models and Investment Readiness

- State of balance sheets
- Equity position- plan for
- Stability in leadership
- History/relationship with the bank
- Increase Financial Management capacity
- Own source revenue,
- Agreements performance
- Build credit history

Revenue Streams and Business performance

- Know revenue streams
- How does cash moves- clear fiscal relationship with the Band and Trust if there is one
- Build understanding of Good debt and bad debt
- Manage debt and issues – plan for
- Set revenue expectations!

Project Management



INITIATION

The project 'start-up'. It is the phase within which the business problem or opportunity is identified, the solution is agreed, a project formed to produce the solution and a project team appointed.

PLANNING PHASE

- **Project Plan** (outlining the activities, tasks, dependencies and timeframes).
- **Resource Plan** (listing the labor, equipment and materials required)
- **Financial Plan** (identifying the labor, equipment and materials costs)
- **Quality Plan** (providing quality targets, assurance and control measures)
- **Risk Plan** (highlighting potential risks and actions taken to mitigate them)
- **Communications Plan** (listing the information needed to inform stakeholders)
- **Procurement Plan** (identifying products to be sourced from external suppliers)

PROJECT EXECUTION AND CLOSURE

- Involves construction of each deliverable and monitoring and controlling project aspects for finalization
- Know what to expect in each phase

EDO Communication

- This is managing expectations
- Know what to report, when
- Part of good relationships
- Transparency
- Accountability- good processes
- Able to outline process of decision- making
- Understand and outline risk and timeline
- Trust in organization

Managing Opportunities

- Managing current opportunities as well as scanning and readiness for new opportunities is a key success factor of economic development

Strategic planning

- What is the Corporation created in response to?
- What business are you in and what business are you not in?

Key parts-

- Vision
- Objectives
- SWOT- environment
- Opportunities
- Goals
- Actions
- Who, when and update

Strategy

1. Who are we?
2. What is our economy?
3. What are our challenges and opportunities?
4. What are our strengths?
5. What do we want to be?
6. How do we get there?
7. What resources do we have and need?
8. Who is responsible?
9. How much will it cost?
10. How do we know where we get there?

Profile

- **Building your nations economic development profile**
 - Who you are
 - What you are about
 - What you are doing
 - What are opportunities
 - Connection externally
 - Contact person

Managing Expectations

- Watching for membership questions
- Financing questions
- Partnership questions
- Vision management
- Mandate management

Good EDO Government Qualities

- Long term Stability
- Makes timely and informed decisions;
- Eliminates inappropriate political interference in business and program operations;
- Fair and non-political in resolving disputes;
- A bureaucracy that can get things done;
- Committed from the top leadership;
- Investor readiness
 - Decision-making power / Self-rule
 - Capable governing institutions
 - Cultural match
 - Strategic thinking
 - Leadership

Economic Development and Nation Building

- The Nation building approach process
 - Claim jurisdiction (decision-making power)
 - Build capable institutions
 - Identify strategic priorities /concerns
 - Craft development priorities
 - Choose projects
 - Implement them
- Harvard Project

Economic Development- The Big Picture

- Work with CPP, Land Code, develop law
- Develop local economy- build presence/ authority
- Governance and management system- can describe it easily- this is how it works
- Budgets/finance
- Cultural match- see possibility
- Environmental sustainability
- Social Development
- Infrastructure
- Develop land Use and control mechanisms

Situation Analysis

- What are you responding to as a Nation in your immediate economic environment?
- Identify current priorities for economic development
- What conclusions can you draw from these?
- Review Organization chart - partnership structures. Is your EDO economic org chart responsive to this?

Key Relationships and Partnerships

- What are your Nations key economic relationships and partnerships?

Governance Challenges

- Too much meeting time spent on operational details;
- Board members wearing multiple “hats”;
- Re-hashing the same conversations over and over again;
- Lack of information needed to make decisions;
- Distrust between Directors who seem to have different amounts of information and power;
- Tension between Directors trying to represent different agendas;
- A tendency to focus on the past rather than the future;
- Lack of focus, or shortage of time at board meetings;
- Very little connection or engagement with ownership or membership;
- Too much “politics,” not enough progress;
- No feeling of control over the organization;
- Board member burnout or high board turnover rate;

Economic Development Policy

- A policy is any written statement approved by the board or by the membership that:
- Articulates and defines important objectives, principles or values
- Limits or prescribes what kind of action will be taken in different situations
- Defines roles, responsibilities and authority

Types of EDO Policy

- Board Strategy Planning- Strategic direction
- Financial Responsibility- fiduciary duties
- Legal Responsibility
- Effective Management – Performance management, key behaviours- managing change, reporting and accountability,
- Understanding organizational performance – board workflow, managing conflict
- Governance models and Best Practices in Governance

Types of Policy Cont..

- Board decision-making and meeting practices (usually covered partially by by-laws)
 - ◆ Conflict of interest
 - ◆ Board member conduct
 - ◆ Role, responsibilities, and authority of the executive director or CEO
 - ◆ Financial management
 - ◆ Personnel, hiring and other human resource practices
 - ◆ Treatment and protection of consumers, customers, clients or users
 - ◆ Fundraising (including ethical considerations)
 - ◆ Advocacy and public education
 - ◆ Accountability to members, stakeholders and community (may be partially addressed by laws in references to annual general meeting and annual financial report)
- **Operational Policies** Some organizations also try to distinguish between board or governing policies and management or operational policies. This encourages board members to focus their attention on the organization's overall mission and core practices and mandates staff, usually the executive director or CEO, to create the more detailed policies and procedures that are necessary to implement the direction given to them by the Board.

Organizational Binder

- **Creating an organizational binder keeps all your important information in one place for easy reference and tracking and contains:**
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- Key dates - note of any deadlines or other important dates in your Organizational Calendar.
- Policies and practice – bylaws
- Minutes of board meetings
- Minutes of AGMs
- Minutes of committees
- Decision- tracker
- Financial affairs - annual budget , your audited financial statements, and , monthly or quarterly financial statements you receive as a board member.
-Notes your organization's major sources of revenue. Notes your organization's major expenses. Note your organization's debts.

Continued

- Contracts
- Proposals/grants – funding agreements
- Leases/rentals/ agreements
- Insurance - Get a copy of your Directors and Officers Liability insurance policy, your Comprehensive Insurance policy, or any other insurance policies and read them.
- Organizational Calendar - Make a note of any deadlines or renewal dates and add them to your Organizational Calendar

Principles for sound business governance

- **Principle #1: Clarity of Mandate**
- The presence of a clearly established mandate
- **Principle #2: Clarity of Authority**
- The degree of authority must be made clear for the Board and senior staff.
- **Principle #3: Public Accountability and Responsiveness**
- The mandate must be reliant on the endorsement of the public.
- **Principle #4: Clear Sense of Purpose**
- An organization requires a clear sense of its purpose to be stated in its mandate, goals, objectives, and strategies.

cont

- **Principle #5: Full Disclosure**
- The governing body must have access to the information necessary to make decisions.
- **Principle #6: Sense of Integration**
- The Board and its associated entities must all be seen to be operating from the same page.
- **Principle #7: Sound Relationship between the Governing Body and a Senior Staff Person**
- The relationship of the Board and its committees to the Senior Staff Person is critical to how well the overall system is run.
- **Principle #8: Independence of the Governing Body**
- While the governing body may receive advice from several sources, the act of governing must remain solely its responsibility.

Cont

- **Principle #9: Orientation and Succession Planning**
- The Board should ensure that new and returning members receive an orientation briefing at the beginning of each term and that a succession plan is up-to-date. – essential for continuity
- **Principle #10: Ongoing Performance Assessment**
- The model of governance must include a system of action with steps to ensure that it is performing as expected

MODULE 3 ECONOMIC DEVELOPMENT PROCESSES

Key Elements for Agreement –Process Initiation

- Identify purpose of process- goals and interests
- Identify necessary Commitments
- Who needs to be involved?
- How will decisions be made?
- How should the process be structured?
- How will activities be established- record keeping, agendas?
- Conduct of discussions
- How to prioritize projects

Economic Framework

- Introduction
- Describe need for ec dev in the community
- Describe why the community wants to get involved in ec dev
- Lay out the process FN went through to put together strategy
- What was the community consultation in developing the Framework
- Mission Statement
 - Goals
 - Community's Perspectives
- Role of Chief and Council in economic development
- Role of members in economic development
- Community strengths and weaknesses
- Employment interests
- Training and education
- Community Businesses:

Partnerships

- Do background research
- Don't be sold on- know the partner
- Know strengths and weaknesses
- Know exactly what you want from
- Know what you bring

continued

- Socio-Economic Trends
- What is current population and projections for increases
- What Is the breakdown of age group? One group more dominant
- What is trend in outside labour force
- What is level of skills and education in First Nation
- What are the general trends in BC Labour Force
- What are the trends in surrounding cities, communities
- Who are the key businesses
- Best practices or lessons learned in businesses surrounding FN?
- What are the Opportunities in the sectors (specific to your area)
 - Forestry and forest products
 - Alternative Energy
 - Tourism
 - Others?

Economic Development Process

- Opportunity analysis
- Venture selection
- Pre feasibility
- Community and Council review
- Board review
- Feasibility analysis
- Board/Council decision
- Business Plan
- Assessment
- Final decisions



Key Economic Development Questions

- **Strategy:**
- What is our strategy? What are our priorities?
- How do we intend to achieve our objectives?
- How do we deal with external pressures?
- Are we profitable? When will we be profitable?
- How do we address environmental issues?
- How will we grow?

Structure:

- What is the structure?
- How do the various departments/businesses coordinate activities?
- How do the managers organize and align themselves?
- Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing?
- Where are the lines of communication? Explicit and implicit?

Systems

- What are the main systems that run the EDO organization? Consider financial and HR systems as well as communications and decision-making
- Where are the internal controls and how are they monitored and evaluated?
- What internal rules and processes does the organization use to keep on track?

Project Selection- Prioritization

FILTER	DESCRIPTION
# People Employed	This identifies the actual number of people employed. The more people employed, the higher the planning priority
Employment Type	This defines the employment as permanent seasonal, temporary, part time or full time. This indicates the strength of a job and the likelihood that employees will be relying on Employment Insurance or other social assistance. Permanent full time jobs are generally higher planning priorities than seasonal or temporary jobs.
Training Required	Jobs that use existing skills of citizens can be more quickly implemented. The less training required, the higher the planning priority.
FTE's	Full time employment equivalents created (Total yearly hours worked by all people divided 2080 hours/year) This gives an indication of the strength of a job. The higher this value, the higher the planning priority.

Capital Requirement	How much capital equipment or infrastructure is needed to begin employment? The more money needed to start a project, the lower the likelihood that employment will begin soon. The lower this dollar value, the higher the planning priority.
Operating Requirement	How much cash is needed to start and operate a business? The more money needed to start and operate a business, the lower the likelihood that employment will begin soon. The lower this dollar value, the higher the planning priority.
Feasibility Study/ Business Plan Required	If a feasibility study of business plan is required, the lower the likelihood that employment will begin soon. Hence, the lower the planning priority.
Community Benefits	This identifies the economic and social spin off benefits of a business to communities and other businesses. The higher the benefits, the higher the planning priority.

Traditional Use	This indicates the cultural value of a business and is also an indication of the skill of those being employed. Traditional use is a higher planning priority than non- traditional use.
Return On Investment	This measures the return on the initial investment of an activity and measures the ability of an activity to contribute back to the community and other activities. The higher the ROI the higher the planning priority.
Revenue	Brings revenue into local economy
Planning Priority	Based on all factors above, activities and opportunities can be prioritized as to when they can be implemented. Priorities can be rated as immediate, short term (1-2 years) medium 3- 5 years and long term greater than 5 years or not at all
Degree of ownership	Based on percentage of ownership. The higher the ownership and ownership cost structure the higher the priority

Operations Development

- Core Tools
- Staffing
- Processes
- Decision-making
- Relationship- clarify
- Agreements
- Fiscal arrangements
- Business performance defined

Shared Values

- **Shared Values:**
- What are our core values?
- What is the corporate/team culture?
- How strong are the values?
- What are the fundamental values that the corporation was built on?
- How do we make decisions from our core values?

Staff

- **Staff:**
- What positions or specializations are represented within the team/department/company?
- What positions need to be filled?
- Are there gaps in required competencies?

Skills

- What are the strongest skills represented within the EDO?
- Are there any skills gaps?
- What is the EDO known for doing well?
- Does the current have the ability to do the job?
- How are skills monitored and assessed?
- How strong is the business development focus?

Resources

- BC First Nation Portal – Best Practice in economic development resources
- Canadian Council For Aboriginal Business
 - - A Survey of Aboriginal Economic Development Corporations'
 - PARR Program
- BC Economic Development Database
- Economic Development Toolkit for First Nations Economic Development Officers
- <http://www.sauder.ubc.ca/Programs/Chnook/Students/~media/Files/Chnook/ICAB.ashx>
- Economic Developers Association of Canada
- <http://www.edac.ca>

- Thank you!

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