

Indigenous Entrepreneurship

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Defining the field

The field of Indigenous Entrepreneurship is still nascent and is yet to be clearly defined. In the following slides we explore some commonly accepted characteristics of this sector and the people involved in it.

Who are the Indigenous?

No universally accepted definition but they all contain three core values:

- Descended from populations that inhabited a certain region before later inhabitants immigrated there
- Maintenance of some distinctive social and cultural norms and institutions
- Experienced geographical, political and economic domination by later inhabitants or immigrants

How many?

- The UN estimates that they are 250-300 million individuals belonging to approximately 5,000 groups
- In the US alone, there are 562 tribal governments.
- 3 million Native Americans (0.8% of total pop.)
- 400,000 individuals reside on reservation land in the US

Defining Indigenous Entrepreneurs

- Indigenous entrepreneurship is the creation, management and development of new ventures by Indigenous people for the benefit of Indigenous people.
- The organizations run by these entrepreneurs can pertain to either the private, public or non-profit sectors.
- The desired and achieved benefits 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 partners and stakeholders who may be non-Indigenous.

Mainstream vs. Indigenous Entrepreneurship

Three elemental differences

1. Heritage – Issues around heritage and tribal pride influences the management and growth of the enterprise.
2. Autonomy – Indigenous Enterprises want to be autonomous and focus their goods and services to benefit their own people. This can dissuade outside stakeholders and investors from participating.
3. Cultural sensitivity - The need for significant participants in an entrepreneurial process to possess a relevant mixture of technical and cultural skills.

Challenges faced by IE globally

- Lack of access to credit and financial capital
- Lack of formal business education
- Lack of a network of partners and mentors
- Inadequate demand for products
- Isolation from markets
- Limited skilled labor
- Geographical isolation from traditional lenders
- IE are considered “higher risk” by traditional lenders
- Individuals typically have no collateral or poor credit history
- Lack of basic financial and business management skills

Challenges faced by organizations working with IE globally

There are many organizations working globally to support the creation and financing of Indigenous enterprises.

Most of these organizations are supported by federal/governmental grants.

- Inadequate cash flow is often cited as the key barrier
- Traditional curriculum to teach business principles is not as effective as one-on-one services
- Cost of non-financial services can exceed the revenue generated from lending: Technical assistance and hands-on mentoring require significant human and financial resources
- Most organizations working with these populations have federal or grant support that is not reliable or sustainable in the long-term

Specific challenges to working with Native entrepreneurs in the US

- Lack of access to capital
- Lack of human capital (education, skills, technical expertise) and the means to develop it
- Reservations lack effective planning
- Some reservations are poor in natural resources
- Reservations have natural resources, but lack sufficient control over them
- Reservations are disadvantaged by their distance from markets and the high costs of transportation
- Tribes cannot persuade investors to locate on reservations because of intense competition from non-Native American communities

- Corruption and incompetency within tribal governance and the Bureau of Indian Affairs
- On-reservation factionalism destroys stability in tribal decisions
- The instability of tribal government keeps outsiders from investing
- Entrepreneurial skills and experience are scarce
- Tribal cultures get in the way
- Passive welfare system forced upon natives especially those living on reservations has created a welfare culture that must be reversed.

Opportunities to increase Native enterprises

- Creating new ways of teaching traditional business modules, focusing on site visits and hands-on training
- Introducing opportunities in IE to new sets of investors
- Working with traditional lending organizations to make them financially sustainable
- Connecting Native ventures to markets
- Bringing market opportunities to Native communities along with skill building workshops
- Embed experiential entrepreneurship education into school curricula to teach core business principles and financial literacy at an early age

Example of successful Indigenous Enterprises

Global: ISX, Australia

Local: Native SUN, Arizona

Cross-border: Shompole Wilderness Lodge, Kenya
Aveda, International

ISX Australia

- ISX is the Indigenous Stock Exchange created in 2004 in Broome, Western Australia.
- The objective of the ISX is to foster strong and growing investments in Indigenous businesses and social and cultural enterprises.
- ISX is trying to redefine how the private sector and government resources can be effectively used to promote Indigenous enterprises in Australia.
- 15 IE came together to showcase their opportunities to potential mainstream investors via a live web presentation from a barn converted into a makeshift TV studio in remote Western Australia

- Focus is on creating “anchor” enterprises, such as wilderness resorts and nut processing factories that are able to employ larger numbers of people in the region.
- Between 2004 and 2009 over 5,000 Indigenous people, enterprises and communities nationwide have used the ISX to post information and to track down investors, supporters and mentors.
- The ISX website is becoming an established institution and self managing network, with monthly traffic between 200,000 and 300,000 hits.

Native SUN: Hopi Solar Electric Enterprise

- The Native SUN Hopi Solar Electric Enterprise (SEE) was developed to provide clean, solar energy to the thousands of families living on isolated American Indian reservations.
- 50% of Hopi and Navajo family homes have no electricity and people are dependent on kerosene lamps and propane to heat and light their homes.
- Tribal leaders are afraid to tap into public utilities because of costs and they do not want to increase their dependency on others outside the reservation.
- The program helps provide clean, solar power to these families at a reasonable cost. Program participants receive loans to purchase and install a photovoltaic array and series of batteries that capture and store energy.

- Through a revolving loan program, Native Americans can apply for low-interest loans at a rate of 8% in order to obtain electricity for their homes and families.
- This initiative is locally-directed and provides a method for Hopi and other American Indian societies to move toward greater self-sufficiency.
- In addition to the energy provided through the program, administration of the program has helped create employment opportunities on the reservations. With an estimated 50% - 70% of Hopi adults are unemployed, local employment opportunities are extraordinarily valuable to the Native American population.
- The project demonstrates how environmentally-friendly, sustainable energy production can help improve the lives of Native Americans and help them move toward greater self-sufficiency.

Shompole Community Trust, Kenya

- Profits from tourism rarely flow to indigenous communities. In order to counter that trend, the Massai of Shompole, a small community near the Great Rift Valley in Southern Kenya, decided to partner with a private investor to build a luxurious eco-lodge.
- Lack of start-up capital and insufficient business expertise within the community supported the idea of a joint venture.
- The award winning Lodge offers employment and training opportunities for the Massai
- Visitors generate a monthly average of US\$2,000-\$5,000 that the community invests in social development activities.
- The community is able to protect its culture and landscape while it remains in financial control of the venture's profits

Aveda: Economic and cultural benefits

- The cosmetics company Aveda sources natural ingredients from multiple Indigenous tribes in Australia, Asia, Africa and Central and South America
- One example of their success is their sourcing of sustainably harvested sandalwood oil from the *Kutkububba* and other Aboriginal communities in Western Australia.
- Originally Aboriginal sandalwood harvesters gained only minimal profits, especially compared to officially recognized “land owners” with private harvesting licenses. Processing sandalwood was time-consuming and laboriously done by hand due to a lack of capital and industrial technology.
- The partnership enabled the *Kutkububba* community to receive a premium price for their harvest and to purchase equipment that allows them to meet production quotas.

- According to Aveda, for these partnerships to work, companies must recognize and respect indigenous knowledge and cultural norms. Protocols and contracts need to be adapted and particularly targeted to the language and traditions of indigenous communities.

Conclusion

- There is an urgent need to create Indigenous economies - economies that are self-determined, sustainable, that reconcile Indigenous culture with innovation and entrepreneurship.
- Significant opportunities exist to create different training modules for how business principles and skills are imparted to Indigenous entrepreneurs
- Opportunities exist to help organizations funding IE to become more financially sustainable
- Opportunities for an organization that is able to make market connections for Indigenous entrepreneurs

References

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