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Submission for the Inquiry into Developing Indigenous Enterprises

Prepared for the House Standing Committee on Aboriginal and Torres Strait

Islander Affairs

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Introduction

1. One can envisage economically prosperous Indigenous communities supporting a range of business enterprise models – community controlled businesses, enterprises run by Indigenous entrepreneurs and joint ventures – that will contribute to and be sustained by the community in different ways. The critical question is how do communities create the environment that will promote and uphold sustained economic development?
2. Indigenous entrepreneurial ventures add to the prosperity of Indigenous communities in direct and indirect ways – jobs are generated; the local economy is diversified; wages and profits tend to be spent locally, supporting other economic activity; talent is retained; services are provided to the community and young people are given positive signals.¹
3. Support for start up of Indigenous enterprises, skill development and ongoing mentoring are important objectives and will provide economic and employment opportunities for Indigenous people. However, the evidence demonstrates that support for specific Indigenous businesses in isolation will not be sufficient to generate sustained economic growth for communities. A broader approach to the development of the community and its institutions is required.
4. North American² and Australian³ research identifies that economic prosperity, and improvement in other social indicators, is achieved where communities exercise genuine decision making control over their internal affairs and utilisation of resources; where they have capable institutions of self-governance that have cultural legitimacy with the community that they serve and where their actions are based on long term systemic strategies with leadership focussed on creating stable political institutions.
5. Thus, the evidence suggests that federal government support would be best focussed on institutional capacity building, supporting communities to engage in

¹ Kenneth Grant & Jonathan Taylor “Managing the Boundary between Business and Politics: Strategies for Improving the Chances of Success in Tribally Owned Businesses in Miriam Jorgenson (ed), *Rebuilding Native Nations: Strategies for Governance and Development* (Tucson, University of Arizona Press: 2007), 199-203

² For an excellent overview of the research of the Harvard Project on American Indian Economic Development and the Native Nations Institute for Leadership, Management and Policy see Miriam Jorgenson (ed), *Rebuilding Native Nations: Strategies for Governance and Development* (Tucson, University of Arizona Press: 2007). For publications of the Harvard Project see <http://www.hks.harvard.edu/hpaied/> (accessed 25 July 2008) and NNI see <http://nni.arizona.edu/> (accessed 25 July 2008).

³ See the findings of the Indigenous Community Governance Project, a collaborative action research project by the Centre for Aboriginal Economic Policy Research (CAEPR) and Reconciliation Australia (RA) http://www.anu.edu.au/caepr/ICGP_home.php (accessed 25 July 2008)

long term strategic thinking, allowing them to build on success and be responsible for their own decision making.

Nation building model of economic development

6. Research findings in Australia and North America are remarkably consistent in identifying the fundamental principles inherent in Indigenous communities that accomplish their own economic, political, social and cultural goals.
7. Ironically, economic prosperity is not engendered by concentrating on economic factors but by building governance capacity. Stable political governance has been demonstrated to be a more crucial factor than availability of natural resources, market proximity or educational attainment of the community, although of course these factors are important in themselves.
8. North American research over a twenty year period is being confirmed by preliminary research findings by the Centre for Aboriginal Economic Policy Research ('CAEPR') that governance capacity is a fundamental factor in generating sustained economic development and social outcomes.⁴ "Important factors in the link between governance and socioeconomic development outcomes include strong visionary leadership; strong culturally based institutions of governance, sound stable management, strategic networking into the wider regional and national economy; having prerequisite social infrastructure in place; and relevant training and mentoring opportunities."⁵
9. In a nutshell, North American and Australian research has identified that Indigenous skills, abilities, knowledge and leadership are most effectively mobilised and exercised when initiatives are Indigenous-driven, towards Indigenous goals.⁶ Where communities exercise genuine decision making control, greater risk and accountability results in community leaders bearing the consequences of their actions and dealing with the consequent approval or opprobrium from stakeholders, which in turn fosters better decision making.⁷

⁴ Janet Hunt & Diane Smith, "Building Indigenous community governance in Australia: Preliminary research findings" *Working Paper No 31/2006* (CAEPR, Australian National University: May 2006), ix: <http://www.anu.edu.au/caepr/Publications/WP/CAEPRWP31.pdf> (accessed 25 July 2008)

⁵ Hunt & Smith, *CAEPR Working Paper No 31/2006*, above note 4, ix

⁶ Janet Hunt & Diane Smith, "Indigenous Community Governance Project: Year Two Research Findings" *CAEPR Working Paper No 36/2007* (CAEPR, Australian National University: April 2007), 34 <http://www.anu.edu.au/caepr/Publications/WP/CAEPRWP36.pdf> (accessed 25 July 2008)

⁷ Stephen Cornell & Joseph P Kalt, "Reloading the Dice: Improving the Chances for Economic Development on American Indian Resources", in Stephen Cornell & Joseph P Kalt (eds) *What Can Tribes Do? Strategies and Institutions in American Indian Economic Development* (Los Angeles, American Indian Studies Centre UCLA: 1992), 14

10. Indigenous governance arrangements that have legitimacy with the community have two features. They embody structures and decision making processes that reflect contemporary Indigenous conceptions of what are ‘proper’ relationships and forms of authority.⁸ Second, they have the capacity to effectively get things done predictably and reliably.⁹ They are accountable to both internal and external stakeholders and create a stable environment which investors – whether members of the community or outsiders – feel secure and are prepared to invest of their energy, time, talent or capital in the community economy.¹⁰ These institutions can be informed by national and international best practice, but most importantly they need to have local cultural legitimacy and support if they are going to work.¹¹
11. The foundational principles for economic success are relatively simple to comprehend but difficult to implement. Once the foundational conditions necessary for community economic prosperity are understood, the challenge is in how those principles may be implemented in communities where they are not the norm.¹²
12. The further challenge to governments – whether federal, state or local – is in conceiving of itself as providing support, acting as consultant, fostering Indigenous governance and relinquishing control.
13. Based on its research, CAEPR has made a variety of recommendations to foster environments conducive to economic and social aspirations of Indigenous communities ranging from fully-costed service delivery in Indigenous communities to policy frameworks and program guidelines that actively promote Indigenous capacity and authority to greater support, advice, and mentoring for both governing bodies and managers in their organisational roles and responsibilities to an urgent need for a nationally coordinated approach to the provision of governance capacity development and training that is targeted, high quality and place-based.¹³ State and federal government policies, funding

⁸ Hunt & Smith, *CAEPR Working Paper No 36/2007*, above, note 6, 27

⁹ Stephen Cornell, “Enhancing Rural Leadership and Institutions: What Can We Learn from American Indian Nations?” (2001) 24(1) *International Regional Science Review* 84, 92-94

¹⁰ Grant & Taylor, above, note 1, 180-183; Cornell & Kalt, *Reloading the Dice*, above, note 7, 24

¹¹ Hunt & Smith, *CAEPR Working Paper No 36/2007*, above, note 6, 24ff

¹² Developing strategies for implementation of nation building principles is the mission of such organisations as the Native Nations Institute for Leadership, Management and Policy (NNI) at the University of Arizona.¹² NNI’s central focus, building on the research of the Harvard Project on American Indian Economic Development, is to assist in the building of “capable Native nations that can effectively pursue and ultimately realise their own political, economic, and community development objectives.” It provides Native nations with comprehensive, professional training and development programs, including executive education and youth entrepreneur training programs, designed specifically to meet the needs of Indigenous leadership and management, concentrating on strategic and organisational development. See <http://nni.arizona.edu/howweare/aboutnni.php> (accessed 25 July 2008)

¹³ Hunt & Smith, *CAEPR Working Paper No 36/2007*, above, note 6, 7, 13, 23, 28, 34, 42

arrangements and initiatives are not consistent or coherent and also require urgent review.¹⁴

Enterprise strategies for Indigenous communities – some direction from the US

Community developed economic strategy

14. Once a community has stable governance institutions, international research indicates the importance of creating long term business enterprise strategies. Impoverished Indigenous communities are under great pressure from both internal and external sources to act quickly and decisively, which may lead to inappropriate decisions based on short term outcomes. External funding bodies may have particular targets and timelines, pushing Indigenous decision makers towards outcomes fulfilling set policy platforms. Pressure from within the community to create short term employment or income opportunities may be harder to resist, with potential pressure to enter into premature or immature ventures.
15. Instead, long term business enterprise strategies with cultural appropriateness as a central feature will assist decision makers to better identify sustainable economic opportunities and will assist to explain the rationale behind decision making to the community constituency. In developing a long term strategy, decision makers must decide what function any business enterprises will provide for the community. If the prime impetus is to create jobs for community members, then different considerations will come into play than where the primary incentive is to create economic self-sufficiency.
16. If employment is the primary factor, then compatibility with cultural norms of the community will play a greater role than where earning community income to support community aims is the focus and which may support the establishment of a development corporation. There may be a superficial attraction to conceive of culturally appropriate business opportunities as being restricted to tourism and Indigenous art. However, the research indicates that cultural legitimacy requires a more sophisticated analysis.

The interface between community business and the community leadership

17. CAEPR reports the ambiguity that arises between ‘community’ and ‘community organisation’.¹⁵ This same ambiguity is likely to arise between ‘community’ and ‘community business’, where community business may have particular environmental and cultural requirements and obligations to the community that may not be faced by mainstream corporations with obligations to shareholders.

¹⁴ Hunt & Smith, *CAEPR Working Paper No 36/2007*, above, note 6, 36ff

¹⁵ Hunt & Smith, *CAEPR Working Paper No 36/2007*, above, note 6, 4

Roles of owner, director, shareholder, community leader and employee may be fluid and in need of definition.¹⁶

18. Again, North American research provides some guidance for structuring the interface between community and business. Separation of community politics from the day to day management of specific businesses; transparency and accountability to community and other stakeholders; management chosen for its expertise are familiar corporate themes of best practice but these must be balanced with a tight connection to community priorities to diminish the temptation for intervention by the community leadership and to facilitate support by community members.¹⁷

Can strategies designed for North America apply in Australia?

19. The perception of Indian economic prosperity in the US led by casinos and gambling is simplistic. The array of tribal businesses is extraordinary. Indian nations own and operate banks, golf courses, petrol stations, telephone companies, lumber mills, restaurants, radio stations, farms, retail stores, construction companies, hotel chains, and assembly plants. Their operations include fish and game, forestry, tourism, waste management and environmental remediation, dot com enterprises and development corporations. Tribes manufacture plastics, printing and automotive parts. The Mississippi Choctaw are one of the largest employers in the state, employing thousands of non-Indigenous workers.
20. It is undeniable that US tribes have advantages not available to Indigenous communities – taxation advantages, a secure land base, ability to exploit resources and a ‘measured separatism’. Nonetheless, not all US Native nations are prospering and in fact, many nations suffer from similar extreme socioeconomic disadvantage found in Australia. There must be more to economic success than can be attributed to tax advantages and a land base.
21. Further, Australian research confirms North American findings pointing to the importance of Indigenous governance as a necessary but not sufficient precondition for sustained economic growth.
22. Strategies that provide support for and encouragement of Indigenous controlled businesses are to be welcomed but evidence indicates that they will not be sufficient to engender sustained economic development in Indigenous communities. Strategies that will complement economic development include:
 - Providing adequate resourcing of basic services;

¹⁶ Grant & Taylor, above, note 1, 183ff

¹⁷ Grant & Taylor, above, note 1, 184

- Developing a more coordinated approach to funding Indigenous communities to avoid multiple funders and excessive reporting requirements;
 - Providing ongoing support for capacity building and mentoring;
 - Developing human capital;
 - Providing assistance to develop culturally appropriate governance institutions and associated training for managers, governance committee members and staff.
23. Some communities will have higher order requirements, especially in rural and remote regions where there are limited opportunities for business development and markets are not plentiful. Such communities require particular assistance, which may be provided through subsidies or through skills development such as provided by CDEP programs.