How should we measure Indigenous entrepreneurship? A search for explanatory variables.

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Keywords: Small Business, Entrepreneurship, Indigenous

Preferred stream: Small Business and Entrepreneurship

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Abstract

In Canada and elsewhere around the world Indigenous Peoples are struggling to rebuild their ‘nations’ and improve the socioeconomic circumstances of their people. We are embarking on a program of research in an effort to understand this phenomenon and to inform the process. In this paper we (i) explore the approach to development being adopted by Indigenous people in Canada; (ii) conduct a preliminary literature review; (iii) identify input indicators of entrepreneurship and business development capacity, process measures of development activity and an output indicator of development effectiveness and (v) identify the information available from secondary sources relating to these indicators and the gaps in information that will have to be filled by primary research.

Introduction
In Canada and elsewhere around the world Indigenous Peoples are struggling to rebuild their ‘nations’ and improve the socioeconomic circumstances of their people. The authors of this paper are embarking on a program of research in an effort to understand these phenomena and to inform the process. This paper is an early step in our undertaking. It begins by providing several key definitions after which the discussion moves to a description of the socio-economic conditions that exist within some Canadian Indigenous communities; a discussion of the need for change within these communities; and an exploration of the belief that business development via entrepreneurship is an important means for attaining this vital change. Then, we identify the crucial ingredients for a research study in this field: input indicators of entrepreneurship and business development capacity, process measures of development activity and output indicators of development effectiveness. Finally, we identify the information that is available from secondary sources relating to these indicators and the gaps in information that will have to be filled by primary research.

Key Definitions

There are several terms and/or concepts that are used throughout this paper; entrepreneurship; Indigenous entrepreneurship, Indigenous and aboriginal; First Nations, Band (s); and success. It is important to define these terms at the outset.

Entrepreneurship

Opportunity assessment is at the heart of entrepreneurship as the following definition provided by Shane and Venkataraman shows, “We define the field of entrepreneurship as the scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” (2000: 18).

In this vein, but placing his emphasis on implementation, Peter Drucker defines entrepreneurship as a process that involves the recognition of opportunity and the application of technology, “especially the tools and techniques of management, the most important technology developed in the 20th Century” (1985: 45), to convert such opportunities into viable ventures. He argues that the capacity to do both of these things (identify opportunities and convert them into viable ventures) can be acquired. A person need not be born an entrepreneur, nor must a particular group be entrepreneurial from the outset in order to ‘do entrepreneurship’. Michael Morris in Entrepreneurial Intensity: Sustainable Advantages for Individuals, Organizations and Societies agrees and elaborates saying, “entrepreneurship is a universal construct that is applicable to any person, organization (private, public, large, small), or nation” and that “an entrepreneurial orientation is critical for the survival and growth of companies as well as the economic prosperity of nations” (Morris, 1998: 2).

What then is Indigenous entrepreneurship? Hindle and Landsdowne suggest the following and we will use this as our operating definition:

Indigenous entrepreneurship is the creation, management and development of new ventures by Indigenous people for the benefit of Indigenous people. The organizations thus created can pertain to either the private, public or non-profit sectors. The desired and achieved benefits of venturing can range from the narrow view
public or non-profit sectors. The desired and achieved benefits of venturing can range from the narrow view of economic profit for a single individual to the broad view of multiple, social and economic advantages for entire communities. Outcomes and entitlements derived from Indigenous entrepreneurship may extend to enterprise partners and stakeholders who may be non-Indigenous (Hindle and Lansdowne 2004: 1).

**Indigenous and Aboriginal**

‘Indigenous’ and ‘Aboriginal’ are generic terms used to describe the original inhabitants of a nation or region. The term ‘Aboriginal’ is defined in Canada’s *Constitution Act of 1982* (Imai 1998: 215). The definition says: ‘… Aboriginal peoples of Canada include the Indian, Inuit and Métis peoples of Canada.’ Therefore, the terms Indian, Inuit, and Métis are legal terms used to define the segment of society that is considered to be Indigenous to Canada.

‘Indians’ have been subdivided into three different legal definitions: Status, Treaty and Non-Status Indians. A Status Indian person is registered under the *Indian Act* as being entitled to have his or her name included in the Indian Register. The register is maintained by the Federal government to ensure only people who are eligible receive the rights conferred to ‘Status Indians’. A Treaty Indian is a Status Indian that belongs to a Band which signed a treaty with the Crown (Indian and Northern Affairs Canada 2002a).

In this paper we are focussing on the group defined as Indian because the secondary sources of information about them are richer and more accessible.

**First Nations (Indian)**

The Indigenous Canadians, categorized as Indian in the constitution, no longer accept the term as a proper label. Too many non-Aboriginal Canadians have used the term in a derogatory manner. Today, the term ‘First Nations’ has gained widespread acceptance as a respectful and acceptable term. Henceforth, First Nations will be used to describe the segment of Aboriginal peoples defined as ‘Indians’.

**Band**

According to Indian and Northern Affairs Canada (INAC), a Band is: “…a group of First Nations [people] having a historical connection and a common interest in land and money” (Frideres and Gadacz 2001: 58). Historically, bands were made up of small groups of families who lived as a single entity. The contemporary meaning of the term ‘Band’ has evolved to describe the administrative unit at each First Nation community legally recognized by INAC. These communities all have land that is Crown held reserved for their use – thus many people also refer to these communities as reserves.

The Band will be a key unit of analysis in this paper for several reasons. The majority of secondary statistics on input capacity and demographic conditions are collected at the Band level. Land and other rights are collectively held at the Band level and much of the business activity is undertaken at the Band level by bands, or by groups of bands at the Tribal Council level. And, self-government is exercised at the Band level or by groups of Bands, for example the Federation of Saskatchewan Indian Nations, where the nations are Bands.

**Socioeconomic Conditions of Indigenous Canadians**
There is an abundant and rapidly growing literature—books, professional reports, government studies, academic treatises, and news articles—reporting on the current circumstances of Indigenous peoples in Canada and the historical development which produced those circumstances. Anderson (2001: 1) has characterized the social and economic circumstances of many Indigenous communities as ‘abysmal’. Frideres and Gadacz (2001: 90) have also reported very alarming conditions in relation to the socio-economic status of Indigenous people across Canada. They describe four factors; income, labour force participation, occupational status, and education as key indicators of the quality of life a given segment of society. Indigenous Canadians living on reserves rely more on government transfers; earn less income; have a lower labour force participation rate than other Canadians; and are largely excluded from the benefits of education. Armstrong (1999: 5) refers to level of schooling, employment rate, income level, and housing as indicators of well-being. He concludes that 32 percent of all registered Indigenous people in Canada live below average in all categories. The Royal Commission on Aboriginal Peoples (RCAP, 1996: 2) summarizes the contrasts between Indigenous people and non-Indigenous people in Canada: life expectancy is lower; illness is more common; human problems, from family violence to alcohol abuse, are more common; fewer children graduate from high school; far fewer go on to colleges and universities; the homes of Indigenous people are more often flimsy, leaky, and overcrowded; and fewer Indigenous people have jobs.

In a series of interviews Perraux (1998: 1-4) elicited several examples of the deplorable living conditions that exist in some Saskatchewan Bands. A highly illustrative example of relative deprivation concerns the sub-standard living conditions in the Red Pheasant Band. For instance, Everett Wutunee lives with his wife and four children in a home that was condemned in 1997. The Wutunee family has no option but to live in that home because of the extreme shortage of homes within their Band. Judy Peyachew, another Red Pheasant resident, resides with eight other family members in a house that is so inadequate in size for her family’s needs that one of the children's bedrooms has only one square foot of open space to move in.

Indigenous leaders have long realized the need to remedy these circumstances. They have recognized the complete and utter failure of the social welfare system that was imposed upon them. Consequently, many Indigenous leaders have initiated efforts to break this cycle of dependency by pursuing economic self-sufficiency for their communities.

**Efforts to End Dependency**

For decades Indigenous leaders have fought with both levels of government (provincial and federal) using whatever means they felt were available to them. This struggle has taken forms ranging from peaceful to extremely violent as in the following two examples. In the early 1880’s Louis Riel, a Métis leader, led an armed rebellion against the federal government. Disputes over land between the Métis and non-Indigenous settlers sparked this incident (Steckley and Cummins 2001: 101). And, as recently as July of 1990, at Oka, Quebec, an armed protest led by the Mohawk of Kanehsatake resulted in one killed policeman and a standoff that lasted all summer (Frideres and Gadacz 2001: 345)

**Approach to Entrepreneurship and Economic Development**
Indigenous people of Canada see participation in the mainstream globalized economy through entrepreneurship and business development as a path toward economic improvement and nation ‘re-building’. As previous work by Anderson and various coauthors indicates (see Figure 1), Aboriginal people want this participation in the mainstream, globalized economy to be on their own terms and for their own purposes. Traditional lands, history, culture and values play a critical role in this process. So does capacity building, both financial and human.

Figure 1: The Characteristics of Indigenous Economic Development

The Indigenous approach to economic development is:
1. A predominantly collective one centered on the community or ‘nation’.

For the purposes of:
2. Ending dependency through economic self-sufficiency.
3. Controlling activities on traditional lands.
4. Improving the socioeconomic circumstances.
5. Strengthening traditional culture, values and languages (and reflecting the same in development activities).
   By means of:
6. Creating and operating businesses that can compete profitably over the long run in the global economy.
7. Forming alliances and joint ventures among themselves and with non-Aboriginal partners to create businesses that can compete profitably in the global economy.
8. Building capacity for economic development through: (i) education, training and institution building and (ii) the realization of the treaty and Aboriginal rights to land and resources.

Adapted from Anderson 1999, 13

Entrepreneurship— as defined at the outset of this paper but embracing, in the Indigenous context, the identification of unmet or under-satisfied needs and related opportunities, and the creation of enterprises, organizations, products and services in response to these opportunities—lies at the heart of Aboriginal economic development strategy. Through entrepreneurship and business development certain entrepreneurially attuned Indigenous communities believe they can attain their socioeconomic objectives. However, this Indigenous entrepreneurship is somewhat different from mainstream notions of entrepreneurship in both motivation and process. There is a greater emphasis on collective activity than individual, and a greater emphasis on community and cultural preservation than would be expected of purely market driven entrepreneurial activities. For example, Robinson and Ghostkeeper in two papers discussing economic development among Indigenous people in Canada suggest that they are rejecting industrial development imposed on them from the outside in favour of development strategies originating in, and controlled by, the community “with the sanction of Indigenous culture” (1987: 139). In their second paper, the authors argue, “a wide range of cultures may enable entrepreneurship and economic development to flourish” (1988: 173). They go on to suggest that the key to successful Indigenous development lies in recognizing in each culture those forces conducive to development and “designing development plans accordingly” (1988: 173). More specifically, Hindle and Lansdowne identified three principal distinctions between mainstream and Indigenous entrepreneurship: the need to pay heed to heritage issues; the classification of the degree of non-Indigenous participation in the enterprise and the need for the venturers to possess the skills of cultural sensitivity as well as business acumen. (Hindle and Lansdowne 2004: 19).
Interest by Indigenous people in participating (or not) in the global economy is not restricted to Canada. It is a worldwide phenomenon. For example, increased poverty, environmental degradation and business volatility as a result of structural adjustment programs among Indigenous peoples in South America has triggered their participation in the market economy as a means of gaining local control (Paredo 2003). Agrawal says that the failure of such neo-liberal (market) and authoritarian/bureaucratic (state) approaches to development has lead to a “focus on Indigenous knowledge and production systems” (1995: 414). He goes on to say that these efforts are an attempt “to reorient and reverse state policies and market forces to permit members of threatened populations to determine their own future” (1995: 432). For the most part, these efforts are not taking place outside the global economy, but within it. As Bebbington suggests, “like it or not, Indigenous peoples are firmly integrated into a capricious and changing market” (1993: 275). Generally, the Indigenous approach to negotiating this integration, he continues, is not to reject outright participation in the modern economy, “But rather to pursue local and grassroots control... over the economic and social relationships that traditionally have contributed to the transfer of income and value from the locality to other places and social groups” (Bebbington 1993: 281).

The above-noted approach to development adopted by some Indigenous people in Canada is an example of one way Indigenous people are attempting to integrate into the world economy. Is this approach working? Are there indicators available to researchers that would allow measurement of the capacity for development and entrepreneurial activities and the outcomes from those activities amongst Indigenous people in Canada? These questions are explored in more detail in the following section.

**Indicators of Economic Development and Entrepreneurship**

**Well-Being Indicators**

Researchers, authors, statisticians, and governments all use some form of indicators to measure the well-being and socioeconomic status of a nation, society or group(s). For example, Frideres and Gadacz (1999) use income, labour force participation, occupational status, and education as indicators of quality of life while Armstrong (1999) uses schooling, employment rate, income level, and housing indicators to gauge well-being. Statistics Canada, on the other hand, uses income indicators to measure the economic well-being of the population of Canada or subgroups (Stats Canada, 2003).

The Australian Bureau of Statistics (ABS) uses a system of social statistics to measure the well-being of the general population of that country. The ‘aspects of life contributing to wellbeing’ are; family and community; health; education and training; work; economic resources, housing, crime and justice; and culture and leisure (ABS 2001: 7). The ABS uses a wide variety of data sources to gather the information needed to make accurate judgments. For instance, in order to gather the data used in the education and training measure the ABS uses the following surveys; Transition from Education to Work Survey; National Schools Statistics Collection; Survey of Education and Training; Survey of Aspects Literacy; Training Practices Survey, amongst others (ABS 2001: 142). The authors of this paper do not have the time and the financial capacity to compile an exact replica of the data the ABS uses. However, we propose to use a shortened list of the same variables under each of the three headings.
related to economic well-being; education and training, work, and economic resources.

There are several reasons for choosing the ABS Social Statistics model. The first is captured in the following quotation, “…key social issues for each area of concern need to be identified, as does the circumstantial terrain associated with each issue. If these are used as a focus when collections, output and analysis are being developed, the resulting statistics will be more relevant to information needs” (ABS 2001: 120). Fundamentally, what this means is that the ABS has developed a system whereby the unique characteristics of sub groups can be mapped and accounted for during collection and analysis of pertinent data. This is important for a variety of reasons – the obvious one being that we are involved in the study of a sub group of Indigenous people in Canada.

**Indicators of capacity**

The following indicators will be used to define the capacity of Indigenous entrepreneurship and business development. We have categorized this data under three headings each with subset headings.

**Demographics**

There are three categories of data under the demographic heading;

- Population – general population and Indigenous communities;
- Employment and economic data – employment, unemployment, earnings, self-employment; aggregate income, participation rates; and employment versus other sources of income;
- Education – post-secondary education, skills training, enrolments, program of study, i.e. business and commerce.

**Capacity**

- Financial – Levels of reinvestment, government support programs, for example funding levels in the Community Economic Development Program and equity programs. Land claim settlements and government transfers earmarked for economic development;
- Human – availability of labour;
- Organizational – forms and structures, laws, rules and regulations.

**Geographic**

- Location, access to markets, access and ownership of renewable and non-renewable resources.

**Indicators of Entrepreneurship and Business Development Activity**

The collection of process and well-being indicators over a period of time will provide the data needed to make valid and useful inferences about the process of entrepreneurship and a range of associated impacts. The following process indicators will be collected; number of businesses, survival rates, size and age; the form of ownership; role of leadership and traditional values and practices, prevalence of alliances and partnerships; geographic scale of operations, and profitability. In addition, data will be collected in each of the three ABS ‘areas of concern’ mentioned above.

**Availability from Secondary Sources**

The two main sources of data concerning Indigenous Canadians are the Department of Indian and Northern
Statistics Canada currently has two sets of data available on the Internet that were recently released. The 2001 Census Aboriginal Population Profile (APP) and the 2001 Aboriginal Peoples Survey Communities Profiles (APS) are currently available on the Statistics Canada web site. The latter collection of data is a post-censal survey with a sample derived from the 2001 Census. Individuals who responded positively as having at least one of the following – Aboriginal ancestry, Registered Indian status or membership on a First Nations band were randomly selected to participate in the survey (Stats Canada 2004: APS).

The 2001 Census of Aboriginal Population Profile uses data obtained from the Canadian Census of Population and Housing that occurs every five years. The Census counted 30,007,094 people in Canada on May 15, 2001, with 976,305 people who identified themselves as Aboriginal, of which 608,850 reported they were North American Indian, 292,310 Métis, and 45,070 Inuit. The data set is a free resource that contains statistical information in several categories such as, population, education, employment, earnings, and families and dwellings. This information is only available for communities that have a population of 250 Aboriginal persons or higher. The data is useful for developing an initial picture a community, however it does have severe limitations when searching for a complete idea of entrepreneurial and economic development activity. Other statistical information available includes marital status, education, language, mobility, and housing.

The 2001 Aboriginal Peoples Survey is a post-censal survey that collected data on health, employment, schooling, housing, technology and the use of Aboriginal languages. The survey was first conducted in 1991 and was used extensively by the Royal Commission on Aboriginal Peoples. In fact one of the final recommendations of the Commission suggested that the APS be done regularly (Stats Canada 2004: APS). However, the information available on the APS web site is disappointingly very limited especially in regards to economic development data concerning on-reserve Indigenous persons. There are two reasons for this, and they are:

1. Protecting confidentiality – the Statistics Act prohibits the release of data to ‘prevent direct or residual disclosure of identifiable data’ (Statistics Canada 2004: APS). And, because of the size of many First Nation communities much of the data is suppressed to reduce the risk of disclosure.

2. The data presented reflects the questions and unfortunately the APS survey only contained one short section regarding the labour activity.

However, the APS Community Profiles data set contains valuable information, for instance the data regarding part-time employment, number of jobs worked, and reasons for not working. This data will be useful when used in conjunction with other data sets.

The Department of Indian and Northern Affairs releases two sets of data; the Basic Departmental Data (BDD) is released on an annual basis and the Overview of DIAND Program Data (ODPD), which does not have a regular publication schedule. The Statistics Canada data contains information at the community level; however the BDD and ODPD information is aggregated at the national, regional, and geographic (i.e. urban, rural,
However, the BDD and ODPD information is aggregated at the national, regional, and geographic (i.e. urban, rural, remote and special access) level. The BDD contains data concerning the population, health, education, housing and social conditions of all Registered Indians and all Canadians living North of 60° (INAC 2002b). This report is rich with statistical information that is categorized under demographics, health, education, housing, social conditions, self-government, and the north.

The Overview of DIAND Program Data is a compilation of information from various program databases maintained by the Corporate Information Management Directorate of DIAND. It is intended to provide an overview of the social and economic conditions of all Registered First Nations in Canada. The databases used in this compilation are: Elementary & Secondary Education; Post-Secondary Education; Indian Government Support; Social Assistance; Social Support Services; Capital Facilities & Maintenance; and Economic Development (INAC 2000: 4). The last release of the ODPD was in June 2000 with statistics related to the 1998 fiscal year and previous years.

The 2001 Census and all the analysis that came from it had an important component missing. There were 30 First Nation communities or an estimated 30,000 to 35,000 individuals from across Canada that did not participate in the census (Stats Canada, 2004). In addition, Stats Canada and the Department of Indian Affairs, Indian Register historically had different population counts. For instance, in 1991 the DIAND Register reported 511,791 (304,759 on reserve, and 207,032 off reserve) First Nations and Statistics Canada’s Census count was 385,800. Ninety-one percent of this difference, or 114,429 Registered Indians, are found in the counts of on-reserve individuals (DIAND, 1995). Moreover, we need to be able to score communities on the amount of entrepreneurship and business development they engage in. Then we can see if more entrepreneurship is associated with a larger change in well-being. Currently, the sources of statistical data we have identified above do not have the information we need to accomplish this task.

Research Implications: Filling the Gaps

We conclude that there is ample secondary data available in relation to (i) input measures of human, financial, organizational and physical capacity, and (ii) output measures of impact including individual, family, community and aggregate income; employment, unemployment and participation rates, employment versus other sources of income; and industry and occupation type. What we found that is not available from secondary sources is information about the business development process that will allow us to explore the relationship between degree and nature of business development activity and change in output measures over time. We conclude that primary research will be required to gather information about such things such as the number of businesses, survival rate, size and age; the form of ownership; role of leadership and traditional values and practices, prevalence of alliances and partnerships; geographic scale of operations, and profitability.

Now that we have a strong conception of the data pertinent to our desired investigation, we can begin to design research that aims to understand the conditions under which successful Indigenous entrepreneurship operates and the processes used in those ventures. A better understanding of these conditions will ultimately lead to situations where Indigenous leaders can better predict the path to achieving successful, self-sustaining, and
situations where Indigenous leaders can better predict the path to achieving successful, self-sustaining, and self-determined ventures (Cornell and Kalt 1998: 5). The research which we envisage will be capable of providing a conceptual map for Indigenous entrepreneurs, political leaders (both Indigenous and non-Indigenous), and economic development officers. The map will illustrate the conditions and entrepreneurial processes that need to be present for a successful entrepreneurial venture in an Indigenous context. The research will be comprised of a three-stage approach. A brief description of each stage follows.

- **Stage 1**: An in-depth, revelatory case study on the Kitsaki Development Corporation. The corporation is owned by the Lac La Ronge Band in Northern Saskatchewan and is arguably the most successful suite of Indigenous entrepreneurial ventures in Canada. The revelatory case study methodology (Yin 1994) is an appropriate approach for this study because we have gained access to a Band that exhibits a very high degree of successful business activity and as yet has not been scientifically studied. The case study will enable us to understand the exemplar Lac La Ronge Band’s motivation for choosing the set of structures, policies and actions that it did and how these led to a very successful, community-based, Indigenous entrepreneurial climate.

- **Stage 2**: will consist of a set of selected case studies in search of a grounded theory of successful Indigenous entrepreneurship. The methodology employed will be of major importance in obtaining data that is grounded in the personal experiences of: Indigenous entrepreneurs; Band leaders; Elders; community members and in the documentary evidence itself. The research process will be guided by the approach suggested by Glaser and Strauss (1967) and as employed by Olomi et al (Olomi et al: date unknown). The approach will:
  
  i. discover the important categories and their properties, conditions and consequences through the constant comparative method;
  
  ii. develop categories at different levels of conceptualization, and
  
  iii. integrate them into a theoretical framework of successful Indigenous entrepreneurship to be tested in stage 3.

- **Stage 3**: A survey instrument will be created to capture data on the variables identified in stage 2. The data set will include at least 450 successful ventures and 450 unsuccessful ventures. A structural equation model (SEM) will be employed to deduce a model of relationships among the many variables derived from the case studies. An interpretation of the implications of the model will be detailed. So, this paper concludes with a beginning.

Our task was to find out what data we needed to develop – as distinct from what data already existed in the public domain - in order to lay the foundations for a systematic attempt to understand the nature of successful Indigenous entrepreneurship. We are confident that this preliminary study has provided us with a clear vision of the right road to take as we begin the long voyage of discovery.

**References**


Olomi, Donath R., Nilsson, Per, Jaensson, Jan-Erik, (No Date). *Evolution of Entrepreneurial Motivation: The transition from economic necessity to entrepreneurship*. Unpublished manuscript.


[1] Note, following Hindle (Hindle and Lansdowne, 2004: 2) as a mark of respect to Indigenous nations, communities and individuals, the word ‘ Indigenous’ will always be used with a capital ‘I’ whenever it is used as an adjective referring to human beings or the activities – such as entrepreneurship – which they conduct.