

AFOA Saskatchewan

14th Annual Fall Conference

“Moving Forward with new Challenges and Best Practices”

Strategic Management and Economic Development

by PricewaterhouseCoopers



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- *“Strategic management and accountability for First Nations”, Jim Pealow, MBA, CMA, CAFM*
- *“Strategic Analysis for Native Nations”, Stephen Cornell, Native nations Institute*

Strategic Approach to Economic Development

Conference theme:

“Moving forward with new challenges and best practices”

National conference theme:

“... discovering solutions to complex issues”

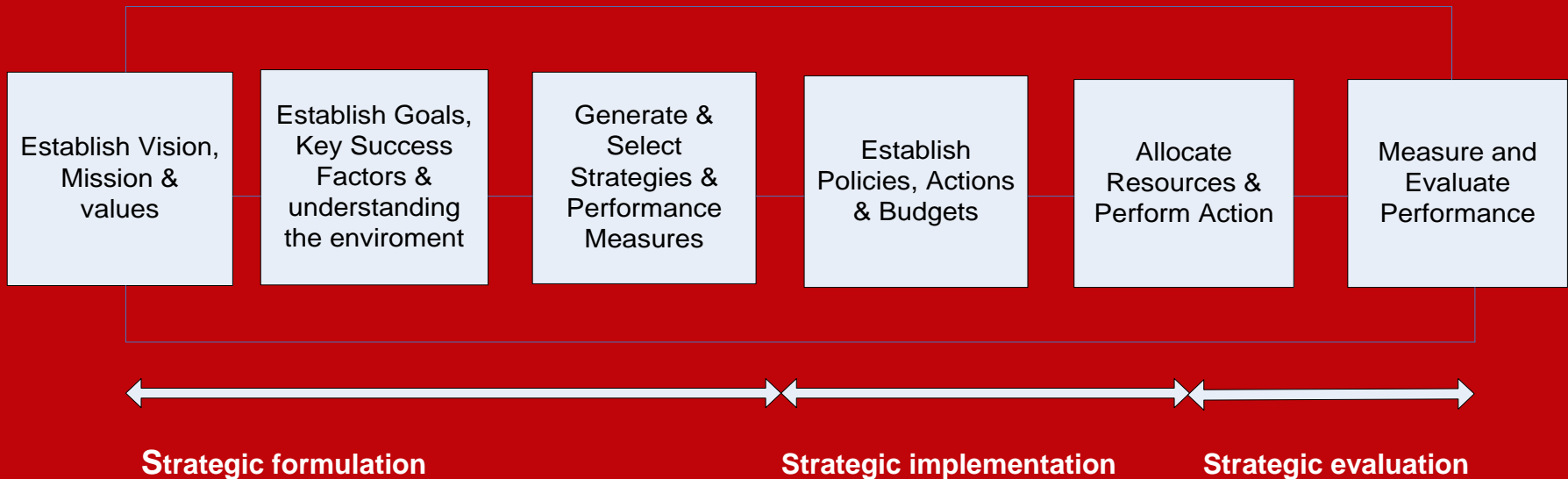
...effective management is key to building social and economic prosperity essential to successful Aboriginal governance.” www.afoa.ca

Strategic Management

- *Ongoing*
- *Process driven*
- *Identified goals (outcomes)*
- *Making the goal a reality*
- *Measuring results*
- *Evaluating success*

Strategic management

➤ Steps to strategic management:



Strategic management

Strategy formulation:

- Creation of a Vision and Mission statement
- Establishing Goals & Critical success factors
- Generate and select strategies & performance measures

Strategic management

Strategy Implementation:

- Develop expectations
- Set boundaries
- Implement a reward system
- Performance measurements
- Mediation / feedback system
- Training policies
- Business plan processes for economic evaluation
- Disclosure / communication procedures
- organizational structures

Put into action!!!!

Strategic management

Strategy Evaluation

- Measure and evaluate performance
 - Record keeping
 - Budgets
 - Industry benchmarks / guidelines

Strategic management

Desired outcomes from strategic management:

- loyalty, trust and support
- individuals feel better
- enhance and develop new services
- social benefits / capacity development
- profitable business enterprises
- create a suitable organizational structure

Strategic management

Keys to effective strategic planning –
Chief, Council, Boards, and Management:

- Understanding the process;
- Committing to appropriate training;
- Obtaining community input;
- Ensure the plan was developed by those who are accountable for it.

Strategic management

Benefits:

- Address conflicting community objectives
- Build commitment among key players
- Anticipate problems
- Determine an organizational structure
- Determine roles
- Establish policies
- Quicker reaction times (when opportunities arise)

Confirming strategic objectives

Long term Economic Development goals

Vision

Mission

Values

- *Establish a direction with desired outcomes and results*
- *Successful economic development through business investment and ownership*
- *Generating wealth and opportunity to improve the health and strength of members and community*
- *Achieve long-term self sufficiency*

Confirming strategic objectives

- Create a strong economic base without damaging the environment
- Sustainable economic self sufficiency
- Establish Roles of Committees
- Use resources wisely to grow prosperity
- Enterprise Investment Strategy – identify, evaluate, and select profitable investments;
- Economic Development Vision and Plan – opportunity targets, benchmarks, and achievement strategy;
- Enterprise Management Structure – establish, monitor, and maintain performance goals and standards;

Confirming strategic objectives

- Profitable business is the main goal / objective
- Profitable business enables wealth creation, job creation, reinvestment, increase in government services
- Job Creation / secondary goal (a result of good economic development policy)
- Communication of the Economic Plan and Buy-In from the Community

SWOT

External and Internal (Marketplace / Organizational)

SWOT ANALYSIS

- Strengths
- Weaknesses
- Opportunities
- Threats

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (attributes of the organization)	S Strengths	W Weaknesses
External origin (attributes of the environment)	O Opportunities	T Threats

SWOT

Strengths and Opportunities:

- Lands (agricultural / leases / resources)
- Tribal Council Partners
- Location (proximity to resources)
- Human Resources
- Management team
- Stable government
- TLE / Specific Claims
- Gaming / FNT

SWOT

Weaknesses and Threats:

- Global economic instability;
- Sufficient management resources;
- Organizational structure;
- Succession plans;
- Formalized policies and procedures;
- Business failure (losing Band member capital (TLE monies));

Current capabilities / resources

- Investment capital (what \$\$ are there to invest?)
- Develop Investment Plan / Budgets
- Identify Gaps (what are we missing?)
- Risks (What is the acceptable level of risk / financial risk?)
- Developing effective Committee's and Boards
 - Ongoing training
 - Access to reliable and timely information
 - Access to talented management resources

Current capabilities / resources

Realities of the current situation analysis:

- Cannot guarantee business success (acceptable risk of failure) and demanding a guarantee of success leads to inaction
- Cannot control external economic factors, the markets, or your competitors
- Can control the business objectives, establish and manage the connection of politics to business, implement board governance, and establish sound business operations

Current capabilities / resources

Role and Responsibility identification:

Management responsibilities:

- Operational decisions
- Hiring and dismissal decisions
- Dispute resolution
- Day to day management

Chief and Council / Committee / Board responsibilities:

- Strategy
- Establish policies
- Accountability from management

Goals and targets

5, 10, 15 year plan

First 5 years

- Develop internal structure (Chief and Council / Committee / Management involvement in the businesses).
- Structure, re-structure and organize Economic Development entities
- Create access to capital (i.e. grants, TLE shortfall, lending)
- Implement policies that will facilitate a positive / effective working environment
- Save money for the future economic projects
- Develop profit orientated policies
- Develop reinvestment policies
- Determine what grants and lending opportunities available
- Invest / generate profits and build wealth

Goals and targets

5, 10, 15 year plan

5 to 10 years

- Leverage off initial businesses
- Continued investment / wealth generation
- Review policies in place to ensure they are current for the size and complexity of the business structure
- Continue to accumulate wealth
- Develop policies for Critical Program / Service / Infrastructure support

Goals and targets

5, 10, 15 year plan

10 to 15 years

- Increase flexibility (i.e. Expand / Supplement government programs and services)
- Continue to seek out new business opportunities
- Invest in expanding government programs and services
- Invest in infrastructure development
- Re-invest in the current businesses
- Continue to accumulate wealth

Financial Scenario analysis

Long-term impact of investment in Economic Development

Assumptions:

- Pool of funds available for investment from Claims and Grants - \$1,000,000
- Pool of funds available annually from Lands - \$250,000
- Pool of funds available annually from Gaming funds - \$250,000

Financial Scenario analysis

Scenario 1

- Average Return on Investment – 10%
- Half of available discretionary Economic Development funding sources are invested

Scenario 2

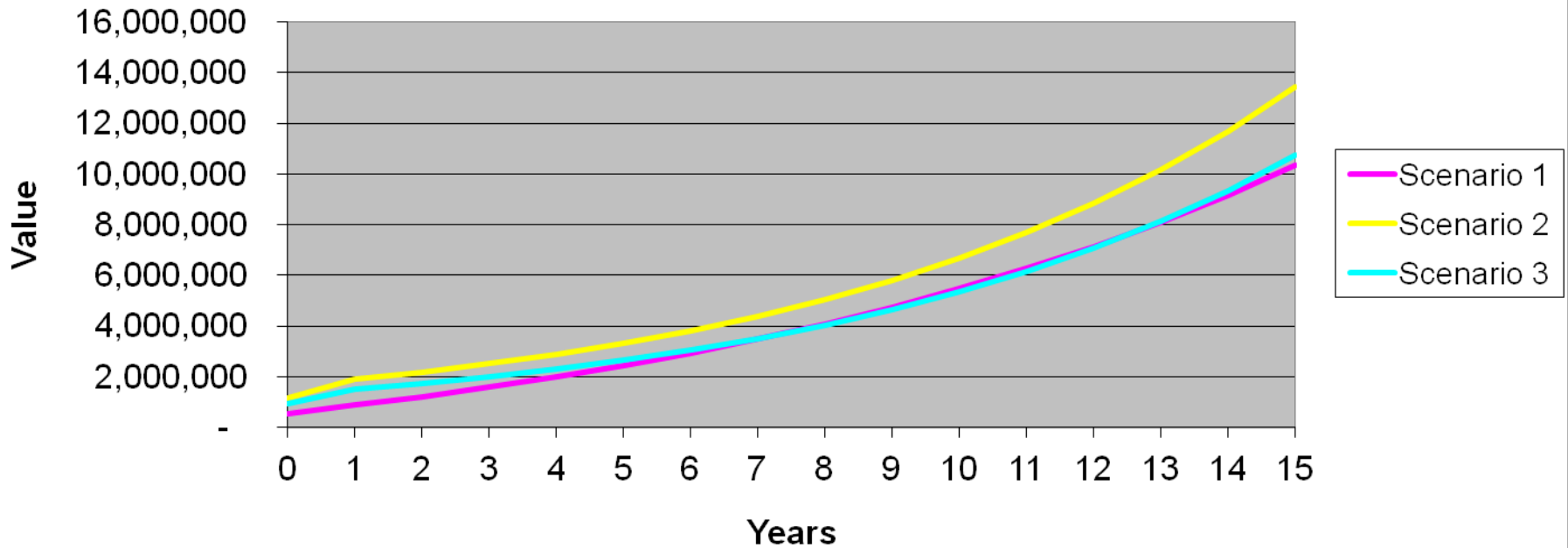
- Average Return on Investment – 15%
- All available discretionary Economic Development funding sources are invested

Scenario 3

- Average Return on Investment – 15%
- Staggered use of available funds:
 - Years 0 – 5 (80% to business investment)
 - Years 6 – 10 (70% to business investment)
 - Years 11 – 15 (50% to business investment)

Financial Scenario analysis

Long Term Wealth



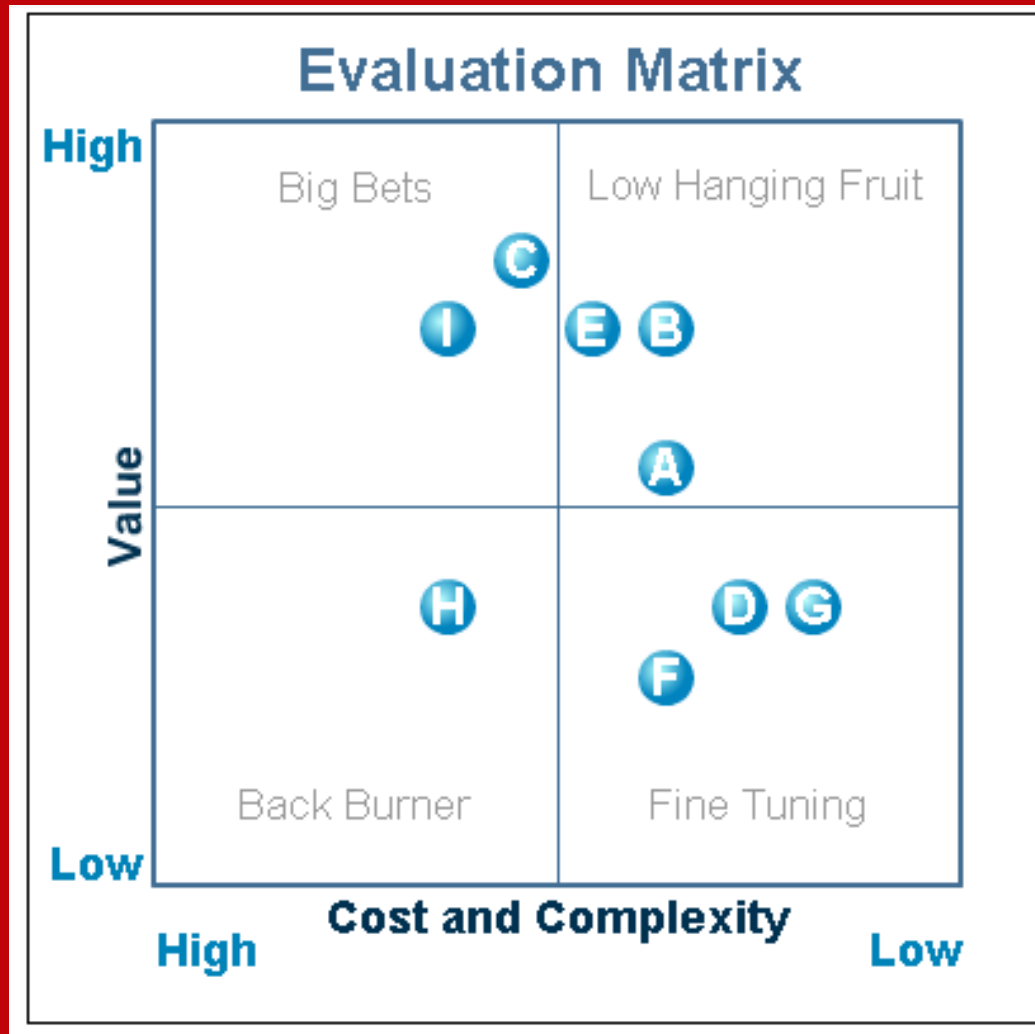
Organizational Structure

- Structure should be tax effective (avoid a taxable situation where possible)
- Separation of politics / government from business operations
- Management of Business Risks (at risk assets)

Organizational Structure

- General partner responsible for operations
- Provides legal protection for limited partners
- Insert additional partnerships for other ventures
- Involve Legal Counsel where applicable in order to ensure current state operations are structured in an appropriate manner

Opportunity Analysis



Opportunity Analysis

Which quadrant does the First Nation want to focus?

Match the vision and mission to the resources available and capitalize on strengths while avoiding threats / managing risk:

- Immediate and surrounding area (Goods and services to prevent leakage / Land and Resource base)
- Leverage from past experience / current needs
- Community programs as a base to establish business
- Land use
- Fostering relationships with lenders, financiers, investors

Opportunity Analysis

Regional Economic Development Authority

Business / Industry environment:

- Major employers
- New developments
- Regulation changes (i.e. environmental)
- Demand trends
- Tourism / Regional strategies

Opportunity Analysis

Industry partnerships:

Joint ventures

- Shared ownership
- Tangible contributions may include – capital, expertise, technology, market connections, resources, labor
- Benefits – risk reduction, capacity building

Socio-Economic ventures

- Enables the industry partner to access to lands/resources in traditional territories
- First Nation benefits from objectives beyond business profits – training, employment, industry experience

Opportunity Analysis

Industry partnerships (continued):

Cooperatives

- Independent businesses enter into arrangements that are mutually beneficial to the parties
- Benefits can include access to resources, markets, management expertise

Service Contracts

- Early stage partnerships, cooperatives, or joint ventures
- Industry party can provide services to First Nation business or First Nation business can provide services to Industry party

Opportunity Analysis

There are success stories and failures across all industries and regions:

Tourism

Hospitality (Lodging and restaurant operations)

Construction services (Mining, Oil and Gas)

Agriculture

Retail - gas & convenience

Catering

Wholesale

Trucking

Insurance

Land Development



Prioritizing Actions

Policy Analysis and Development

- Human resources
- Performance measurements
- Accountability / Financial reporting
- Investing
- Risk management

Prioritizing Actions

Human resources

- Role identification
- Responsibilities
- Hiring
- Training
- Dispute resolution
- Compensation
- Succession (Board, Senior management, Operations)

Prioritizing Actions

Performance measurements

- Budgeting
- Revenue growth
- Profitability
- Productivity
- Return on investment

Prioritizing Actions

Accountability / Financial reporting

- Budgets
- Financial Statements
- Statutory compliance
- Internal controls
- Communication
- Frequency

Prioritizing Actions

Investing

- Opportunity identification
- Due diligence
- Feasibility
- Cultural / value considerations
- Go No Go decision making process

Prioritizing Actions

Risk Management

- Business failure
- Debt
- ERM

Prioritizing Actions

The immediate future:

- Continued strategic planning (formulation / implementation / evaluation)
- Develop Action Plans (Who / What / When)
- Organizational restructuring
- Policy development
- Assess capacity
- Identify partnering opportunities
- Opportunity identification

Measurement and Evaluation

Measurement and Evaluation

- Defining success
- Timely management information
- Clarity of decision making authority
- Financial and Non-Financial Measures

Key Success Factors

Capable and stable Board governance

Capable and stable management

Capable governing institutions that deliver results, manage resources efficiently, administer services efficiently

Educating members about Economic Development goals and opportunities

Appropriate due diligence – up front investment

“Don’t bite off more than you can chew” - capital, human resource, and management constraints should all factor in the investment / development decision

Thank you!

Questions?

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