

Challenges and successes with economic and business  
development models at the local level: The Quatsino experience

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## **Abstract**

In this case study, I examine the economic development and business development experiences of the Quatsino First Nation and make recommendations for future economic development and considerations for the development and sustainability of new businesses, including a proposed shellfish aquaculture social enterprise. I conducted semi-structured interviews with Quatsino First Nation leaders, community members and staff focused on community experiences with an economic development corporation and First Nation owned businesses, joint ventures, individually owned businesses and co-operatives. Recommendations for future economic development in Quatsino include community planning processes around long-term economic development goals and human resource development, continued use of the development corporation to separate politics and business, clear definition of its mandate and ongoing entrepreneurial capacity development. Some factors that contribute to the successful development and sustainability of new businesses in Quatsino are leadership, entrepreneurial capacity, community support, access to business development resources and individual training and commitment.

**Keywords: aboriginal economic development; community economic development; business development; First Nation; shellfish aquaculture; social enterprise**

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# 1 Introduction

This case study examines the economic development and business development experiences of the Quatsino First Nation, an aboriginal community on northern Vancouver Island. This case study has two purposes: first, to identify common themes from past experiences that can inform the future choices the Quatsino First Nation makes regarding its economic development path, and second, to identify key considerations for new businesses in Quatsino, including pilot shellfish aquaculture social enterprises currently under development.

## 1.1 Aboriginal economic development

Many Canadian First Nations, as well as aboriginal peoples elsewhere in North America, see economic development within their communities as a key step in the process of achieving greater independence and control over their own future. In a study of First Nations economic development in British Columbia (BC), Chief Shane Gottfriedson stated “Self-sustainability to the Kamloops Indian Band is Economic Development” (Williams 2008). The development of an economic base that generates sufficient profits to contribute to self-government costs as well as covering operating costs has also been identified as an important element of in the development of self-sufficient aboriginal governments (Lewis 1991; Royal Commission on Aboriginal Peoples 1996). Many aboriginal communities have historically been isolated from the mainstream economy, which means few economic development institutions such as banks, training centres and investment firms have developed in aboriginal communities (Lewis 1991). As a result, much of the responsibility for economic development and stimulating economic growth rests with the First Nation government that is in place for that community.

Different First Nations communities may articulate different visions for what economic development is and what they want to achieve, choose different strategies for reaching those goals and create different institutions to implement these strategies. Considering how models for aboriginal economic development and institutions and structures relevant to economic development have been characterized in other contexts

can contribute to a framework for analyzing the experiences of the Quatsino First Nation that are the focus of this case study.

### **1.1.1 Approaches and strategies for economic development**

Bill Hatton, Chief Executive Officer of the Kitsaki Development Corporation, provides a useful definition of economic development in aboriginal communities in a case study on the Kitsaki Corporation as “the process of creating institutions that ‘DO’ business development – not business development itself” (Decter & Kowall 1989). Under this definition, aboriginal economic development involves aboriginal governments creating institutions and conditions that will stimulate and support business development, which contributes to the community’s economic base (Lewis 1991).

The emphasis on creating institutions and conditions that will support business development rather than focusing solely on business development parallels the “nation-building” approach to economic development in American Indian communities described by Cornell and Kalt (2007). Drawing on results from the Harvard Project on American Indian Economic Development, they contrast a “jobs and income” approach to economic development with a “nation-building” approach (Cornell & Kalt 2007). The first approach considers development as a primarily economic problem that requires money that will be applied to starting businesses that will yield short-term pay-offs by generating jobs and income on the reservation (Cornell & Kalt 2007). Harvard Project results indicate that this approach to economic development generally ends in failure. In contrast, the “nation-building” approach to economic development focuses on building an environment “that encourages investors to invest, that helps businesses last, and that allows investments to flourish and pay off.” (Cornell & Kalt, 2007) This approach sees development as a political problem that requires the development of sound institutions, strategic direction and informed action that support lasting businesses and sustained community well-being (Cornell & Kalt 2007). As in the definition from Decter and Kowal (1989), the focus of economic development is therefore on the development of institutions and conditions that will support business development and investment.

Williams (2008) uses a different method for characterizing economic development, distinguishing between a “First Nation Owned and Operated Businesses” approach that focuses on the development of First Nation owned and operated businesses and joint ventures and a “Supporting Local Entrepreneurs” approach that focuses on creating an environment that supports individual entrepreneurship by making it easier for community

members' to access land, capital and business advice and training (Williams 2008). While this characterization highlights some key elements of the experiences of the Osoyoos and Westbank First Nations, it may be too simplistic to apply to other First Nations who may have pursued a combination of the two approaches, seeking to develop institutions and conditions that would support the development of First Nation owned businesses, joint ventures and privately-owned businesses. The broader definition and approaches to economic development outlined earlier provide a more helpful analytical framework for this case study.

### **1.1.2 Aboriginal economic development management structures**

In considering aboriginal economic development, one of the choices that communities make is how economic development will be structured in relation to the existing First Nation government. Lewis (1991) describes possible management structures that range from internal management, where economic development is run as a program within the existing First Nation government, to management of economic development by a development corporation that is either independent of or subsidiary to the First Nation government.

Such structural arrangements can facilitate the separation of politics from business management; a factor that Harvard Project results suggest contributes to the establishment of effective governing institutions that are necessary for successful aboriginal economic development (Cornell & Jorgenson 2007; Cornell & Kalt 2007; Jorgenson & Taylor 2000). The choice of structural arrangements may vary between communities; but whatever arrangement is put in place should balance between maintaining community control over the long-term direction of economic development while insulating day-to-day business decisions from political interference.

### **1.1.3 Types of economic development corporations**

One institution that aboriginal communities may choose to establish is an economic development corporation. Lewis (1991) describes four different models for economic development corporations, relating each to factors necessary for economic development: equity, or money that can be invested in new businesses; debt, or money that can be loaned to local businesses; training and planning and research. All economic development corporation models incorporate some planning and research elements, but each focuses on a different economic development factor. Thus, the growth/equity model of development corporation focuses on building First Nation-controlled wealth or

equity through direct First Nations-ownership of businesses and joint ventures between the First Nation and an outside business (Lewis 1991). The loan/technical assistance model focuses on providing loans, loan guarantees and technical assistance to individual entrepreneurs while the employment development model focuses on providing community members with training, job placement and sometimes even job creation services via small business training (Lewis 1991). The final model would be a comprehensive development corporation that attempts to combine two or more of the goals from the other models.

#### **1.1.4 Types of business ownership structures**

Business ownership structures are the other model relevant to this case study. The Quatsino First Nation's experiences with four different ownership structures are considered in this case study.

##### **1.1.4.1 *First Nation owned businesses***

The first business ownership model is businesses that are wholly owned by the First Nation or community. Depending on the management structure that the First Nation has put in place, these businesses may be managed directly by the First Nation government or through an economic development corporation. An economic development corporation that was responsible for the management of a First Nation owned businesses would fall under the growth / equity development corporation model described earlier. One consideration that may need to be taken into account in the management of these businesses is the need to prioritize the generation of profits over jobs in order to support the generation of additional capital and equity for the First Nation (Lewis 1991). First Nation owned businesses may also generate jobs for community members, but if the business is not profitable, then these jobs will not be sustainable.

For this case study, this business model included businesses or ventures owned by the Quatsino First Nation, whether they were managed through a development corporation or directly by the First Nation itself.

##### **1.1.4.2 *Joint ventures***

The other business ownership model explored in this case study that involves some level of First Nation ownership is the joint venture. Joint ventures can be thought of as a business where two or more parties contribute the land, capital or services essential for operations in return for a share of ownership and control of the business

(Lewis & Brocklehurst 2009). Legally, joint ventures can be general partnerships, limited partnerships or a corporation governed by a shareholder agreement that dictates how operations occur. They may be short or long term and may relate to a single project or an ongoing business activity.

In the context of aboriginal economic development, joint ventures are one option that First Nations with access to land tenure, resource development or contract opportunities but without access to the capital or business management expertise necessary for business development may choose to pursue. Well-structured joint ventures between a First Nation and another company or individual can be an important mechanism for building a First Nation's capacity for business development and management (Lewis & Hatton 1992). They can allow First Nations to leverage limited resources and build equity in a situation that limits their exposure to risk (Lewis 1991). As with First Nation owned businesses, joint ventures that a First Nation is party to may be managed by the First Nation directly or by a growth / equity focused development corporation model.

Joint ventures differ from arrangements such as impact benefit agreements that outline benefits and opportunities that will be provided to a First Nation by a company that is developing a mine or other resource development project within the First Nation's traditional territory (Lewis & Brocklehurst 2009; Sosa & Keenan 2001). Although the two types of arrangements are sometimes confused, this case study focuses on joint ventures that involve the Quatsino First Nation.

#### **1.1.4.3 Individual ownership**

The third business structure considered in this case study are businesses developed and owned by individual community members, rather than by the First Nation. Economic development strategies that focus on supporting entrepreneurship and the loan/technical assistance development corporation model both seek to create conditions that will support the development of these businesses. For the purposes of this case study, businesses owned by a single Quatsino First Nation community member and general partnerships<sup>1</sup> that include at least one Quatsino First Nation community member are included under this model.

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<sup>1</sup> Under a general partnership, partners share legal liability for the business.

#### **1.1.4.4 Co-operatives**

The final model for business ownership explored in this case study is the co-operative. The Canadian Co-operative Association defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” (International Co-operative Alliance 2007) Under this model, co-operative members jointly own the enterprise. Through the co-operative’s democratically controlled decision-making structure, co-operative members determine how profits generated by the enterprise are distributed or re-invested.

As suggested by the definition above, co-operatives generally have objectives that go beyond the generation of profits for their members. Many different types of co-operatives exist, distinguished by the additional objectives that are their focus. The most relevant to this case study are worker co-operatives, where the co-operative members are also employees of the enterprise and the purpose of the cooperative is to provide members with employment, and producer co-operatives, where the purpose of the cooperative is to market, or process and market, products produced by their members and where cooperative members are producers that generate products to sell via the coop (Centre for Co-operative and Community-Based Economy). In terms of economic development, the co-operative structure can allow or support the development of enterprises in situations where individual community members might not have been able to develop their own enterprises. For example, individuals with small amounts of capital could pool these resources to start a co-operative, but would not be able to start an individual enterprise with the same small contribution.

## **1.2 Context for economic development in aboriginal communities in Canada**

In considering how economic development has occurred within an individual First Nation community, it is important to remember the broader context of challenges and opportunities that stem from the unique history and special status of First Nations and other aboriginal peoples<sup>2</sup> in Canada. Some elements of the current context for economic development in aboriginal communities, including the reserve system and the *Indian Act* (R.S.C. 1985), were put in place over a hundred years ago while others, such

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<sup>2</sup> As per the Constitution (Constitution Act 1982), “aboriginal peoples of Canada” include the Indian or First Nations, Inuit and Métis peoples.

as the recognition and affirmation of existing aboriginal and treaty rights in Section 35 of the *Constitution* (Constitution Act 1982), changed more recently.

### **1.2.1 The *Indian Act***

The *Indian Act*, which was first introduced into law in 1876, was a piece of legislation that has had and continues to have profound impacts on First Nations across Canada. The version of the act brought into force in 1876 consolidated regulations governing First Nations people, providing greater authority for the federal Department of Indian Affairs to intervene in issues and make policy decisions including “determining who was an Indian, managing Indian lands, resources and moneys, controlling access to intoxicants and promoting ‘civilisation’ ” (Aboriginal Affairs and Northern Development Canada 2011c). Subsequent amendments to the Act introduced additional restrictions and controls on the First Nations’ lives, with the goal of “civilizing” First Nations peoples until they were completely assimilated and integrated into Canadian society (Aboriginal Affairs and Northern Development Canada 2011c). Despite more recent changes in the approach to governance in aboriginal communities and increased recognition of aboriginal rights, the latest version of the *Indian Act* (R.S.C. 1985) still exerts significant control over economic and resource development and governance in First Nations communities. Section 1.2.1.1 below describes how the *Indian Act* and the reserve system continue to restrict access to financing for new business ventures and impose additional bureaucratic and regulatory burden on on-reserve businesses, creating barriers to aboriginal economic development.

#### **1.2.1.1 The reserve system and barriers to economic development**

The creation of reserves and the resettlement of First Nations onto them was another assimilationist policy pursued by the government, both in areas where treaty agreements were negotiated to transfer the title of large land areas from local First Nations to the Crown and in areas where no treaties were signed (Royal Commission on Aboriginal Peoples, 1996). Under the *Indian Act* of 1876, these communities were set up as rural municipalities with simple governmental structures (Helin 2006). The outcome of the reserve system was to concentrate First Nations communities on isolated pieces of land that often lacked the size and resources required to support the community (Royal Commission on Aboriginal Peoples 1996). The *Indian Act* placed significant restrictions on how communities could manage, transfer and derive value from the reserve lands that they owned, creating barriers to economic development on reserves. For coastal



First Nations, the small size of reserves was justified by the reliance on marine rather than land-based resources for subsistence, though government management of commercial fishing and structural changes in fisheries subsequently restricted these First Nations' access to marine resources for economic development (First Nations Fisheries Council 2009).

Due to reserve lands' unique nature, new developments and land use changes that First Nations communities choose to pursue on reserve are subject to federal legislation, regulations and oversight that private landowners do not face. Section 2 of the *Indian Act* (R.S.C. 1985) defines a reserve as "a tract of land, the legal title to which is vested in Her Majesty, that has been set apart by Her Majesty for the use and benefit of a band." As such, ownership of reserve lands rests with the Crown; they are held in trust for the First Nation in question. As the *Indian Act* (R.S.C. 1985) specifies, decisions regarding the use and development of these lands are therefore subject to oversight from the federal government, specifically the department now known as Aboriginal Affairs and Northern Development Canada (AANDC)<sup>3</sup>. As a result, new development or business ventures on reserve lands face a bureaucratic and regulatory burden that the same business operating elsewhere would not face. Reserve lands are also subject to additional requirements under federal legislation such as the *Species at Risk Act* (Species at Risk Act (S.C. 2002 c. 29), 2002) and the *Canadian Environmental Assessment Act* (S.C. 1992 c.37) that do not apply to private or provincial Crown lands as they are classified as federal lands. The special status of reserve lands leads to regulatory hurdles, delays and additional costs that restrict the development of new businesses on reserve lands and limit their ability to compete with off-reserve businesses.

The status of reserve lands under the *Indian Act* (R.S.C. 1985) also limits the ability of First Nations communities and individuals to access capital, which is another barrier to economic development. Under the *Indian Act* (R.S.C. 1985), reserve lands are not subject to legal seizure by an individual or other party. When first enacted, this provision may have been intended to create a safeguard against unscrupulous land developers. Unfortunately, the present-day result is that reserve lands cannot be used as collateral or a source of equity to secure bank or other loans. This makes it more

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<sup>3</sup> Previously Indian and Northern Affairs Canada or INAC. The name of the department was changed to Aboriginal Affairs and Northern Development Canada in June 2011 (Aboriginal Affairs and Northern Development Canada 2011a).

difficult for First Nations to finance the development of new businesses or ventures. Similarly, individuals who live on reserve cannot build up equity in their homes that they might use as a source of capital as the Crown holds all reserve lands in trust for the benefit and use of the entire First Nation.

Restrictions on the types of leases that a First Nation can grant on reserve lands also make it difficult for First Nations to attract outside investors or developers in order to stimulate on reserve economic development. First Nations have two options they can pursue: a shorter (approximately six month) process to grant 49-year leases subject to the approval of AANDC or a lengthy and costly land designation process to secure 99-year leases for outside developers or investors (Williams 2008). The delays and costs associated with both options reduces the number of investors and developers willing to pursue ventures on reserve lands, limiting the economic development opportunities available to First Nations.

There are a few ways in which First Nations can seek to gain greater control over reserve lands. Under section 60 of the *Indian Act* (R.S.C. 1985), First Nations can obtain delegated authority to approve transactions on behalf of the Minister of Aboriginal and Northern Affairs. A more recent change is the *First Nations Land Management Act* (First Nations Land Management Act S.C. 1999 c. 24), which gives First Nations who sign the Framework Agreement and develop their own land codes the authority to make laws regarding reserve lands, resource development and the environment (Aboriginal Affairs and Northern Development Canada 2011b). As of July 2011, 30 First Nations had gone through this process and were operating under their own land codes (Aboriginal Affairs and Northern Development Canada 2011b). The final, and often most lengthy, route for a First Nation to achieve independent authority over their own lands is to successfully negotiate self-government arrangements, either as part of land claim agreements or through separate self government acts, with the federal government (Williams 2008). Although the mechanisms outlined above can provide additional control over lands for First Nations, pursuing any of them can be a lengthy and costly process that is ultimately subject to the approval and agreement of the federal government. In the end, First Nations communities pursuing economic development must contend with significant challenges created by the *Indian Act* and the reserve system that other communities do not face.

### **1.2.1.2 Residential schools, the *Indian Act* and capacity**

Residential schools, another element of the colonial and Canadian governments' assimilation program, also had impacts on aboriginal communities' employment and economic development capacity. During the 1800s and 1900s, thousands of aboriginal children were removed from their homes and placed in residential schools, where many were subjected to systematic abuse and mistreatment. The effects of this widespread abuse has had a profound impact on aboriginal communities across Canada, resulting in ongoing issues including increased substance abuse and reduced capacity for employment among affected individuals (Government of Canada 2008). In 2008, the Prime Minister offered a formal apology on behalf of the Canadian people to all residential school survivors (Government of Canada 2008). However, this does not change the capacity gaps that many aboriginal communities may need to address in order to move forward with economic development.

Some have also pointed to over-arching effects of the *Indian Act* on people's attitudes, expectations and self-respect. Katherine June Delisle of the Kanien'kehaka First Nation in Kahnawake, Quebec, in speaking to the Royal Commission on Aboriginal Peoples suggested that "[The *Indian Act*] has...deprived us of our independence, our dignity, our self-respect and our responsibility" (Royal Commission on Aboriginal Peoples 1996). Helin (2006) contends that the *Indian Act* and federal government transfer payments have created a "welfare trap" that has fostered attitudinal barriers that prevent Aboriginal communities from moving forward by reducing their self-reliance. The barriers Helin (2006) describes include a "culture of expectancy", or widespread expectation that the means for your existence will be provided externally; lateral violence, where frustration and internalized anger are directed at other community members rather than at those who have created the oppressive situation; and learned helplessness, or the expectation that no action you can take will change the outcome of the situation, leading to passive, inactive and hostile behaviour. Although the experiences and attitudes Helin (2006) describes may not be relevant to all Canadian aboriginal communities, they suggest that experiences with systems created by the *Indian Act* may influence community members' expectations regarding economic development outcomes.

### **1.3 Aboriginal rights and title and economic development opportunities**

If the colonial legacy of the *Indian Act* and the reserve system has created barriers to economic development, then increased recognition of aboriginal rights and title by the courts in recent years have opened up some new economic development opportunities for First Nations in Canada. This is particularly true in parts of the country where treaty settlements were not negotiated in the past, such as most of the province of British Columbia.

#### **1.3.1 Landmark aboriginal rights and title decisions**

Over the past thirty years, several legal decisions and developments significantly changed the role that aboriginal rights and title considerations play in resource development in Canada. First, Section 35 of the re-patriated Constitution (Constitution Act 1982) explicitly recognized and affirmed the aboriginal and treaty rights of aboriginal peoples in Canada. Second, a series of landmark court cases clarified how these rights must be considered in decisions regarding land use changes and resource development. In *R. v. Sparrow* (1990 S.C.R. 1075), the courts determined that aboriginal rights must be given priority in resource allocation decisions and established a test for justification for infringement upon these rights for other purposes such as conservation. Then, in *Delgamuukw v. British Columbia* (1997 3 S.C.R. 1010), the Supreme Court of Canada found that the government had a “duty to consult” meaningfully with aboriginal peoples who may hold aboriginal rights that may be infringed by a government decision, for example regarding a resource development project or land use change.

Cases after *Delgamuukw* including *Haida Nation v. British Columbia* (Minister of Forests) (2004 SCC 73) and *Taku River Tlingit First Nation v. British Columbia* (Project Assessment Director) (2004 SCC 74) further clarified the Crown’s duty to consult with aboriginal peoples. These decisions specify that the duty to consult applies in situations where the aboriginal rights, including aboriginal title rights, in question have not yet been legally recognized or proved but the Crown has sufficient information to ascertain that they may exist. The scope of consultation required is proportionate to the strength of claim for the existence of the aboriginal rights and the extent to which the decision or project may infringe upon the rights in question. Furthermore, the duty to consult applies to both the federal and the provincial governments and cannot be delegated to third parties, although the Crown may rely on other parties to conduct procedural aspects of consultations.

In establishing and clarifying the duty to consult, *Delgamuukw* and the subsequent decisions changed the role of First Nations and other aboriginal peoples in the resource management landscape. The ultimate effect of these decisions was to make it clear to government, and to resource development companies with an interest in obtaining government approvals, that the wishes of First Nations and other aboriginal peoples must be considered in making resource development and land use decisions that could impact aboriginal rights. This increased the leverage that First Nations had over such decisions (Lewis & Brocklehurst 2009). Industry saw new value in pursuing agreements with First Nations when developing new mines or other resource development projects since First Nations opposition could result in significant delays and hurdles when seeking government approvals for the project. The development of agreements<sup>4</sup> (sometimes called impact and benefits agreements) between a First Nation and a resource development company that outlined benefits and opportunities that would be provided to the affected First Nation became much more common (Lewis & Brocklehurst 2009; Sosa & Keenan 2001). Benefits included in such agreements range from employment, training, business and contracting opportunities to cash payments and direct shares in profits (Lewis & Brocklehurst 2009). Resource development companies or companies that provide services to resource development companies also had an increased incentive to pursue joint ventures, or business partnerships, with First Nations as this would allow them to access contract and resource development opportunities they would not otherwise be able to access (Lewis & Brocklehurst 2009). Court decisions over the past twenty years have given aboriginal peoples a seat at the table in terms of resource development in their traditional territories, increasing opportunities for First Nations to pursue agreements and joint ventures with outside companies.

### **1.3.2 Aboriginal title in British Columbia and economic development**

It is interesting to note that *Delgamuukw* and many of the subsequent rights and title cases all arose from resource development or land use decisions being made in British Columbia. This is not surprising as the province is in a unique situation with regards to aboriginal title in comparison to other provinces. Very few historic treaties

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<sup>4</sup> The existence of an agreement between the First Nation and the company does not mean that the Crown has no duty to consult, but it increases the likelihood that the Crown's consultations with that particular First Nation will not result in delays or denial of project approvals.

were ever signed with First Nations in BC and only three modern land claims agreements have been finalized, leaving almost the entire province potentially subject to aboriginal title rights that have not been extinguished (Aboriginal Affairs and Northern Development Canada 2011c; BC Treaty Commission 2011). This increases the potential strength of claim that BC First Nations exert within their traditional territories, requiring that government be even more diligent in engaging in meaningful consultation, and accommodation where possible, with these First Nations.

As described above, one of the ways that the aboriginal title situation in BC leads to new economic development opportunities for First Nations is that it increases the incentive for companies to pursue benefit agreements and joint ventures with First Nations. Such benefit agreements can include access to employment and training for First Nation members that will develop the community's capacity for economic development or direct cash payments or profit sharing that can be invested in community-owned businesses (Lewis & Brocklehurst 2009). The agreement may include opportunities for First Nation-owned businesses to access contracts associated with the resource development, which in turn can provide an incentive for other businesses to develop a joint venture with the First Nation in order to access these contracts (Lewis & Brocklehurst 2009). If negotiated carefully, such agreements and joint ventures can lead to increased economic development for First Nations communities.

The aboriginal title situation in BC also opens up opportunities for First Nations economic development by giving the government an incentive for pursuing agreements with First Nations regarding access to resources, revenue sharing and economic development. The co-existence of aboriginal title and Crown title on almost all of the land within BC creates uncertainty, making companies reluctant to develop new projects that may be bogged down in legal challenges. The cost of lost investments and resource development to British Columbia due to this uncertainty has been estimated as being as high as \$1.5 billion per year (PricewaterhouseCoopers 2009). The Province of BC introduced the New Relationship framework as one mechanism for increasing economic certainty (Province of BC 2007). Under this framework, the provincial government can develop forest consultation and revenue sharing agreements, strategic engagement agreements and economic and community development agreements with individual First Nations, providing First Nations with access to resource development opportunities in their traditional territories for a defined period of time while reducing uncertainty (Province of British Columbia 2008). A key attraction of such agreements is that they

provide First Nations with access to resource development opportunities in a relatively short period of time, in contrast to the treaty negotiation process that many First Nations have been involved in for the past twenty years with little success (Sterritt 2009). As a result, some First Nations identify such agreements, in conjunction with co-management planning processes and benefit agreements and partnerships with the private sector, as essential building blocks for First Nation prosperity (Sterritt 2009).

Many BC First Nations entered into the BC treaty negotiation process that was set up in 1993 with hopes of gaining access to a larger land base and increased resource and economic development opportunities. However, as of 2011, only three modern treaties had been finalized and ratified by the Nisga'a, Maa-nulth and Tsawwassen First Nations and the federal and provincial governments<sup>5</sup>, with approximately 50 First Nations still engaged in negotiations (BC Treaty Commission, 2011). The amount of time required for negotiations and the difficulty in building an agreement that all parties will agree to means that most of these negotiations are unlikely to be concluded in the near future. In a few cases, First Nations near the end of the treaty process have been able to access early land transfers as part of an Incremental Treaty Agreement<sup>6</sup> but most First Nations have yet to access any land or economic development opportunities through treaty negotiations. For this reason, First Nations' focus is shifting towards other types of agreements with government and the private sector as a source of economic opportunities (Sterritt, 2009).

#### **1.4 Shifting options for coastal British Columbia First Nations**

In addition to the contextual factors outlined above that affect economic development in many aboriginal communities across Canada, economic development opportunities for coastal BC First Nations are affected by changes to the regional economy. The viability of traditional resource development sectors has declined, prompting a shift towards new and emerging industries including shellfish aquaculture.

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<sup>5</sup> A fourth agreement has been ratified by the Yale First Nation and the Province of BC, but has not yet been ratified by the Government of Canada (BC Treaty Commission 2011).

<sup>6</sup> K'omoks First Nation received a transfer of just over 2000 hectares of land on signing an Agreement in Principle with BC (BC Treaty Commission 2012).

### **1.4.1 Traditional sectors**

Many of the traditional practices of coastal BC First Nations focus on the harvest and processing of resources from the forest and the ocean, two key aspects of the coastal environment. Not surprisingly, the forestry and fishing industries have been the traditional focus of economic development in these communities. Unfortunately, changes in both industries over the past fifty years have reduced the opportunities available to coastal First Nations in these sectors.

Changing markets, historical overharvesting and trade disputes have dramatically reduced the size of the forestry industry in BC, leading to mill closures and harvest reductions across the province. This reduction in industry size has limited the number of forestry jobs available to individuals as well as reducing the economic potential of any timber licenses and forestry resources that First Nations gain access to through land claim negotiations or revenue sharing agreements. At the same time, buy-back programs and re-structuring of various West Coast fisheries by Fisheries and Oceans Canada through initiatives such as the Davis Plan in the 1970's and the 1998 Canadian Fisheries Adjustment and Restructuring Plan reduced the opportunities and licenses available to small-scale fishers. This pushed many aboriginal fishers out of fisheries as well as increasing the cost of entry for new licensees. A recent court decision concluded that the federal regulatory regime, including the changes described above, had infringed on several Nuu-chah-nulth First Nations' aboriginal rights to fish and to sell fish as demonstrated by reduced involvement in commercial fisheries (*Ahousaht Indian Band and Nation v. Canada (Attorney General)* 2011 BCCA 237). Such changes in both the fishing and forestry industry reduced the opportunities available for coastal First Nations in these sectors, increasing interest in alternative industries.

### **1.4.2 New and emerging opportunities**

As opportunities within fishing and forestry have diminished, many coastal First Nations have looked to new and emerging industries. Some communities are exploring tourism and eco-tourism opportunities, though the long-term economic potential in this sector may be limited by the remote location of some communities and market size. Others are pursuing emerging opportunities in alternate energy generation, including wind, tidal and run-of-the-river projects.



Some coastal First Nations have also pursued economic opportunities in aquaculture. The location of coastal First Nations' reserves and traditional territories provides them with easy access to the clean waters and beaches required for aquaculture ventures. First Nations' involvement in finfish aquaculture has been limited to date due to concerns over the environmental impacts of this type of aquaculture on wild salmon and other finfish. In contrast, many First Nations communities on Vancouver Island and the North Coast have experimented with some type of shellfish aquaculture ventures or pilot projects (Cross 2008). The history of First Nations involvement in shellfish aquaculture ventures in BC is outlined below.

### **1.5 British Columbia First Nations and shellfish aquaculture**

Several key developments shaped the history of First Nations involvement in the shellfish aquaculture industry in BC. In the early 1990s, the shellfish aquaculture industry in BC was relatively small. Then a Western Economic Diversification report published in 1997 by Coopers and Lybrand estimated that the BC shellfish aquaculture industry could grow from \$12 million to \$100 million in only 10 years. The same report estimated that this industry growth would create 1000 additional jobs (Coopers & Lybrand 1997). This focused provincial attention on shellfish aquaculture as an economic development alternative for coastal communities, especially since the requirement for sites in clean water meant that it fit well with remote communities affected by downturns in the fishing and forestry sectors. In response to the Coopers & Lybrand (1997) report, the provincial government<sup>7</sup> developed policies to promote the rapid growth of the shellfish industry. Launched in 1998, the BC Shellfish Development Initiative (SDI) aimed to facilitate industry growth by doubling the amount of Crown land in aquaculture leases by 2008 (Ministry of Agriculture and Lands 2007). Other initiatives to support industry growth included the establishment of a Shellfish Aquaculture Working Capital Fund and the provision of funding to the Center for Shellfish Research

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<sup>7</sup> Under a 1998 Memorandum of Understanding (MOU), the federal government was responsible for protection of wild stocks, navigable waters, and shellfish sanitary regulations while the province has control over licensing, industry management, and industry practices in BC (GSGislason & Associates Ltd 2004; Howlett & Rayner 2004). This was replaced by a new MOU signed in 2010 that reflected the 2009 BC Supreme Court decision that specified that fish farming (including shellfish farming) is in essence a fishery and thus its regulation falls within federal jurisdiction (Fisheries and Oceans Canada 2010).

at Vancouver Island University for the development of a training program for First Nations and industry (CSR; OCAD 2002).

As part of the Shellfish Development Initiative, the province approached various coastal First Nations to negotiate Memoranda of Understanding (MOUs) regarding shellfish aquaculture tenures in their traditional territories (Cross 2008). Essentially, provincial government representatives solicited the participation of interested coastal First Nations in a planning exercise to identify specific areas within their traditional territory to be set aside for future shellfish aquaculture development (Cross 2008). The provincial government would provide a map of areas suitable for shellfish aquaculture in the First Nation's traditional territory, and then the two parties would negotiate which of these areas would be set aside for shellfish aquaculture by the First Nation. Under an MOU, the First Nation was given the exclusive right to apply to the province for shellfish tenures in these areas for the next ten years (Cross 2008; Deo 2002).

As of December 2005, 18 coastal First Nations had been involved in this shellfish aquaculture MOU process, including the Chemainus, Quatsino, Comox, Sliammon, Ehattesaht, Snuneymux, Halalt, Tla-o-qui-aht, Huu-ay-aht, Toquaht, Kyuquot / Checlesseht, Tseshaht, Klahoose, T'souke, Mowachaht / Muchalaht, Uchucklesaht, Nuchalaht and Ucluelet First Nations (Cross 2008). Overall, 1,049 hectares were identified (and reserved) for shellfish applications through this process, and 460 hectares were converted to shellfish tenures for development purposes (Cross 2008). Involvement with this process also prompted the development of the Nuuchahnulth Seafood Development Corporation (NSDC), which supported the development of several shellfish aquaculture ventures by Nuuchahnulth First Nations on the west coast of Vancouver Island (NSDC 2005). On the North Coast and in the Queen Charlotte Islands, several pilot shellfish aquaculture farms were set up in cooperation with local First Nations as part of the Shellfish Development Initiative (OCAD 2002).

Despite high participation in the shellfish aquaculture MOU process, First Nations involvement in shellfish aquaculture remains somewhat limited. In 2006, First Nations groups farmed only 8% of the land under shellfish aquaculture tenure in B.C. (Olding 2006; Tollefson & Scott 2006). Many of the shellfish aquaculture ventures developed in response to the MOU process belonged to First Nations on the west coast of Vancouver Island. These varied in size and scope, from an integrated shellfish aquaculture operation that included culture, processing, and marketing of several species started by the Huu-ay-aht First Nation to other ventures focused on the beach

culture of oysters or clams (NSDC 2005). Unfortunately, many of these ventures were much less productive than originally predicted so were abandoned or put on hold (Pinkerton & Silver 2011). Similarly, the initial projections for shellfish aquaculture industry growth turned out to be wildly optimistic, with just over 3,300 hectares under tenure and producing a total farm gate value of \$16.2 million for cultured shellfish in BC in 2008, far below the predicted industry value of \$100 million (Coopers & Lybrand 1997; Ministry of Environment 2010).

## 1.6 Golden Mussel Project

Despite of the variable success of shellfish aquaculture projects in coastal First Nations communities to date, a mussel aquaculture project based on an existing successful private enterprise has been proposed as a potential economic development opportunity for interested First Nations communities.

Over the past twenty years, Kenn Renaud of Blue Frontier Adventures Inc (BFI) has developed the Pacific Golden Mussel (GM), a selectively bred variant of the Blue Mussel (*Mytilus edulis*) with a light-coloured shell (Golden Mussel Group 2000). Golden Mussels are fairly easy to culture, as they are grown on lines suspended from rafts and do not require much ongoing maintenance<sup>8</sup> (K. Renaud, personal communication, March 20, 2009). The mussels filter feed, eating plankton in the water column, without needing to be fed directly, which eliminates some of the environmental impacts associated with finfish aquaculture (Pinnell 2008c). BFI has secured the trademarks for the Golden Mussel name and brood stock. The unique and attractive appearance of the mussels has allowed Renaud to market the Golden Mussels to high-end restaurants, thereby obtaining a premium price for the mussels and securing a good market position for the Golden Mussels. There seems to be considerable potential for expanding production of the mussels from the current 30-40 tonnes per year (K. Renaud, personal communication, July 17, 2007). This led Renaud to explore options for transferring and expanding the GM enterprise into a First-Nations owned industry.

Through the BC Alberta Alliance for Research on the Social Economy (BALTA), Renaud connected with a small advisory group to explore options for structuring and

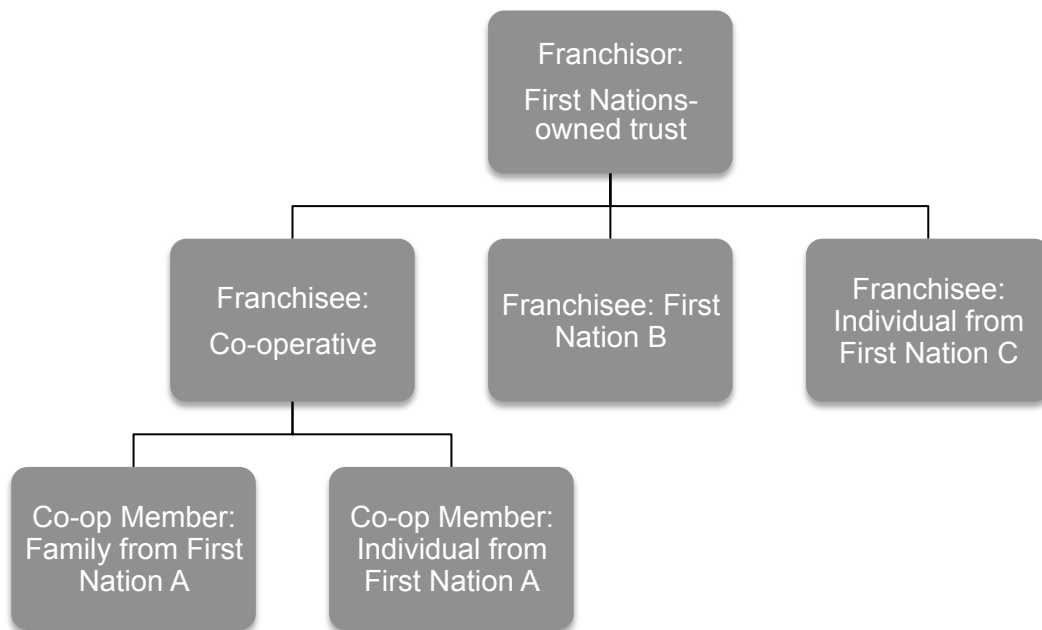
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<sup>8</sup> Other First Nations shellfish aquaculture ventures in BC have focused on species (clams and oysters) and culture methods that require significant ongoing maintenance, which may have contributed to these ventures' lack of success to date (Pinkerton & Silver 2011). Mussel aquaculture, with its reduced need for maintenance, could be more successful.

developing First Nations-owned GM enterprises. The Golden Mussel Project Team included Renaud, Michael Lewis, a lead investigator for BALTA with extensive practical experience in community economic development; Dr. Douglas Gordon, the principal investigator on the BALTA Golden Mussel Project and a biologist with extensive experience working in fisheries and with First Nations; and myself, a graduate student in Resource and Environmental Management at Simon Fraser University.

My work with the Golden Mussel Project began with the development of a series of literature reviews commissioned by BALTA to inform consideration of different structures for Golden Mussel enterprises. The first review considered mussel aquaculture industry development in other jurisdictions, identifying key supports to industry development and lessons learned (Pinnell 2008c). The second review explored experiences with the replication and up-scaling of social enterprise projects while the final review considered franchising of both private enterprises and social enterprises (Pinnell 2008a; Pinnell 2008b). All three reviews identified key recommendations and lessons learned regarding necessary supports to mussel aquaculture industry development, replicating and scaling up social enterprises and the franchise model.

The results of these reviews, in conjunction with discussions with the GM Project Team, suggested that a First Nation-owned social enterprise franchise framework could be the structure that would most successfully balance the dual goals of supporting First Nations economic development while successfully generating profits to support the ongoing development and expansion of the GM enterprises (Pinnell 2008a). The social enterprise structure also offered the option for enterprises to consider other objectives such as environmental sustainability. Figure 1 below provides a theoretical example of what such a structure might look like. Under the franchise business form, a franchisor with a market-tested business starts a contractual relationship with franchisees that produce and/or market goods and services as specified by the franchisor under the franchisor's trade name (Curran & Stanworth 1983; Pinnell 2008a; Stanworth & Curran 1999). In setting up a Golden Mussel franchise social enterprise framework, the ownership of relevant trademarks and business information would be transferred from BFI to a centralized First Nations-owned trust that would operate as the franchisor. Business functions including marketing, quality control and distribution of GM product would be centralized and controlled at this level. Franchisees could be First Nations individuals, families or communities who would be responsible for growing the mussels.



**Figure 1 - Theoretical structure for Golden Mussel social enterprise franchise**

A social enterprise franchise structure has several strengths relevant to the Golden Mussel initiative. First, the nature of the franchise allows for flexibility in how enterprises at the local franchisee level are structured (Pinnell 2008a). As illustrated in the Figure 1, the franchisor at the local level could be the First Nation itself, an individual member of a First Nation or a workers or producers cooperative with members that include families and individuals from a single community. In some cases, a cooperative or an individual that was a franchisor could even gain access to shellfish tenures for production by leasing them from the First Nation, securing a small revenue stream for the First Nation associated with the enterprise. The franchise structure allows for adaptation to the context, circumstances and degree of interest within different communities. Second, the franchise framework allows for replication and scaling up at the local, franchisor level (Pinnell 2008a). If pilot Golden Mussel enterprises at the franchisee level proved to be successful in one First Nations community, then it would be relatively simple to develop additional enterprises at the franchisee level in another community that was interested in the venture. Another strength of the franchise structure is the requirement for an ongoing transfer of knowledge, including training and technical and business advice, from the franchisor to the franchisee (Pinnell 2008a). The structure therefore directly addresses any gaps in mussel aquaculture experience and capacity that potential First Nations franchisees may have. Finally, the franchise structure relies

on adapting a proven business model in such a way that the quality of the original product is maintained while allowing franchisees to benefit from the franchisor's past success in terms of market and brand development (Pinnell 2008a). This substantially reduces the risk assumed by the franchisee in comparison to the level of risk that would be incurred if the franchisee was to start their own enterprise from scratch. This reduction in risk is particularly pertinent given the past experience of other Vancouver Island First Nations with shellfish aquaculture (Pinkerton & Silver 2011).<sup>9</sup> The franchise structure would allow interested First Nations to venture into shellfish aquaculture under conditions that reduce the risk associated with the enterprise.

After identifying a potential structure for GM enterprises, the next step towards enterprise development was the identification and development of pilot GM enterprises or ventures. In 2008, the chief and some councillors of the Quatsino First Nation heard about the GM project and expressed some interest in learning more about the possibility of developing a pilot GM enterprise in Quatsino. At the same time, the GM Project Team determined that it would be important to consider carefully how a pilot GM enterprise might be structured at the local level as different structures might work better in different communities. Decisions regarding local structure for such enterprises would obviously need to be made in partnership with the community, group or individuals who were interested in participating in the project; but information about local experiences with different business structures and economic development could be helpful in informing this decision and supporting the success of any GM enterprise that was developed in the future. Such a case study could also be valuable for the members and leaders of a community as it could identify key themes from past experiences that might inform future economic development decisions. Given the Quatsino First Nation's interest in potentially developing a pilot Golden Mussel enterprise in their community, the idea of such a case study was raised and discussed with Quatsino First Nation staff and council. Official approval for the participation of Quatsino First Nation members in this case study exploring past economic development experiences was received in August 2008.

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<sup>9</sup> Golden Mussel aquaculture operations also differ from these past enterprises in that they would not be competing with or replacing an existing wild harvest. They are significantly less labour intensive than the clam and oyster culture that was the focus of most of the failed ventures (K. Renaud, personal communication, July 17, 2007).

## 1.7 Quatsino First Nation

The past economic development experiences of the Quatsino First Nation are the focus of this case study. Many members of the Quatsino First Nation live on the Quatsino Subdivision 18 reserve, which is on northwest Vancouver Island. Accessible by paved roads, the Quatsino community is a few kilometres inland from the village of Coal Harbour on Holberg Inlet and approximately 16 km southwest of Port Hardy. As of 2006, it was home to 234 people in 69 private dwellings (Statistics Canada 2007). Over 150 other members of the Quatsino First Nation live off reserve (First Peoples' Heritage, Language and Culture Council 2010). In addition to Quatsino Subdivision 18, the Quatsino First Nation holds 19 other small reserves on north-western Vancouver Island (Government of Canada 2011).

The Quatsino First Nation are Kwakwaka 'wakw, "people who speak Kwak'wala, but who live in different places and have different names for our separate groups." (First Peoples' Heritage, Language and Culture Council 2010; U'Mista Cultural Centre). The dialect spoken by Quatsino First Nation members is Gut'sala (First Peoples' Heritage, Language and Culture Council 2010). Five Gut'sala-speaking groups that traditionally occupied the coastal and inner waters on and around Quatsino Sound were amalgamated into the Quatsino First Nation by the federal government in the 1940s (Government of BC 2004). At that time, most surviving members of these groups lived at the village site of Quattishe (IR 1) near the Quatsino Narrows in Quatsino Sound (Government of BC 2004). In the early 1970s, Indian and Northern Affairs Canada set up the inland Quatsino Subdivision (IR 18) and encouraged the move of the community from the Quattishe village site, as the Quatsino Subdivision was considered "more convenient" for the provision of government services.

The traditional territory of the Quatsino First Nation includes much of northwest Vancouver Island, extending from Cape Scott south to the Brooks Peninsula and east almost to Hope Island (BC Treaty Commission 1996). It encompasses Holberg Inlet, Quatsino Sound, Alice Lake and Victoria Lake. This territory may overlap or be shared with the Tlatlasikwala First Nation, the Kwakiutl First Nation, the Checlesht First Nation and the Kyuquot First Nation (BC Treaty Commission 2009). The Quatsino First Nation has signed peace treaties with the Checlesht and Kyuquot First Nations around shared territories on the west coast of Vancouver Island and come to agreement with all of the First Nations of the Nuu-Chah-Nulth Tribal Council on their common boundaries (BC Treaty Commission 2009). The Quatsino First Nation belong to the Winalagalis Treaty

Group and have reached Stage 4, negotiations towards an Agreement-in-Principle, in the BC Treaty Process (BC Treaty Commission 2009).

### **1.8 Research goal and scope**

The goal of this case study is to identify key ideas from past experiences with economic development and business development to inform the Quatsino First Nation's future economic development decisions and the development of new businesses in the community, including a pilot Golden Mussel enterprise. The scope of the case study focuses on economic and business development experiences within Quatsino, rather than outside the community. The case study also focuses on more recent economic and business development experiences (i.e. within the last thirty years) as these were the experiences interviewees described.

The results of this case study could be relevant to the direction and structure of future economic development in Quatsino and the development of a Golden Mussel pilot social enterprise or other new business or venture in the community. Although the case study results will be most relevant to the Quatsino First Nation's experience, they could also help generate ideas for further research in other First Nations communities and point to general patterns that may be applicable under other First Nations communities elsewhere.



## **2 Methods**

The methods used to develop and carry out this project are described below.

### **2.1 Project development**

Sections 1.6 and 1.7 above provide a detailed description of the development and evolution of the idea for this case study. One of the notable elements of this process was that it involved a unique suite of advisors, in the form of the Golden Mussel Project Team, who brought both practical experience and theoretical considerations together in defining the project. The interest from the Quatsino First Nation in the development of a Golden Mussel enterprise as a pilot project in their community led to the agreement that the case study would focus on the experiences of the Quatsino First Nation.

Subsequent discussions with the GM Project Team and my academic supervisor led to the choice of semi-structured interviews with key informants from the community as an effective method for exploring past community experiences with economic development and describing the context for this economic development. I then developed an interview guide with a range of questions that could be used to prompt discussion as needed during interviews. Discussions with the Golden Mussel Project Team regarding possible configurations of a GM franchise at the local level helped inform the development of the questionnaire as did results of the BALTA literature reviews (see Appendix A for a copy of the interview guide).

### **2.2 Case study approach**

Berg (2008) suggests that the case study approach, through which a researcher focuses on a single phenomenon, individual or community in order to uncover the interaction of significant factors characteristic of that phenomenon, individual or community, allows a researcher to capture nuances and patterns that other research approaches would not uncover. As such, the case study was chosen as the most appropriate approach for addressing the goals of this project.

#### **2.2.1 Entrée into the community**

My first introduction to the Quatsino First Nation was through the Golden Mussel project. I first met Tom Nelson, chief of the Quatsino First Nation, and several council

members on a tour of Golden Mussel production sites<sup>10</sup> on Quadra Island on March 13, 2008. In August 2008, the chief and council provided a letter agreeing to the participation of community members and staff in this research. After applying for and receiving approval from the Simon Fraser University Department of Research Ethics, I made arrangements to visit Quatsino to conduct semi-structured interviews with community members and Quatsino staff. Dave Schmidt, the Quatsino Fisheries Manager at the time, made the initial arrangements for me to interview some key staff and community members that had been involved in Quatsino economic development efforts to date. I was also introduced to board members of the Quatsino Economic Development Corporation through a presentation on the Golden Mussel Project that I participated in at a board meeting on June 22, 2009.

### **2.2.2 Identifying interviewees**

I visited Quatsino from May 13-15, 2009 and from June 22-25, 2009 to conduct interviews. Over both visits, I conducted 16 interviews with Quatsino First Nation councillors, community members, elders and staff. After my time in Quatsino in June 2009, I also visited Coal Harbour and Port Alberni to conduct interviews with Quatsino Economic Development Corporation board members. In total, this case study reflects the results of 18 semi-structured interviews.

Quatsino First Nation staff and chief and council members identified the first potential interviewees for the case study. Dave Schmidt set up my first interviews with key people who had experience with economic development in the community. I then asked interviewees to suggest other individuals within the community that I might ask to participate in interviews<sup>11</sup>. In all cases, I explained to potential interviewees that the case study had the support of the Quatsino First Nation government, but indicated that they could choose not to speak with me regarding the case study and could also choose not to participate in an interview after I described the case study. I deliberately attempted to interview both those with direct experience with economic development or business development and community members without such direct experience in order to explore views about economic development in the community from both perspectives.

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<sup>10</sup> Golden Mussel culture at the site on Quadra Island is being done by a grower whose company, Viking Bay, has been contracted by Blue Frontier to produce Golden Mussels (K. Renaud, personal communication, March 13, 2008)

Some interviewees were key informants who had experience with economic development in Quatsino including Quatsino First Nation staff and Quatsino First Nation Economic Development Corporation board members. Others were members of the community with little direct experience with business development. Most, but not all, were members of the Quatsino First Nation. In total, I interviewed 13 men and five women. Interviewees had a fairly wide age range, and included one youth and two elders.

### **2.2.3 Interview techniques**

I conducted interviews in the following manner. First, I described the purpose of the study, the interview format and what would be done with the results briefly so that participants could give informed consent to their participation in the study. I explained that if participants agreed to participate in the study, I would record the interview using a digital recorder so that I was able to transcribe and consider information provided in the interview later. I also explained that responses provided during interviews would be kept anonymous and that viewpoints and quotations would not be attributed to any particular participant. Individuals who chose to participate in the study indicated their consent by reviewing and signing a consent form that described the study, data collection procedures and measures to reduce any possible negative impacts for participants. Once consent was given, I engaged participants in a semi-structured discussion based on the questionnaire that had been prepared beforehand (see Appendix A). I did not always ask questions in the same order, following the direction of the conversation instead. In some cases, participants provided the information needed to answer a question without me having to pose it directly. When needed, I asked follow-up questions to gather further information, e.g. when a response was not clear or when further elaboration was needed on a particular topic.

### **2.3 Methods for analysis**

In order to analyze interview results, transcripts of the recorded interviews were created. I then used the program NVivo (QSR International Pty Ltd 2008) to review and code key ideas, elements and responses to particular questions in each interview. Using NVivo, I could then re-organize information from different interviews based on the coding. This allowed me to consider and compare responses from different participants on similar topics as well as to organize and group key ideas that had been expressed.

Yin (2003) suggests that developing a general analytic strategy is one of the best preparations for case study analysis. For this study, the general approach I used for my analysis was to use different ways of grouping information and ideas from interviews in order to reveal key ideas. For example, I coded and grouped all information related to experiences with the economic development corporation and with each of the four business ownership structures in section 1.1.4. I also went through the same information and applied a different framework for grouping and analyzing interview data. This second layer of analysis involved factors that contributed to the development and sustainability of individual businesses in Quatsino. The interview guide included questions around a few factors that might contribute to business success or failure as a starting point for list of factors that I coded for during my analysis. I added to this list as I reviewed interview transcripts and identified other factors that participants mentioned in conjunction with business function and success. Finally, I went through the data that I had grouped in relation to different structures (e.g., the economic development corporation and the business ownership models) and in relation to factors for business development and sustainability, and considered whether the key ideas or themes that emerged from these different frameworks related to institutional changes or conditions that facilitate business development (i.e. , economic development) or to the actual mechanics and work of setting up and operating a new business (business development).

## **2.4 Study limitations**

### **2.4.1 Interview technique**

Yin (2003) suggests some strengths and weaknesses associated with the use of interviews as a source of evidence for case studies. While interviews can provide targeted information on the topic of the study, they can also be subject to bias and to reflexivity, when participants tell the interviewer what they think she wants to hear (Yin 2003). Yin (2003) emphasizes the need for the researcher to operate at two levels at the same time during interviews, pursuing the study's areas of inquiry while asking open-ended questions in an unbiased manner that will elicit the right type of information. As a researcher with limited previous experience with qualitative methods, my ability to ask effective questions and to balance between guiding the discussion without limiting it would have improved over the course of the study. This would have affected the type

and quantity of information participants shared during interviews and could mean that some information was missed during interviews that occurred earlier in the study.

#### **2.4.2 Range of representation**

Logistical constraints limited the number of interviews included in this case study. The number of interviewees (18) obviously represents a relatively small proportion of the total number of community members. Although efforts were made to interview a range of community members with different experiences and knowledge regarding businesses and economic development within the community, additional viewpoints and knowledge beyond that shared by study participants may exist within the community and may not be reflected in this study. Since snowball sampling techniques were used to identify participants not identified initially by Quatsino First Nation staff and leaders, it is also possible that participants may have suggested other potential participants who held similar perspectives to themselves, which could lead to some bias in the case study results.

#### **2.4.3 Effects of researcher position in and knowledge of the community**

My own background and experiences could also influence the results of this study, both in terms of the information that participants were willing to share with me and in terms of unconscious influences on my analysis and interpretation of study results. I am not a member of the Quatsino First Nation and do not live in Quatsino. I am a Caucasian woman who grew up in a small community in Alberta before moving to Vancouver for university. I have lived and worked in a cross-cultural context previously in southern Africa, but have not lived within a First Nations community before. I worked for a First Nations tutoring program during my undergraduate degree. In the past, while working for the Vancouver Aquarium, I have visited many coastal communities in BC, including small aboriginal communities, to talk about a community conservation project for whales, dolphins and porpoises.

My position as an outsider to the Quatsino First Nation and as someone who does not have an aboriginal background may have made some participants less willing to be open during interviews and may have made some potential participants unwilling to participate in the study. My lack of shared experience and personal connections with community members could also have limited the scope of information they were willing to share. At the same time, my sense during interviews was that my experience with living in a small community and my knowledge of coastal communities in BC sometimes

helped provide a point of connection with participants that increased their willingness to share their point of view with me.

My understanding and interpretation of interview results may also have been affected by my own biases and experiences. As someone from outside the community, I have much less knowledge of the history of the community, which means that I may have missed key ideas that would be obvious to someone with more inside knowledge. Similarly, I have a different cultural background than members of the Quatsino First Nation. This will affect how I approach the data and the analysis for this study and could mean that the key themes identified by a similar study conducted by someone who was a member of the Quatsino First Nation would differ from the key themes identified in this study.

### 3 Economic and Business Development Experiences

Quatsino First Nation (QFN) members, leaders, staff and Quatsino First Nation Economic Development Corporation (QFNEDC) board members who participated in this study described their experiences with economic development and business development in Quatsino, including the establishment of a new economic development corporation and the development of past and current businesses. Interviewees also shared their perceptions regarding the strengths and challenges of different business ownership models and the influence of different factors on successful business development and sustainability in the community.

#### 3.1 Quatsino First Nation Economic Development Corporation

If economic development can be considered the process of developing institutions for business development, the establishment of a development corporation, the QFNEDC, in the spring of 2007 was a significant economic development change for Quatsino (Decter & Kowall 1989). Prior to this, QFN-owned businesses and joint ventures were managed directly by QFN staff under the guidance of the elected band council, which includes four councillors and a chief councillor<sup>12</sup>. This type of arrangement is an example of the internal management structure for economic development described by Lewis (1991).

The main reason given for developing the QFNEDC was to insulate the management of First Nation owned businesses and joint ventures from the impacts of changes in political leadership. As one case study participant described,

“what's good about the economic development corporation today is that it's set up now. Should the chief lose his position in the next election next year and the council, whatever they've started now will not fall between the cracks. No way. It'll carry on, whereas before the new chief and council would come in and say well I don't like what the last chief and his council did so you guys get out of here.”

As required under the *Indian Act*, QFN holds elections for chief and council positions every two years. People were concerned that the internal management structure for economic development could result in business development initiatives and businesses started by one set of leaders being abandoned every time someone new was elected, which could be as often as every two years. Shifting the responsibility for the

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<sup>12</sup> Typically referred to as chief and council by interviewees

management of QFN businesses and joint ventures to the WFNEDC could help ensure that political changes did not jeopardize the sustainability of existing businesses.

### **3.1.1 QFNEDC structure**

A board of between five and seven directors governs the QFNEDC. This includes two representatives who are QFN members, two to four representatives from outside the community<sup>13</sup> and one representative from chief and council. Chief and council select the QFN representatives from community members who respond to a call for interest and outside representatives from candidates who respond to a call for new directors. As much as possible, outside directors with a broad range of professional backgrounds are chosen in the hope that they will be able to provide business and technical advice to the board and QFN businesses as needed. The elected chief is typically the council representative on the board. The QFNEDC also has two staff members, an economic development manager and an administrative support person.

The QFNEDC structure is an example of the “development corporation subsidiary to band government” management structure that separates business management and political decision-making while maintaining accountability to the community (Lewis 1991). The inclusion of individuals from inside and outside the community on the board also contributes to good corporate governance, as outside directors provide expertise and perspectives free of local political influence while directors from the community contribute local knowledge and perspectives (Grant & Taylor 2007).

### **3.1.2 Transferring economic development functions**

Interviewees indicated that the structure of economic and business development in Quatsino is still in transition, with responsibility for business management slowly being transferred from chief and council to the QFNEDC. Under the current arrangement, chief and council typically investigate and select business opportunities they are interested in pursuing. They develop the initial business structure and negotiate agreements for QFN businesses and joint ventures, which are then handed over for the QFNEDC to manage. As of 2009, management of three QFN-owned businesses, two forestry companies and

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<sup>13</sup> When interviews occurred in 2009, two of these positions had just been filled after having been vacant for some time and there were four outside directors on the board. As of 2011, there were two directors who were not community members on the board (Quatsino First Nation, 2011).



an industrial park development, had been shifted to the QFNEDC. The QFNEDC also managed a past agreement with a mining company that required them to provide employment and training for QFN members, though it was not clear if the QFNEDC would be asked to manage such benefit agreements as well as QFN businesses and joint ventures in the future. Several interviewees identified the transfer of business management functions from chief and council to the QFNEDC board and staff as an ongoing challenge. It has taken time for people to adapt to the new management structure, especially in the case of QFN businesses with a long history of band management. In general, interviewees suggested that the QFNEDC was still under development, but that they hoped it would generate benefits for the QFN in the future once it was better established.

Discussions with various interviewees revealed that the role and responsibilities of the QFNEDC with regards to current and future business development have yet to be clearly defined. Some interviewees expressed the expectation that QFNEDC will take on more responsibility for identifying, researching and pursuing potential business opportunities once it is better established. Others thought that primary responsibility for developing new businesses should remain with chief and council. Some identified the primary mandate of the QFNEDC as generating income for the QFN through the profitable management of existing QFN businesses and joint ventures, while others thought that development of new businesses should be included in mandate. This difference in perspectives suggests that the roles, functions and mandates of the QFNEDC and the chief and council in terms of business development and management need to be clearly defined and agreed to by all those involved. Clarifying the role of the QFNEDC in economic and business development will help ensure that all those involved know what to work towards and how to prioritize different activities and projects. It could also help facilitate the successful transfer of responsibilities from the chief and council to the QFNEDC.

### **3.1.3 Perceptions of the QFNEDC**

Overall, interviewees supported the economic development corporation structure for managing economic development in Quatsino, identifying the separation between business decisions and politics as a key strength. They felt that QFNEDC management of QFN businesses would reduce the chances that political pressure would lead to flawed business decisions. In the words of one community member:

“It's important that business stay business, not political. To me, that's number one, that's the biggest hindrance in our community is political influence and getting false expectation levels for the community. They need to really know what's involved to make it happen.”

Others appreciated that the economic development corporation would ensure that business decisions happened at the “right level,” freeing the chief and council to focus on addressing community needs and the provision of services to QFN members. These perceptions echo findings from the United States showing that institutional frameworks that explicitly structure and manage the relationship between politics and business increase the likelihood of success for tribally owned enterprises (Grant & Taylor 2007; Jorgenson & Taylor 2000). Overall, the consensus was that continued commitment to separating business from politics via the QFNEDC would contribute to the success of QFN businesses and joint ventures as well as simplifying business management and decision-making.

Interviewees identified two challenges for the QFNEDC associated with its interactions with and role in the community. The first was ensuring regular, clear communication between the QFN elected leaders, QFNEDC staff and board members and QFN community members. The ability of rumours to spread quickly within a small community was highlighted as one reason for increasing the amount of communication with community members about the QFNEDC and QFN business development. Community members were also interested in learning more about the development corporation and receiving regular updates on its work.

The second challenge identified by interviewees was the need to manage community expectations regarding the objectives, outcomes and pace of economic and business development in Quatsino. Many community members' expectations for QFN businesses and joint ventures focus on job creation and distribution of dividends to QFN members. This short-term focus on jobs and direct payments to community members ignores the need for such businesses to generate and re-invest profits to support business sustainability and increase QFN ownership and equity in order to support QFN self-reliance over the long term (Lewis 1991). Some interviewees directly involved in QFN economic development expressed this longer-term vision for economic development, but others within the community do not seem to share this understanding. Further discussion with community members around long term plans for QFN economic and business development, including the role of the QFNEDC, would alleviate potential conflicts and contribute to a shared understanding of these issues.

### **3.1.4 Future directions**

As described above, the focus of the QFNEDC to date has been on the management of QFN businesses and joint ventures that will generate income for the QFN. This is closest to the growth/equity development corporation model, which seeks to build First Nation-controlled wealth or equity, though as noted above, the role of the QFNEDC in business development still needs to be clarified (Lewis 1991). Interviewees generally supported this focus, but a few made some suggestions for additional roles that the QFNEDC might play in the future. One that would fit within the current focus was the provision of technical and business advice to QFN businesses. QFNEDC board members with past business or technical expertise could provide such advice or identify where it could be obtained, which would not entail a change of overall focus for the QFNEDC. In some cases, board members may also be able to act as mentors for QFN business managers.

The other suggestion would require that the QFNEDC expand and take on a second focus by providing loans and/or business advice to QFN members interested in developing or expanding their own businesses. There are currently no institutions within Quatsino itself that provide these supports for individual entrepreneurship, although there are some within the larger area around Quatsino (e.g. Community Futures Mount Waddington in Port McNeill). These functions would be similar to the loan/technical assistance development corporation model (Lewis 1991). Some of the considerations regarding this suggestion are discussed in more detail in section 4.2.

## **3.2 Experiences with different business structures**

As described above, the focus of the QFN's economic and business development actions to date has been on First Nation owned businesses and joint ventures. The experiences that interviewees described reflected this focus, with more examples of QFN businesses in the community provided than of other ownership models.

### **3.2.1 First Nation owned businesses**

#### **3.2.1.1 Commercial fishing**

The QFN owns two boats (a seine boat and a gill netter) and several commercial fishing licenses that they rent or lease out. This business provides employment for a couple of community members and has been able to “keep in the black”. However, it

doesn't generate significant profits for the QFN, and more licenses would need to be acquired to increase the revenue it generates.

The major challenges for this business are related to the state of the commercial fishing industry. Profit margins can be low, which means that there are times when the boats have to be kept at dock because they would lose money if they were sent out. Inconsistent opportunities also make it difficult to find and retain good staff, i.e. boat skippers:

“the fishing times are so far and few in between that it's hard to get good people out there and to get people to train. It's just not steady enough. So it's always been a struggle in that sense.”

### **3.2.1.2 Forestry**

The QFN also owns two forestry operations – Quatsino Forestry Company and Quattishe Forest Products. Since it was started in 1995, Quatsino Forestry has had multiple contracts with Western Forest Products as well as owning a woodlot license. Quattishe Forest Products was developed more recently when the QFN was able to secure several timber salvage licenses.

Quatsino Forestry provides employment for five to seven people, several of whom are QFN members. QFN has had to subsidize its operation at some points in the past. Currently, the revenue the two forestry companies generate is invested back into the business. The age of equipment, the short term of licenses (five years) and the QFN's ability to access licenses were all identified as challenges for the QFN forestry businesses. One potential advantage of the QFN forestry businesses that a few interviewees described was the idea that QFN businesses might be more likely to attempt to conduct their forestry operations in ways that were consistent with QFN values than other companies would<sup>14</sup>.

### **3.2.1.3 Industrial park**

A newer venture is an industrial park that the QFN has created on an old copper mine site. Two companies currently lease space in buildings on the site. The QFN would like to acquire a foreshore lease so that the industrial park can become a hub for loading and unloading larger ships, which would attract more businesses to the site. However,

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<sup>14</sup> The degree to which the businesses in question could do this would depend on the length of the tenures they were able to access, the degree of control they had over management of the resource and the flexibility they had regarding how forestry activities were conducted.

they cannot acquire the lease until the former mine owners clean up contamination in the area. Many people expressed frustration at this delay, which is seen as hindering the industrial park's ability to "take off" and generate revenue for the QFN. One interviewee did point out that the industrial park is a source of equity for the First Nation as it includes 106 acres of fee simple land that the QFN now owns.

#### **3.2.1.4 Shellfish aquaculture**

Another relatively new business is a small shellfish aquaculture operation that is currently focusing on culturing oysters using rafts and long lines. The project had been under development for over ten years before the first product went into the water in 2008. The extended period of development was attributed to delays in getting initial funding, securing aquaculture tenures and determining what aquaculture techniques and species would be used.

#### **3.2.1.5 Ventures under development**

Several interviewees mentioned a proposed venture that the QFN is considering, an on-reserve gas station and convenience store. This has not yet gone ahead due to questions about the project's financial viability and opposition from some community members, including an elder who currently operates a small store from her home on the reserve.

#### **3.2.1.6 Quatsino Society wharf**

Several interviewees identified the wharf in Coal Harbour as an example of a First Nation owned business. However, as others clarified, the wharf is actually owned by the Quatsino Society, a non-profit organization set up by the QFN to operate the wharf. This ownership structure stems from a Transport Canada requirement that the wharf be run as a non-profit for five years so that it will be maintained as a public wharf. Several interviewees expressed the desire to transform the wharf into a First Nation owned business run by the QFNEDC at the end of those five years.

Under the current non-profit society structure, all profits generated by the wharf and the custom offloading business for commercial vessels mooring at the wharf are re-invested in renovation, maintenance and equipment costs for the wharf and offloading business. One QFN member is employed as the wharfinger, overseeing operations and maintenance, while the custom uploading business can provide short-term work for up to eight or nine people at a time.

### **3.2.2 Joint ventures**

Interviewees could only identify a few examples of current and future QFN joint ventures. In some cases, the examples that were provided were actually arrangements like impact benefit agreements rather than true joint ventures.

The best example of a QFN joint venture is a venture that has just been set up with a logging and road-building contractor. The joint venture will be able to access contracting opportunities, including First Nations' contracts, through the QFN while using equipment and training provided by the contractor to successfully complete these contracts and build QFN capacity.

The QFN is also exploring potential joint venture opportunities in the alternative energy field. Discussions have occurred with a company interested in developing a wind power generation facilities and another company interested in developing an independent power production facility within QFN traditional territory. QFN recently set up a company called Quatsino Energy in anticipation of joint venture opportunities associated with these projects.

Another joint venture example raised by interviewees involves the QFN industrial park. QFN provides a mining company, Electra Gold Ltd, with space at the industrial park to store rock mined within QFN traditional territory before it is shipped to Vancouver, in return for royalties on each ton of rock shipped. In the past, Electra Gold has also employed some QFN members at various stages in its operation.

Other examples interviewees mentioned were arrangements like impact benefit agreements rather than joint ventures. For example, a past agreement with IMA, a mining company conducting geological explorations within QFN traditional territory, required them to provide training and subsequent employment for QFN members. This provided full-time employment for at least seven community members at one point. Although these agreements can provide benefits to the QFN that may increase capacity and support future economic development, they do not contribute to QFN ownership or equity in the same way as joint ventures.

### **3.2.3 Individually owned businesses**

Interviewees only identified a few examples of individually owned businesses in Quatsino. The example mentioned most frequently was a small store run by an elder out of her house. This carries a few basic groceries like bread and milk and assorted snacks, candy, toys and knickknacks. Other examples were a community member who

rents out tourist cabins on one of the Quatsino Sound reserves and another who has a flooring business that does work in communities like Port Hardy and Port McNeill.

Interviewees also mentioned a few examples of past businesses run by community members. One QFN member who has since moved off the reserve had a successful kayak and boat charter business in Port Hardy. Several interviewees worked outside the community as individual contractors in the logging industry or fishers in the past. Other attempts were not successful, including a QFN member's silviculture business that had difficulty fulfilling contract requirements and then was not able to obtain subsequent contracts and a small store that failed after a divorce in the family.

### **3.2.4 Co-operatives**

Interviewees had the least experience with the cooperative ownership model and could only identify a single example. This was West Coast Shellfish, a shellfish co-operative that was only in operation for a short period of time. The co-operative was initiated after the provincial government approached QFN to develop a MOU regarding shellfish aquaculture tenures, with an arrangement that 50% of tenures would go to the First Nation and 50% would go to the public. A community member suggested that the chief and council could tenure some beaches through this MOU that would then be sub-leased to the shellfish co-operative he was setting up. The initial focus of the co-operative was on harvesting wild clams from tenured beaches, with the intention of moving towards seeding and culturing clams on these beaches. Membership numbers fluctuated, but one interviewee estimated that approximately 50 people were involved in harvesting clams as part of the co-operative during the single harvest season that it was in operation. People had to make a small initial investment before becoming co-operative members and participating in clam harvests. They also had to commit to contributing a portion of their profits from gathering clams back into the business. At some point during its operation, the co-operative added a board of directors to provide additional leadership for the business.

Interviewees who had been directly involved with the co-operative ascribed the demise of the West Coast Shellfish co-operative to different factors than interviewees who had not been directly involved. The demise of the co-op was blamed on two direct causes: freshwater incursions into beaches that reduced productivity, which was mentioned by some of those involved in the co-op, and a leadership vacuum resulting from the death of the individual who started and developed the co-operative, which was

mentioned by those involved and those outside the co-op. Other factors that interviewees who had not been directly involved in the co-op suggested might have contributed to its short existence were a lack of internal structure and gaps between members' expectations and reality in terms of the amount of time and effort required to generate profits.

### **3.3 Perceptions of ownership models**

In reflecting on their experiences with different business ownership models, interviewees identified the following strengths and challenges regarding the application of these business structures in Quatsino. Please see Table 1 for a summary of these perspectives and some related recommendations.

#### **3.3.1 Strengths of First Nation owned businesses**

According to interviewees, one advantage of this model for business development in Quatsino is that the First Nation can access business development resources that are not available to individual entrepreneurs within the community. The QFN can often access land and resource development tenures that individual QFN members cannot. For example, QFN has secured reserve-front shellfish tenures that would not have been available to an individual through a provincial government initiative. Similarly, QFN businesses have been able to access woodlot licenses through a Forest and Range Agreement with the provincial government. In a few cases such as the industrial park, the development of QFN businesses has been slowed because tenures could not be secured; but overall, the ability of QFN businesses and joint ventures to build on the First Nation's unique access to land and resource development tenures has been a significant advantage of these business ownership structures in Quatsino.

Interviewees felt that the First Nation owned businesses' increased access to resources extended to accessing capital for business development through grants and loans. For example, Quatsino Forestry was able to get a loan directly from QFN to purchase new equipment whereas an individual community member would not have this option. The QFN has also built up equity through its existing businesses in the form of fee simple lands and logging equipment that can be used to secure loans for new business development. In terms of grants, the QFN can access funding programs that are not open to individuals and has more sources for the matching funds that such



programs often require. These advantages make it easier for First Nation owned businesses to get the loans or grants needed for development or expansion of the business.

Many interviewees thought an additional strength of First Nation owned businesses was the employment they provided for community members. One interviewee suggested, “We [QFN] are the best employers of our own people.” Interviewees noted that the First Nation is often more flexible with its employees than outside businesses might be in terms of allowing for time off for funerals or other family business as needed. For example, the First Nation office sometimes shuts down for funerals or potlatches without penalizing employees or docking their pay.

Most interviewees also thought that this business model generated benefits for all community members, in contrast to individually owned businesses and co-operatives, which they saw as benefiting only a few people. One of the perceived benefits was that QFN businesses could help sustain cultural connections to different resources and environments. For example, QFN involvement with the wharf in Coal Harbour was pursued because it was an opportunity to re-connect the community with the ocean. Several community members indicated that the younger generations’ connection to the ocean and familiarity with marine resources had greatly diminished since the move from the village site on Quatsino Sound to the current community location, which was several kilometres from the water.

### **3.3.2 Challenges of First Nation owned businesses**

The amount of potential liability associated with First Nation-owned businesses, as well as the management burden placed on the First Nation, were key challenges associated with this ownership structure. As one interviewee mentioned, “it’s good we have all the benefits but we also have all the headaches and we also have all the risks.” The QFN has had some direct experiences with this liability in the past when it has had to subsidize the operation of one QFN business. Overall, interviewees expressed support for using a cautious approach to new QFN business ventures and a low willingness to take on substantial financial risks. Most QFN businesses were started through grants rather than bank loans. Mention was made of avoiding mistakes other First Nations have made where the overwhelming desire for economic development leads to the pursuit of unwise business ventures. Pursuing joint ventures rather than businesses wholly owned by the QFN was another strategy suggested for reducing the

risk and management burden on the First Nation. Continuing to transfer business management responsibility to the QFNEDC may also be able to reduce QFN liability. As discussed earlier, interviewees also identified the QFNEDC as a possible solution for another challenge for First Nation owned businesses, the scope for political interference with business management and decisions.

Other challenges with this ownership structure in Quatsino related to community expectations for First Nation owned businesses, which was also identified as a challenge for the QFNEDC. Several community members indicated that they thought QFN business profits should be distributed through dividends to community members. In their evaluation, QFN businesses had not yet lived up to community expectations regarding the number of jobs that would be created or the speed with which dividends would be paid out to community members. At the same time, interviewees directly involved in QFN economic and business development were concerned with what they identified as unrealistic community expectations regarding QFN businesses. The difficulty is that fulfilling expectations regarding jobs and profit distribution to community members can undermine the long-term success of First Nation owned businesses. Focusing on short-term benefits such as job creation and distributing dividends to community members conflicts with the generation and reinvestment of profits required for First Nation business sustainability and for expansion of the First Nation's economic base (Lewis 1991). Developing and discussing long-term, strategic plans for economic and business development with community members could be one way to change these expectations.

Another concern some interviewees identified was that focusing exclusively on developing First Nation owned businesses could reduce individual self-sufficiency and foster an unhealthy reliance on the First Nation. If the First Nation is the sole source of business development in the community, people may consider that it is the First Nation's responsibility to provide them with employment and support through dividend payments. Such expectations reduce the incentive for someone to take initiative and pursue business or employment opportunities on their own, reducing the community's overall entrepreneurial capacity. The resulting attitudes and expectations are similar to the "welfare trap" and dependency that Helin (2006) suggests has been created by the *Indian Act* and federal transfer payment system and has undermined aboriginal self-reliance. A few interviewees suggested that these assumptions may lead employees of First Nation owned businesses to feel that they are owed these jobs, and therefore that

less effort on their part is required. A general lack of entrepreneurial capacity in the community can hinder community members' ability to successfully pursue, develop and manage QFN businesses as well as co-operatives and individually owned businesses.

### **3.3.3 Strengths of joint ventures**

Interviewees identified the ability for the First Nation to share business risks and burdens with another party as a key strength of the joint venture. In comparison to businesses wholly owned by the QFN, the liabilities and risks of joint venture enterprises are shared with the other partner or parties to the agreement. Several interviewees indicated that the joint venture structure was an especially good fit for Quatsino because people were generally fairly risk averse in terms of business decisions.

The ability to share business management responsibilities with another party was identified as another strength of the joint venture model. As one interviewee indicated,

“I think that the joint ventures are probably the most profitable for the band because somebody else would have the headaches—would be running it. Whereas we would be getting a lot of the benefits. So it allows us to be more diversified and get into a lot more stuff because if everything is band owned then it becomes an administrative nightmare.”

Reduced First Nation involvement in business management was seen as a mechanism for avoiding “internal fighting” and conflict within the community. Thus, a joint venture structure where responsibility for day-to-day business management rests with the other party is one mechanism for separating internal politics and business. Interviewees also suggested that the split ownership of the business was an effective accountability mechanism since it created an incentive for the managing partner to ensure that the business was successful, in contrast to a hired manager who wouldn't have the same incentive.

The other major strength interviewees associated with joint ventures was that they allowed First Nations to access additional resources and take advantage of business opportunities they would not otherwise be able to pursue. Examples of these resources given by interviewees were technical and business management expertise, equipment and capital. Joint ventures were seen as an effective mechanism to leverage assets that the QFN has, such as land or resource development opportunities, access to aboriginal contracts and government funding, in order to develop or help support businesses that will provide jobs and generate revenue. QFN's new joint venture with a

logging and road-building contractor was mentioned as an example of this in action. QFN would be able to access equipment and training that would allow them to pursue additional contracts, including First Nation contracts that the contractor would not have been able to access outside the joint venture.

### **3.3.4 Challenges of joint ventures**

Interviewees felt the major challenges with the application of the joint venture model centred on finding a good partner<sup>15</sup> and business opportunity and negotiating an agreement that will provide lasting benefits for the QFN. Opinions on the availability of potential joint venture partners varied. Some interviewees thought many businesses would be interested in accessing unique resource development and contracting opportunities through joint ventures with a First Nation, while others suggested that issues with internal politics and rapid changes in leadership due to frequent band elections reduced many potential partners' interest in developing joint ventures with First Nations. The second perspective prompted the suggestion that all QFN joint ventures be managed through the QFNEDC in order to avoid a situation where a new council is elected and decides to pull the plug on a pre-existing joint venture.

In terms of evaluating possible joint venture opportunities, several interviewees mentioned that the QFN needed to understand the motives of any potential joint venture partners; some may have a strong interest in exploiting the First Nation's access to opportunities but little interest in structuring the venture so that it contributes to the First Nation's equity or capacity. Potential partners may also present overly optimistic estimates and projections of profits, encouraging the First Nation to devote limited resources to an enterprise that never yields the expected return on investment. Another factor that interviewees thought should be considered was the need to avoid opportunities that conflict with QFN culture and values. A final suggestion based on QFN experience with joint ventures to date was that training opportunities for QFN members be included in any new QFN joint ventures. Interviewees mentioned that although some training was included in past arrangements, most QFN members still lacked the training or capacity to fill most of the jobs associated with these past joint ventures or agreements.

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<sup>15</sup> The term partner here refers to parties to the joint venture other than the QFN as the joint venture would not necessarily have to be in the form of a partnership.

### **3.3.5 Strengths of individually owned businesses**

Interviewees thought the benefits individually owned businesses could provide for their owners were strengths of this model, from income and equity to a sense of self-reliance, empowerment and pride in the business' success. Several interviewees felt that the uplift a successful entrepreneur might experience could also spread to other community members who would see that someone from Quatsino could successfully develop and run a business, which would increase their confidence in their own abilities. Interviewees did identify a few general benefits that individual businesses might provide for community members depending on their size and type, including opportunities for employment and local options for services. For example, the small convenience store in the community gives QFN members who do not have cars and cannot run into Port Hardy an option for picking up last-minute groceries.

The other advantage of this business structure identified by interviewees was the degree of control over and accountability for the business that rests with the business owner. Unlike some other ownership models, there is no requirement to consult and coordinate with other co-operative members or partners regarding business decisions, reducing the chance for conflict. The final responsibility for business management and direction rests with the owner. This ownership model also provides a high degree of inherent accountability and responsibility as the business owner bears all responsibility for the business' success or failure.

### **3.3.6 Challenges of individually owned businesses**

Interviewees identified accessing funds to start an individually owned business through grants or loans as a major challenge for applying this business model in Quatsino. Potential entrepreneurs have few options for securing the funds to start a business. Living on reserve means that community members cannot use their houses as a source of equity to secure a bank loan and few have access to other sources of equity. Other funding programs require individuals to provide matching funds of some sort in order to access grants. Apart from issues related to limited access to this type of capital, several interviewees suggested that many community members were reluctant to invest their own funds in business ventures, possibly because of the risk involved. In one example, several community members that had been interested in a grant for starting a business decided not to pursue it after learning that they would be required to supply matching funds.

The other challenge raised with respect to individual business development in Quatsino was the level of entrepreneurial capacity and initiative among community members. The consensus among most interviewees was that the majority of community members had little interest in developing and operating their own businesses. The difficulties in accessing capital or the reluctance to risk investing personal funds discussed above could contribute to this. However, this lack of interest is not universal. A few interviewees mentioned their own interest in becoming entrepreneurs and indicated that others in the community who shared this interest. The issue these individuals identified was the need for additional support and capacity building for potential QFN entrepreneurs. One suggestion for building entrepreneurial capacity was to provide access to business advice through a community economic development worker who could assist QFN members with business plans and the paperwork necessary for starting a business. Mentorship by individuals with business experience was another suggestion. Over the long term, more entrepreneurial interest and initiative might be inspired if community members could look to a few examples of successful QFN entrepreneurs.

The other concern raised regarding individually owned businesses was the potential for conflict or competition with QFN businesses that could lead to opposition from community members. Generally, interviewees felt that the development of individually owned businesses was fine as long as they did not interfere with QFN businesses, since these were considered to provide more benefits for the whole community. The example various interviewees gave was a perceived conflict between an existing convenience store run by a QFN elder and a proposed QFN gas station, which needed to include a convenience store in order to be economically viable. Several interviewees suggested that the QFN gas station proposal had not yet gone ahead because the agreement of all Quatsino elders, which was required before the proposal could proceed, could not be obtained as the family operating the private convenience store were concerned about competition between the gas station and their business. Other interviewees indicated that the gas station proposal had been put on hold primarily because of questions regarding its financial viability that went beyond the addition of the convenience store. Regardless of the reason for the delay, the situation was characterized as an example of how businesses that provide benefits for one individual or family might come into conflict with QFN businesses that benefit the whole community.

### **3.3.7 Strengths of co-operatives**

As with the individual ownership structure, interviewees considered that the degree of individual responsibility and accountability implicit in the co-operative structure was an important strength. As several interviewees stated, co-op members were responsible for the enterprise's success or failure. The harder they worked, the more likely it was that the co-operative would generate profits. The need for an initial investment in the co-operative was also seen as positive as it encouraged members' sense of ownership over the enterprise. The sense was that involvement in a co-operative, like starting an individually owned business, could be empowering for members used to depending on the First Nation for support and services. The other advantage interviewees saw in a co-operative structured like the Westcoast Shellfish example was that community members could choose to buy into the co-operative to supplement income from seasonal or other work. Depending on how it was structured, a co-operative could be a flexible source of income for community members who weren't interested in full-time employment.

### **3.3.8 Challenges of co-operatives**

The main challenge interviewees associated with the co-operative structure was the possibility for conflict between co-op members. Some interviewees felt that getting co-op members to work together successfully would be a challenge in Quatsino. The key issue interviewees raised was the likelihood of conflicts between members of different families, particularly if members of one family were more successful than members of another family. The implication was that conflicts could arise even if the division of profits was related to the level of investment or amount of work a particular family had put into the coop. A few interviewees thought that the co-operative model might work if it only involved members of a single family or if it had the right structure, but others thought that the likelihood of conflict was too high for it to succeed. One aspect of co-operative structure that was emphasized was the need to establish a fair system for the re-investment and distribution of profits that all co-op members endorsed.

Another challenge interviewees identified for the co-operative ownership structure is the need for effective leadership and initiative. The leadership and initiative of the community member who started the shellfish co-operative was seen as playing a key role in its development, just as the loss of this champion and leader contributed to its end. Other challenges identified with applying this model in Quatsino echoed

concerns raised regarding individually owned businesses. Some interviewees felt that few community members would be interested in joining a co-operative if they had to make an initial financial investment. The substantial amount of work involved in co-operative development was also seen as a possible deterrent. The entrepreneurial capacity in the community was linked to the successful development and operation of co-operatives as well as individually owned businesses.

### **3.4 Business ownership model summary and recommendations**

Table 1 provides a summary of the QFN's experiences with different ownership models and provides some suggestions for QFN economic and business development in this context.



**Table 1 - Summary of the Quatsino First Nation’s experiences with different business ownership models and related recommendations for future economic and business development**

<b>Model</b>	<b>Examples in Quatsino</b>	<b>Perceived strengths of model</b>	<b>Perceived challenges of model</b>	<b>Recommendations for QFN economic and business development</b>
First Nation owned business	<ul style="list-style-type: none"> <li>• QFN fishing vessels and licenses</li> <li>• Quatsino Forestry</li> <li>• Quattishe Forest Products</li> <li>• Industrial park</li> <li>• Shellfish aquaculture</li> </ul>	<ul style="list-style-type: none"> <li>• QFN can access business development resources not available to individual entrepreneurs                             <ul style="list-style-type: none"> <li>○ land and resource development tenures</li> <li>○ sources of credit and capital</li> </ul> </li> <li>• Provide employment for First Nation members                             <ul style="list-style-type: none"> <li>○ More flexible than outside employers</li> </ul> </li> <li>• Benefit all QFN members                             <ul style="list-style-type: none"> <li>○ Can contribute to, and help sustain, existing cultural connections to different resources and environments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Increased QFN exposure to financial risk</li> <li>• Scope for political interference with business decisions</li> <li>• Unrealistic community expectations</li> <li>• If used exclusively, can foster increased reliance on FN, decreased individual self-sufficiency and reduced employee commitment</li> <li>• Success can be affected by entrepreneurial capacity in the community, which can limit community members’ and leaders’ ability to develop and manage QFN businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Consider leveraging resources through JV’s to reduce risks and FN burden</li> <li>• Consider options for supporting entrepreneurs (including sub-leasing tenures)</li> <li>• Continue transferring QFN business mgt responsibilities to the QFNEDC</li> <li>• Develop and discuss long-term, strategic plans for economic development with community members</li> <li>• Agree on profit reinvestment vs. distribution policy</li> <li>• Develop accountability mechanisms for employees</li> </ul>

<p>Joint venture (JV) between First Nation and other parties</p>	<ul style="list-style-type: none"> <li>• JV with logging and road-building contractor</li> <li>• Electra Gold JV for storage of mined rock at industrial park</li> <li>• <i>Potential alternative energy JV's in future</i></li> </ul>	<ul style="list-style-type: none"> <li>• Reduced financial risk for FN</li> <li>• Reduced administrative and managerial burden for FN</li> <li>• Structure can be used to separate bus mgt from politics</li> <li>• Shared ownership creates incentive for all parties to promote business success</li> <li>• Provides access to business development opportunities and resources not otherwise available to FN</li> </ul>	<ul style="list-style-type: none"> <li>• Need to find a good partner: <ul style="list-style-type: none"> <li>○ Issue of underlying interests</li> <li>○ Spotting overly optimistic business projections</li> <li>○ Potential partners wary of a shift in FN leadership and priorities</li> </ul> </li> <li>• FN benefits depend on agreement that is negotiated</li> <li>• QFN members can lack capacity to access employment created by JV</li> <li>• Need to ensure opportunity does not conflict with QFN culture and values</li> </ul>	<ul style="list-style-type: none"> <li>• Research potential partners</li> <li>• Get a second opinion of figures in business plans and projections</li> <li>• Manage JV's via QFNEDC to increase stability and certainty for partners</li> <li>• Include training opportunities and capacity building in all JV agreements</li> <li>• Develop criteria for evaluating and comparing JV opportunities <ul style="list-style-type: none"> <li>○ Types of benefits (profits, jobs, equity)</li> <li>○ Fit with culture and community</li> <li>○ Investment required</li> </ul> </li> </ul>
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<p>Individually-owned</p>	<ul style="list-style-type: none"> <li>• Small store</li> <li>• Flooring contractor</li> <li>• Tourist cabin rentals</li> <li>• <i>Former boat rental operation</i></li> </ul>	<ul style="list-style-type: none"> <li>• Generates benefits for owner <ul style="list-style-type: none"> <li>○ Income</li> <li>○ Increased self reliance and confidence</li> </ul> </li> <li>• Successful examples provide models for other community members to follow</li> <li>• Ultimate responsibility for business success and control over business rests with owner</li> </ul>	<ul style="list-style-type: none"> <li>• Accessing initial funds for business can be difficult</li> <li>• Entrepreneurial capacity among community members currently limited</li> <li>• Need additional business advice and support for entrepreneurs</li> <li>• Potential for competition and conflict with QFN businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Explore options for helping potential entrepreneurs access credit</li> <li>• Provide access to business advice, including assistance with business plans, through community economic development worker</li> <li>• Identify experienced entrepreneurs willing to act as mentors</li> <li>• Develop unbiased mechanism for dispute resolution</li> </ul>
<p>Cooperatives</p>	<ul style="list-style-type: none"> <li>• West Coast Shellfish (harvested wild clams; only in operation for one season)</li> </ul>	<ul style="list-style-type: none"> <li>• Responsibility for co-op success rests with members</li> <li>• Initial investment contributes to members' sense of ownership and self-reliance</li> <li>• Can be a flexible source of income that fits with seasonal work</li> </ul>	<ul style="list-style-type: none"> <li>• Likelihood of conflicts between different families</li> <li>• Must develop and agree to profit allocation system</li> <li>• Requires effective leadership and initiative</li> <li>• Substantial initial investment of effort needed for co-op set up</li> <li>• Limited by entrepreneurial capacity in the community as noted above for individually owned businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Identify possible leaders before starting co-op development</li> <li>• Create fair dispute resolution system for resolving internal conflicts</li> <li>• Develop and agree to profit reinvestment and distribution system</li> </ul>

### **3.5 Additional factors for business development and sustainability**

In describing experiences with business development in Quatsino, interviewees considered different factors that could influence business sustainability and success. Many of these factors have already been discussed in the context of the economic development corporation or experiences with business ownership models. A few additional factors that interviewees mentioned are described below. Table 2 includes a list of all the factors interviewees identified as influencing business sustainability and success.

#### **3.5.1 Access to labour / community capacity**

A few interviewees noted that having skilled and committed workers contributes significantly to a business' success. A key factor that contributes to business sustainability and success is therefore the community capacity to supply these skilled and committed employees. The training, skills and knowledge of community members are an important aspect of this type of capacity. A few capacity building and training initiatives have occurred in conjunction with past joint ventures and agreements or through QFN initiatives. However, several interviewees noted an ongoing need for more training and higher levels of education among community members. Limited capacity in this area could otherwise affect the successful development and operation of businesses in the community in the future.

Another element of community capacity interviewees identified as affecting business sustainability was the ability to find employees who would commit to consistently being at work and completing the required tasks. Two factors that were identified as influencing this capacity were alcohol consumption and how family events and needs were prioritized in relation to work requirements. As discussed in Section 3.3.2, QFN businesses may be more flexible with employees regarding time off for family events, which could alleviate capacity issues in this area. Another suggestion regarding this aspect of capacity was that some QFN members might be more interested in seasonal or short-term work opportunities that will allow them to generate some income but do not require a long-term, full-time commitment. This could be a consideration for structuring employment opportunities in new businesses that are developed in Quatsino.

### **3.5.2 Entrepreneurial capacity**

In addition to the aspects of capacity described above, different aspects of entrepreneurial capacity were also identified as being important to business success. This factor was most often described in the context of individually owned businesses, as discussed in section 3.3.6 above. However, it is also relevant to QFN businesses, co-operatives and joint ventures managed by QFN staff. The involvement of someone with business development and management knowledge and experience was a factor in the success of all of the business ownership models discussed with interviewees. Other aspects of entrepreneurial capacity such as an interest in business development and initiative were also identified as contributing to the success of different businesses, including those owned by the QFN.

### **3.5.3 Access to technical and business advice**

The ability for business owners and managers, from the QFN and QFNEDC to individual entrepreneurs, to access different types of advice and assistance was another influence on business sustainability discussed with interviewees. Overall, interviewees felt that businesses in Quatsino had not had any issues accessing technical advice when needed. Several noted that a number of people in the community had extensive experience working in forestry and commercial fishing and so could provide advice in those areas. Interviewees identified several other sources of technical advice for First Nation owned businesses including economic development corporation board members, joint venture partners and outside consultants. The main source of technical advice identified for individually owned businesses that were not fishing or forestry-related were other people in the same business sector.

Similarly, interviewees were able to identify a few sources of business advice for Quatsino and its members. These ranged from individuals within the community who had run their own businesses in the past to economic development corporation board members to individuals and organizations in Port Hardy and area. However, almost all interviewees felt more access to business advice and mentorship would be beneficial for new and existing businesses. Additional support for individual entrepreneurs in particular was suggested as a way to encourage individually owned business development.

### **3.5.4 Congruence with cultural practices and norms**

Another factor that interviewees felt might influence business success in Quatsino was the fit between the business and community culture, practices and norms. Several interviewees mentioned the need for a good fit, or at the very least, a lack of conflict between the business activity and QFN culture. One indicated that, “anything that comes into our community has to be kind of relevant to our past.” QFN forestry and fishing businesses were considered to fit well with cultural practices and traditions. Importantly, the QFN fishing vessels, shellfish aquaculture project and the wharf are all seen as a way for the community to re-connect to the water from its present inland location. Several interviewees felt that because of the move from traditional village sites on Quatsino Sound to an inland reserve several kilometres from the ocean, the younger generation had less of a connection to the water, fishing, shellfish gathering and other traditional foods than their elders did. They expressed support for potential business ventures such as the Golden Mussel enterprises that could provide a renewed connection to the ocean or source for traditional food; though, they also indicated that the reduced connection with the ocean could mean that fewer people within the community would have knowledge and experience related to such ventures.

One aspect of how businesses fit with cultural practices and norms mentioned by a few interviewees related to sustainable resource exploitation and development. Some interviewees indicated that QFN businesses would and should not do anything that would conflict with cultural practices and values, including the QFN’s experience with successfully using forest and marine resources for thousands of years. One interviewee contrasted the QFN’s historical use of resources with more recent government management that restricted QFN access to and control over these resources and exploitation by outside companies that used resources without renewing or replenishing them as needed. Sustainable resource management arrangements are beyond the scope of this study, but it is interesting to note that the issue of the sustainable use of resources was seen as relating to how businesses fit with QFN culture, suggesting that environmental sustainability may be a cultural value that should be considered in the development of new businesses in the community. Interviewees did not identify any existing businesses as being in conflict with QFN values and culture. A few interviewees did suggest that the environmental impacts of salmon aquaculture meant that the development of this type of business would conflict with the cultural value placed on wild

salmon, but other interviewees did not see any conflict between salmon aquaculture and QFN culture.

### **3.5.5 Financial and other accountability mechanisms**

Interviewees also discussed financial and other accountability mechanisms that could support business sustainability. QFN accounting and bookkeeping staff set up the financial accountability mechanisms for QFN businesses and joint ventures as funds for these businesses generally flowed through the First Nation. Interviewees indicated that these were tightly controlled, and that new processes had been put in place as needed to increase financial accountability for these businesses. Systems for financial accountability for private businesses and co-operatives were not mentioned.

Various mechanisms for allocating responsibility and accountability for business outcomes were mentioned. As described earlier, interviewees considered the way that responsibility and accountability for business success is concentrated in the hands of the owners of individually owned businesses and co-operatives to be a strong element of these models. Similarly, the investment each party makes in a joint venture provides them with an incentive for doing all they can to make the enterprise a success. Agreements governing joint ventures can also include specific requirements for accountability for each party. Several interviewees mentioned that since Quatsino is a small community, community members scrutinize decisions made by chief and council and the QFNEDC regarding QFN businesses, which provides a degree of accountability and oversight. In terms of the QFNEDC, the staff and board must report and are ultimately accountable to chief and council, and the community members they represent, for the management of QFN businesses.

### **3.5.6 Outside factors**

Discussions with interviewees also identified various external factors that have affected the success or failure of businesses in Quatsino. As in the case of QFN forestry businesses, changes in outside markets and the industry as a whole can have a direct impact on the operation of businesses within Quatsino. Although such factors must be taken into consideration in evaluating potential business opportunities and plans, they are outside the scope of this study.

## **4 Recommendations for Future Economic and Business**

### **Development in Quatsino**

#### **4.1 Building QFN equity and ownership**

As indicated by the experiences described above, most QFN economic and business development to date has been oriented towards building First Nation ownership and equity. The QFNEDC, the main economic development institution in the community, has been focused on managing QFN businesses and joint ventures. The QFN approach to economic development is very similar to the “First Nation Owned and Operated Businesses” strategy described by Williams’ (2008). The following key issues and recommendations for future QFN economic development along this trajectory emerged after analysis of the QFN experiences described above in conjunction with insights from aboriginal economic and business development in other contexts.

##### **4.1.1 Continue using the QFNEDC to manage the boundary between politics and business**

As described earlier, the development of the QFNEDC was a significant step for QFN economic development. The importance of managing the division between politics and business was a theme that was raised again and again by interviewees. Based on results from studies on American Indian economic development, continuing to transfer responsibility for the management and development of QFN businesses from chief and council to the QFNEDC will contribute to the ongoing success of these enterprises (Grant & Taylor 2007; Jorgenson & Taylor 2000). It is also an important element of a “nation building” approach to economic development, in which an aboriginal government establishes stable institutions that contribute to the creation of an environment in which businesses can last, supporting long term community well-being (Cornell & Jorgenson 2007; Cornell & Kalt 2007).



#### **4.1.2 Clearly define and agree upon the roles, responsibilities and mandate of the QFNEDC**

A second recommendation that will support the ability of the QFNEDC to effectively separate business from politics is to clarify the definition of the roles, functions and mandates of the QFNEDC and the chief and council in terms of business development and management. These roles and responsibilities need to be clearly defined and agreed to by all those involved. This will assist with the transition of responsibilities from the chief and council to the development corporation. It will also ensure that the QFNEDC is able to successfully fill its mandate. Without a clear definition of its mandate and responsibilities regarding economic and business development, QFNEDC directors and staff will have no way to assess whether their activities are contributing to their mandate and to prioritize different activities or projects.

#### **4.1.3 Develop and implement a systematic approach for pursuing, evaluating and developing joint ventures**

Concerns over managing risk were another common theme from QFN economic and business development. One strategy the QFN could adopt for managing this risk would be to develop and implement a systematic approach for pursuing, evaluating and developing joint venture opportunities. This would spread the QFN's exposure to risk over multiple joint ventures as opposed to concentrating it in First Nation owned businesses. Such an approach should include the development of consistent criteria for evaluating and choosing opportunities, as described by Lewis (Lewis & Hatton 1992). Considering the experience of the La Ronge Indian Band in building the Kitsaki Development Corporation into an important player in the regional economy by systematically and strategically pursuing joint ventures after developing and implementing programs for organization development, overall economic development planning and venture development could also be helpful (Decter & Kowall 1989).

#### **4.1.4 Foster a shared understanding of basic business and economic development concepts among QFN members**

The recommendation focuses on addressing confusion and conflicting points of view regarding some of the key economic development concepts described below. Holding a series of workshops or discussion sessions for interested community members as well as QFNEDC board members, staff and chief and council would

contribute to a common understanding of these economic development concepts and others. This would give everyone a common conceptual framework within which to consider QFN economic and business development, which might reduce unrealistic community expectations regarding QFN business development and the performance of QFN ventures.

- *Profit generation is necessary for job creation so must be prioritized in making business decisions* - This is a common issue (Lewis 1991). Jobs are an obvious, tangible benefit of business development, which is why so many interviewees mentioned them as a strength of First Nation owned businesses. However, business decisions that focus on job creation at the expense of profit generation can lead to business failure.
- *Developing an economic base requires re-investment of profits* – The second concept builds on the first. Profits that are allocated towards re-investment, rather than being distributed to community members, can be used as equity to secure more capital that can then be used to build a new QFN businesses or joint ventures (Lewis 1991). Developing and articulating a clear policy on how the QFN will address the balance between re-investment of profits and distribution to the First Nation or to community members would reduce misunderstandings regarding how profits from QFN businesses are managed.

#### **4.1.5 Work with the community to identify long-term strategic goals for economic development in Quatsino and plans for achieving these goals**

Although some interviewees did reference economic development planning work the QFN has done in the past, a community planning process that builds on the shared understanding referenced above would help ensure that everyone understands where the QFN is trying to go with economic development and what role they can play in helping move the community closer to that goal. Developing this strategic direction is an important element of the nation building approach to economic development (Cornell & Kalt 2007). Including the entire community in the planning process can foster a sense of ownership regarding future QFN economic development and business development activities, increasing the likelihood that community members will see themselves as self reliant actors who can contribute to economic and business development rather than who are dependent on outside force to provide for them (Helin 2006). This type of long-term community plan for economic development would also help guide the work of the

QFNEDC as it would identify economic development and business development priorities for the QFN, as well as indicating the role that the QFNEDC would play in implementing different aspects of the plan. Such a plan could also include criteria and guidance for evaluating different business opportunities, which would ensure that resources are directed to opportunities that fit and contribute to the community's long-term economic goals.

#### **4.1.6 Develop and implement a plan for human resources development within the community**

Having skilled, committed employees and business owners who are willing to work was identified as an important factor in the success of businesses in Quatsino. Developing this type of community capacity will therefore contribute to the development and sustainability of businesses in the community. Frank and Smith (1994) describe a human resources planning process that would be helpful for the QFN and that could potentially be undertaken in conjunction with a community economic development planning process. The steps in the process include assessing and analyzing the current human resource situation, developing goals and priorities, completing a training plan and implementing, managing and evaluating the process (Frank & Smith 1994). The human resource planning and training matrix tool described by Frank and Smith (1994) captures the different aspects of community capacity identified by interviewees as affecting business development in Quatsino. This includes a first level of training directed at fundamental aspects of values, interests and self-esteem and treatment for issues such as substance abuse that must be addressed before people are ready to learn new skills and reliably work ("Look"); a second level of formal training programs directed at skill development ("Learn") and a third level of human resource development that focuses on the application of skills in the "real world" ("Do") (Frank & Smith 1994). The other dimension of the matrix is the three groups that a human resources plan should consider and address in terms of the three training levels: unemployed people, people with jobs and community leaders (Frank & Smith 1994). By working through the planning process and applying the matrix tool, the QFN could develop and implement a human resources and training plan that will increase community capacity and contribute to the success of businesses in the community.

#### **4.1.7 Build the entrepreneurial capacity of QFN members**

The development and implementation of a plan for human resource development as described above will contribute to overall community capacity for employment. Another type of capacity that the plan could address is entrepreneurial capacity. As described earlier, entrepreneurial capacity can affect the success of each of the business ownership models considered in this study. Without a number of community members with an interest in starting and running a business, whether it be owned by the QFN, the individual or a group of co-operative members, business development will be extremely slow. Similarly, community members with knowledge, experience and training in business development and management and with the initiative and leadership to apply this knowledge are required for future business development. Ways to foster different elements of entrepreneurial capacity should be considered and included in the human resources development planning process described above. This could include training at the initial “Look” level that focuses on self-esteem and motivation. Training at this level should also address attitudes and expectations such as the “culture of expectancy” described by Helin (2006). At the “Learn” level, training that would contribute to entrepreneurial capacity would include workshops or courses regarding business development or management. The QFNEDC may be able to bring in outside experts to provide workshops on these topics for community members and leaders, which would also help build the shared understanding of economic development concepts discussed in section 4.1.4. Community members could also be directed to regional resources such as Community Futures Mount Waddington that provide business advice, counselling and training (Community Futures Mount Waddington 2012). In terms of the “Do” level of training and development, facilitating opportunities for involvement with existing businesses in the community and linking existing employees and owners of businesses in the community with mentors with business experience could contribute to the overall entrepreneurial capacity in the community. Ultimately, identifying and implementing measures to build the QFN’s entrepreneurial capacity will contribute to the sustainability and development of various types of businesses in the community, not only individually owned businesses.

#### **4.2 Additional support for individual entrepreneurs**

To date, very little attention has been paid to supporting or encouraging entrepreneurs in Quatsino. QFN members have less experience with individually owned

businesses in their community than with First Nation businesses. A significant number of interviewees did suggest that the QFN should add some support for local entrepreneurship to its economic development activities in the future. One advantage of such an approach would be the diversification of potential sources of business development in Quatsino. Results from other studies also suggest that citizen-owned businesses can provide numerous benefits for aboriginal economies by building community wealth, developing a tax base, creating jobs, retaining local talent and increasing community members' confidence and self reliance (Cornell, Jorgenson, Record, & Timeche 2007; Helin 2006). However, given the experiences of the QFN to date, fostering this type of business development should not be an economic development priority. Instead, mechanisms for supporting entrepreneurship that focus on linkages to existing regional resources and options that do not require a significant commitment of resources from the QFN could be identified and adopted as opportunities arise. The following two recommendations would contribute to such business development and could be implemented when economic development priorities and available resources allow for a broader focus.

#### **4.2.1 Consider possible mechanisms and policies to increase the access of QFN members to business development resources including resource development tenures and capital.**

Many interviewees indicated that the QFN currently has better access to business development assets such as land, resource development tenures, loans or grants than community members. However, the QFN could choose to develop and implement policies that would increase individual access to these assets. For example, the QFN could consider sub-leasing land or resource tenures it is not currently using to interested community members. This would increase community members' ability to develop individual businesses while also providing some additional income for the First Nation. In terms of access to capital, community members could be connected to regional resources such as Community Futures Mount Waddington that can facilitate loans for entrepreneurs (Community Futures Mount Waddington 2012).

#### **4.2.2 Develop a neutral mechanism for addressing internal conflicts and resolving disputes**

The final recommendation would be the development of an independent neutral dispute resolution mechanism, which would be an institutional change that contributed to an environment that encourages and facilitates entrepreneurship. This institution would need to be able to effectively address any conflicts or disputes that arise with the development and creation of more individually owned enterprises. A mechanism that is independent from elected officials, like a tribal court or elders' council, can send a message that entrepreneurs will be treated fairly, creating a stable environment that encourages individual investment in the community (Cornell et al. 2007). Results from the United States show that tribes that have created this type of neutral dispute resolution mechanism have five percent lower unemployment than similar tribes that do not have such a mechanism (Jorgenson & Taylor 2000).

#### **4.3 Considerations for business development and sustainability**

The above sections focus on themes and recommendations related to economic development, or the development of institutions and conditions that will support and facilitate business development, in Quatsino. The following sections focus on ideas and recommendations related specifically to the development and sustainability of new businesses in Quatsino.

##### **4.3.1 Key factors that affect business success**

Multiple interviewees identified the following key factors as playing a significant role in the success or failure of businesses in Quatsino. These are drawn from a longer list of factors that have some influence on business development and sustainability in Quatsino, which can be found in Table 2. Of course, no single factor or combination of factors will guarantee business success in every circumstance. However, considering and addressing these key factors, as well as the others listed in Table 2, during the development of a new business in Quatsino will likely contribute to its sustainability.

- *Leadership and initiative* – Without initiative and effective leadership, efforts to start new businesses often go astray or run out of steam. Finding a “champion” for your enterprise (who might be yourself) increases its chance of success. Initiative and leadership are also an aspect of entrepreneurial capacity, which

can affect the success of each of the business ownership models considered in this case study.

- *Skilled and committed employees* - Strategies for building employee capacity and increasing commitment contribute to long-term business sustainability.
- *Re-investment of profits* – Few businesses continue to grow and succeed if all profits generated by the business are diverted out of the business. A clear strategy for re-investment ensures that the business has the resources to grow and continue to generate further profits.
- *Adapt to the community context and secure local support*– Whatever their ownership structure, businesses must have a “social license” to operate successfully. Adapting the business structure to fit the local context as much as possible and clearly demonstrating how the business benefits community members can help ensure that the community is an asset rather than a hindrance for the enterprise.
- *Avoiding political interference with business decisions* – This element has already been mentioned in the context of overall economic development in Quatsino, but it was also seen as having a significant impact on the success of businesses in Quatsino.

#### **4.3.2 Considerations for the Golden Mussel enterprises and other new businesses in Quatsino**

One of the purposes of this case study was to identify important considerations for new business development and sustainability in Quatsino, particularly those relevant to the development of a Golden Mussel franchisee-level social enterprise. Table 2 provides a list of these considerations in the context of different factors that contribute to business development and sustainability. Considerations that are specific to the Golden Mussel enterprises or to businesses with a particular ownership structure are identified by the following codes:

- FN – FN owned business
- JV – joint venture
- IN – individually owned business
- CO – co-operative
- GMFR – Golden Mussel franchise or enterprise structure.

**Table 2 - Considerations for the development and sustainability of new businesses in Quatsino, including Golden Mussel enterprises at the franchisee level**

<b>Factor</b>	<b>Considerations for the development and sustainability of new businesses in Quatsino</b>
Access to land <ul style="list-style-type: none"> <li>• Including resource development tenures</li> </ul>	<ul style="list-style-type: none"> <li>• Identify how you will obtain the tenures or land you need</li> <li>• Consider sub-leasing tenures or land from the QFN. This arrangement means the business will produce some income for the FN, which can increase the likelihood that the community will support (or at least not oppose) the business. This arrangement could be particularly relevant for the Golden Mussel franchisee-level enterprises. (IN, CO, GMFR)</li> </ul>
Access to capital <ul style="list-style-type: none"> <li>• Credit</li> <li>• Grants</li> <li>• Equity for loan security</li> </ul>	<ul style="list-style-type: none"> <li>• Identify how you will access the loans or capital you need to start the business. What can you use for collateral or as matching funds?</li> <li>• Where appropriate, allow committed potential GM co-op members with limited access to funds to make an initial investment of “sweat equity” (CO, GMFR)</li> </ul>
Access to technical advice	<ul style="list-style-type: none"> <li>• Identify sources for technical advice</li> <li>• Build the provision of technical advice into the franchise agreement. Identify local sources as a back up for urgent questions (GMFR)</li> </ul>
Access to business advice	<ul style="list-style-type: none"> <li>• Identify possible sources of business advice</li> <li>• Build the provision of business advice into the franchise agreement. Identify local mentors or sources of business advice as a back-up for franchisees (GMFR)</li> </ul>
Access to labour or community capacity for employment <ul style="list-style-type: none"> <li>• Skills and knowledge</li> <li>• Commitment and ability to work</li> </ul>	<ul style="list-style-type: none"> <li>• Plan to provide training for employees on an ongoing basis, not just when starting a business</li> <li>• Incorporate ongoing training and capacity building opportunities for franchisees into the franchise agreement (GMFR)</li> <li>• Try creating short-term, part-time or seasonal employment opportunities</li> <li>• Consider different types of training: training that focuses on getting people to the point where they are willing and able to learn new skills and work reliably, training that focuses on skill development and training that involves getting experience applying skills.</li> </ul>



<b>Factor</b>	<b>Considerations for the development and sustainability of new businesses in Quatsino</b>
Entrepreneurial capacity <ul style="list-style-type: none"> <li>• Knowledge</li> <li>• Interest in starting and managing a business</li> </ul>	<ul style="list-style-type: none"> <li>• Make sure those involved in the enterprise, whether they are owners, co-op members, franchisees or business staff or managers are committed to working hard for as long as it takes to get the business established</li> <li>• Assess the entrepreneurial capacity of those who are interested in being involved with the enterprise, from business knowledge and experiences to level of interest. Develop a plan for addressing any gaps (e.g. seek business advice, mentorship by an experienced entrepreneur) and building everyone’s entrepreneurial capacity</li> <li>• Confirm level of interest within the community in participating in a co-op before applying this structure at franchisee-level, particularly if community does not have past experience with this ownership structure (GMFR, CO)</li> </ul>
Leadership and Initiative	<ul style="list-style-type: none"> <li>• Identify at least one franchisee / coop member / employee who has the leadership skills and initiative to become a local “champion” for the enterprise (GMFR, CO, FN, JV)</li> <li>• Assess your own level of initiative and ability for leadership before starting a business (IN)</li> </ul>
Accountability mechanisms <ul style="list-style-type: none"> <li>• Financial</li> <li>• Responsibility for business outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Identify and implement mechanisms for increasing employee ownership of and commitment to the enterprise (e.g. option to “buy in” to the business, performance bonuses)</li> <li>• Ask interested community members to make an initial investment of personal funds or sweat equity in order to ensure that commitment to the venture (GMFR, CO)</li> <li>• Structure the franchise agreement so that the responsibilities of franchisor and franchisee are clearly identified, along with clear penalties for continued failure to deliver on these responsibilities (GMFR)</li> <li>• Incorporate necessary financial controls in franchise accounting and cash flow systems (GMFR)</li> <li>• Consider a phased approach to enterprise ownership structure that allows individuals or families to make additional investments as they receive income that they can choose to reinvest (GMFR)</li> </ul>

<b>Factor</b>	<b>Considerations for the development and sustainability of new businesses in Quatsino</b>
Business planning <ul style="list-style-type: none"> <li>• Agreement structure</li> <li>• Policy for re-investment or distribution of profits</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a business plan based on realistic expectations for enterprise profits. Include a clear policy that will guide the re-investment and distribution of profits.</li> <li>• Identify potential risks and sources of uncertainty in your business plan and share it with potential franchisees / partners / co-op members (GMFR, JR, CO)</li> <li>• Include clear guidelines regarding the distribution, re-investment and allocation of profits in the franchise / joint venture / co-operative agreement (GMFR, JV, CO)</li> <li>• Identify appropriate dispute resolution mechanisms for disagreements between franchisee and franchisor / JV partners / co-op members in initial agreement (GMFR, JV, CO)</li> </ul>
Communication and relationship <ul style="list-style-type: none"> <li>• With community</li> <li>• With chief and council</li> </ul>	<ul style="list-style-type: none"> <li>• No matter what ownership structure is chosen, clearly communicate the intent and timeline for the project to chief and council and community members and seek their support. Where appropriate, share realistic estimates of profits and required investment.</li> <li>• Work to maintain good relationships with community members and chief and council</li> <li>• Provide community members and QFN leadership with regular updates on business progress (may depend on ownership model)</li> <li>• Get the community on your side. Build support by identifying realistic benefits that the enterprise provides for community members. If there are no obvious benefits, consider sponsoring some community events (IN, CO, GMFR)</li> <li>• Consider holding an information session for community members regarding co-operatives to increase people's awareness of this ownership structure (CO, GMFR)</li> <li>• Manage community expectations regarding potential income (FN)</li> </ul>

Factor	Considerations for the development and sustainability of new businesses in Quatsino
Congruence with cultural practices and norms	<ul style="list-style-type: none"> <li>• Identify and address any potential conflicts between enterprise purpose and traditional cultural practices or norms</li> <li>• Community interest in the Golden Mussel enterprises as a source of seafood may be high. Incorporate provisions for when and how community members may access Golden Mussels in the franchise agreement. Be sure that everyone understands that mussels are being grown primarily for sale outside the community (GMFR)</li> <li>• Consider the long term environmental sustainability of your enterprise, particularly if it will affect resources that the QFN managed sustainably for thousands of years</li> </ul>
Avoiding political interference with business decisions	<ul style="list-style-type: none"> <li>• As much as possible, make sure that business decisions and management occurs through the QFNEDC (or the JV partner if this an option) (FN, JV)</li> </ul>
Reducing conflict within the community <ul style="list-style-type: none"> <li>• Between families</li> <li>• Perceived conflict with FN owned businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Consider the current business context and determine if competition or conflict with an existing QFN business or joint venture is likely (IN, CO, GMFR)</li> <li>• Identify mechanisms to resolve disputes among co-op members or franchisees before conflicts occur (GMFR, CO)</li> <li>• Seek local advice on the mix of potential co-op members if using this model for franchise (GMFR, CO)</li> <li>• Consider options for co-operative structure that reduce the likelihood of conflict between families (GMFR, CO)</li> </ul>

#### 4.4 Applying case study results elsewhere

These case study results were generated based on the unique experiences of the Quatsino First Nation. However, issues and viewpoints based on QFN's experiences are consistent with some findings from economic development case studies in some other jurisdictions, including 11 BC First Nations communities and hundreds of American Indian reservations (Jorgenson & Taylor 2000; Williams 2008). This correlation suggests that the findings of this case study may be applicable to other communities. I would suggest that case study results from Quatsino are most likely to be relevant to other communities with the following characteristics:

- First Nation community,
- Located on a reserve in Canada,
- That is not within or adjacent to an urban centre,
- And the First Nation has not yet signed a treaty or a self-government agreement with the federal government.

Among the different results, the descriptions of experiences with the QFNEDC are most likely to apply to communities that do not have an economic development corporation or that have a relatively new economic development corporation. Case study results around business ownership models are most likely to apply to communities that have few examples of individually owned businesses or co-operatives in comparison to First Nation owned businesses.

#### **4.5 Emerging questions for future research**

These case study results also point to some interesting ideas that could be explored with further research.

- A comparative study with a First Nation that had chosen to prioritize economic development support for entrepreneurs over First Nation ownership might reveal interesting differences in attitudes and perceptions related to these different business ownership models.
- Comparisons across similar case studies on the business development experiences of other First Nations in BC or elsewhere in Canada could allow for the identification of factors that contribute to or hinder business success that are common to the experiences of different communities. This could be the first step towards identifying essential factors for business success in First Nations communities.
- A survey of perceptions of business ownership models across a range of First Nations communities with different amounts of experience with different ownership models could help reveal whether or not there is a consistent preference for certain types of ownership models in aboriginal communities or if individuals tend to prefer the models with which they have the most experience.

## 5 Conclusion

This case study examined the economic development and business development experiences of the Quatsino First Nation. Recommendations for future economic development were identified based on the QFN's experiences with establishing an economic development corporation and with different local businesses.

The following recommendations would support the QFN's current approach to economic and business development, which focuses on increasing First Nation ownership and equity through First Nation owned businesses and joint ventures:

- Continue using the QFNEDC to manage the boundary between politics and business in Quatsino
- Clearly define and agree upon the roles, responsibilities and mandate of the QFNEDC
- Develop and implement a systematic approach for pursuing, evaluating and developing joint venture opportunities
- Foster a shared understanding of business and economic development concepts among QFN members including
  - the way in which business profits make job creation possible and therefore must be prioritized in QFN business management
  - the need to balance between profit re-investment, which supports the development of an economic base for the QFN, and distribution
- Work with the community to identify long-term strategic goals for economic development in Quatsino and plans for achieving these goals.
- Build the entrepreneurial capacity of QFN members
- Develop and implement a plan for human resources development within the community.

The QFN could also consider some options for supporting more local entrepreneurship. This is not an economic development priority for the community, so mechanisms to foster this type of business development should not divert significant resources from other economic development but should rely on existing regional resources wherever possible.

- Consider mechanisms to increase the access of QFN members to business development resources such as resource development tenures and capital.

- Develop a neutral mechanism for addressing internal conflicts and resolving disputes

The QFN's business development experiences also revealed many considerations for the development and sustainability of new business enterprises in Quatsino. Some specific recommendations for the development of Golden Mussel enterprises at the local level in Quatsino, which would also be relevant to other new businesses, are listed below.

- Find someone who has the leadership skills and initiative to be a local “champion” for the enterprise.
- Work to develop community support and manage community expectations for the enterprise.
  - Provide regular updates on progress to all those involved in the enterprise and to community members where appropriate.
  - If using an individually owned or co-operative business structure, investigate the possibility of leasing assets from the First Nation. This would ensure that the enterprise provides some income and tangible benefit for the whole community. Providing some mussels for community celebrations could be another way to demonstrate that the enterprise benefits the community.
- Clearly communicate realistic timelines, investment requirements and projections of expected returns to everyone involved in the enterprise. Clearly indicate who will be responsible for what in any agreements governing the enterprise.
- Decide and agree upon a structure for allocating profits for re-investment and distribution to those involved in the enterprise.
- Identify conflict resolution mechanisms before they are needed and build them into any agreements governing the franchise and/or business.
- Find ways to increase employees' or co-operative members' commitment and sense of accountability regarding the enterprise.
- Include ongoing training and capacity building opportunities for enterprise employees and owners in business plans, including opportunities for building individuals' entrepreneurial capacity.

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## Appendix A – Interview Guide

*The following questions were used as a general guide for the semi-structured interviews that were conducted with interviewees. Depending on the position of the interviewee within the community, not all of the questions were relevant to their experience.*

*Questions have been grouped by thematic area. The order in which the questions were asked varied.*

### Introductory questions

1. Have you been involved in any economic development activities or any businesses in operation within your community?
2. If so, what was your role(s) with these activities/enterprises?
3. What other enterprises or businesses currently operate or have operated in your community? If they are no longer in operation, can you remember approximately when they operated?

### Enterprise experience

*The following questions would apply to each business with which the participant was involved or of which they knew.*

1. Do you know who owned the business? Was it an individual? The band? The development corporation? A cooperative?
2. In your opinion, is or was the business successful?
3. Why would you consider it a success or failure?
4. What do you think contributed to the business' success or failure?
5. Of these factors, which do you think was the most important in contributing to the business' success or failure?
6. How did capacity within the community affect the business' success? Were there any capacity-building measures associated with the business put into place? If yes, do you feel they were successful?
7. What was the relationship between the business or the business owners and the band council?
8. Did those involved in the business have someone to turn to for technical advice? If so, who?
9. Did those involved in the business have somewhere to get business advice? If yes, where?
10. Did someone provide mentorship for the business owners/operators?
11. Were the operators of the business accountable for the business' success or failure? If yes, what mechanisms were in place to ensure this accountability?
12. In your opinion, does/did the business bring benefits to the community? If so, what benefits does/did it provide (e.g. employment, cash income, etc.)?
13. Were there any aspects of the business that had a negative effect on your community?

14. Thinking of beginning a new community enterprise in your community, what proportion of your community do you feel would be in a position to fully participate in the enterprise?

#### Ownership models

1. There are many different ways in which ownership of a business can be organized. For example, businesses can be owned by individuals, families, a group of individuals via a cooperative structure, a development corporation or a band council. They can also be a joint venture between the band council and an owner/operator from outside the community.  
Of the ownership models discussed above, which do you feel would work best in your community? Why do you think these would be most appropriate for your community?
2. Are there any ownership models that you think would not work well? Why?

#### Development Corporation

1. Is there a Development Corporation in your community?
2. If yes, what is the relationship between the Development Corporation (DC) and the Band Council?
  - a. Do they have distinct roles?
  - b. How is the board for the DC chosen?
  - c. Are there clear rules and guidelines in place for the DC and council to follow?
  - d. What are the reporting requirements for the DC?
  - e. Are there any conflict of interest guidelines in place?
  - f. Is there a dispute-resolution mechanism in place?
  - g. Have there been any disputes between the DC and Council? If so, how were they resolved?