

NATIVE ENTREPRENEURSHIP IN NORTHERN CANADA: AN EXAMINATION OF ALTERNATIVE APPROACHES



**A WORKING REPORT PREPARED FOR THE
REGIONAL PLANNING DIVISION
NORTHERN ECONOMIC PLANNING BRANCH
DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS**

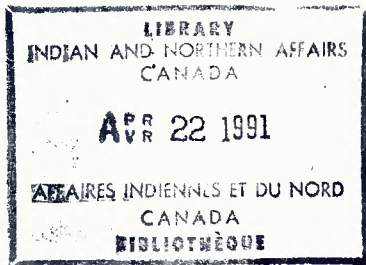
MAY, 1978

JOHN BEVERIDGE AND C. ROGER SCHINDELKA

**INSTITUTE FOR NORTHERN STUDIES
UNIVERSITY OF SASKATCHEWAN**

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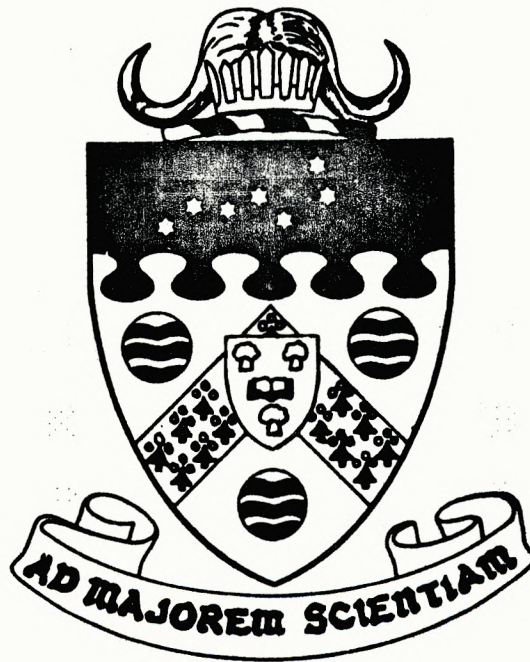
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I INTRODUCTION

The entrepreneur plays an important role in any society. A successful entrepreneur recognizes opportunities which may or may not have been recognized before, marshalls the energy and resources necessary to profit from those opportunities, and often takes substantial risks in doing so. This requires perception and judgement, organizational skills, confidence and courage, and persistence. Entrepreneurial activity has implications far beyond the material well-being of the entrepreneur himself. It may provide important goods or services in a community which were previously unavailable, or which were excessively expensive or difficult to obtain. It may create opportunities for local employment. Further entrepreneurial activity may be facilitated by supplying necessary goods or services, or by serving as an example to prospective entrepreneurs. It may increase overall wealth in a community or redistribute that which is already there, with associated changes in status and influence. A successful innovation may have significance throughout an entire region, providing a new technological or organizational means for making a type of enterprise viable where it had not been viable before. An entrepreneurial activity may significantly change established patterns of social interaction and exchange, with profound effects on cultural traditions and values. Indeed, the entrepreneur plays a vital role in socio-cultural change.

Entrepreneurship is by no means confined to the realm of business. Although personal monetary gain is certainly sought by some entrepreneurs, others pursue profits of a different nature. Many seek economic advantages outside

the cash economy system, personal advantages in the form of increased status and power, the eventual benefits arising from increased experience and confidence, or simply the satisfaction of achieving personal independence or maintaining a highly valued lifestyle. Other entrepreneurs align themselves with the interests of a group or community, pursuing collective benefits of many kinds, including cash profit or equity, local employment, community services, social development, and political power. Achieving such individual or collective benefits involves no less entrepreneurial skill, judgement, energy and motivation than that required to achieve success in business: opportunities must be recognized and exploited; the physical and social environment must be manipulated; risks must be undertaken. Clearly, the social consequences of entrepreneurship of this nature are far-reaching.

The entrepreneur is of course constrained by the same environment he attempts to exploit and manipulate. The physical and social environment limits the range of opportunities open to him. Local resources, manpower, infrastructure, markets and competitors place obvious constraints on the entrepreneur. Also, prevailing social values and the obligations and expectations within his social group may render him unable to operate an otherwise profitable enterprise, or may make life unbearable for him if he attempts to do so. External factors such as market conditions, competing enterprises, credit policies and practices, supplier networks and marketing agencies, laws and regulations, transportation systems and policies, etc. combine to limit his options further. The capability of the entrepreneur to exploit those opportunities which are available to him is also constrained by his environment, since this capability is partially a function of

previous training and experience and accumulated capital, and of the training programs and financial and management assistance services he can draw upon. Finally, his socio-cultural environment shapes to some degree his perception of what opportunities are available, his evaluation of the desirability of exploiting these opportunities, and his assessment of his ability to succeed.

The prospective native entrepreneur in northern Canada faces a particularly severe set of environmental constraints by southern Canadian standards. Resources generally are either thinly spread over a vast area or require extremely large capital investment and sophisticated technology to exploit. The potential market population is small and widely scattered, with little surplus cash. Southern resources and markets are too distant to exploit extensively for all but highly specialized or large-scale enterprises. Infrastructure is in many areas not yet adequate to support some kinds of enterprise, although it has certainly developed rapidly in recent years. Availability of skilled labour is also increasing but still low by Canadian standards. Management experience among northern natives is not yet extensive. There has been little opportunity for many to accumulate capital, and credit is difficult to obtain from commercial lending institutions. Community attitudes toward commercial ventures are not always favorable. Kinship loyalties and friendship obligations often conflict with efficient business management, and cultural values traditionally run counter to some aspects of commercial enterprise. Clearly, the possibilities for successfully operating a conventional business enterprise under these circumstances are extremely limited.

Government departments (at both federal and territorial/provincial levels) involved with economic development among native people in northern Canada have recognized many of these circumstances for some time. They have also appreciated the importance of business enterprises in creating employment and other regional economic benefits. Consequently, various government programs have come into operation to modify or counteract some of the constraining circumstances, programs intended generally to encourage and assist entrepreneurial development. These include loan and grant programs, management and technical training and support programs, and research and planning programs aimed at identifying and evaluating potential opportunities. There is little question that these programs have had significant results. The number of native operated enterprises in northern Canada is increasing and there have been some outstanding successes. Most of these enterprises could not have been established without the benefit of government economic development programs.

However, the role of the development agent is a complicated one - the potential for overwhelming and distorting a local economic system is very great, especially if that system is not recognized or well understood. In northern Canada, where a large proportion of economic production and distribution occurs outside the cash economy and is not readily visible to development personnel whose experiences generally relate to monetary economic systems, basic misconceptions about the local economic system have almost inevitably arisen. The confusion has been further compounded by language and culture differences. This has important implications not only for

program effectiveness but also for unintended and undesired consequences of development programs. There is little value in encouraging increased native participation in business enterprises if this change results in a net loss of economic productivity, particularly if the adjustment involves high social costs.

It must also be remembered that the operation of business enterprises constitutes only one form of entrepreneurial activity. Northern natives may well be exercising a great deal of entrepreneurial effort in other areas which are equally important in social, cultural and perhaps economic terms. Again, it would be a mistake to assume that transferring this effort into conventional business enterprises would necessarily be beneficial.

Native entrepreneurship in northern Canada is an important and complex issue. In this report we attempt to evaluate the strengths and weaknesses of existing approaches to entrepreneurial development, to examine some of the underlying problem areas, and to explore and develop alternative approaches which hold promise. In a working report of this nature we cannot hope to be exhaustive or conclusive. However, we hope that our findings and suggestions will make some contribution toward an effective approach to native entrepreneurial development, a contribution which will be of use to all the participants in the development process - government program personnel, research and planning groups, native organizations, community councils, and the entrepreneurs themselves.

We would like to express our thanks to all those individuals and agencies who contributed in various ways to this project. We must first thank all those native entrepreneurs with whom we have become more or less acquainted over the years. These individuals must receive the credit for whatever insight we have gained into the day-to-day circumstances and problems facing northern natives who attempt to operate on enterprise. Of the many economic development personnel who provided us with the benefit of their experience and judgement, we especially wish to thank Walter Keyes, Ron Nablo, Bill Hagen and Bill Hanson. For professional and technical guidance, special appreciation goes to Richard Salisbury of McGill and Allan Scharf of the Saskatchewan Research Council.

We are also grateful for the co-operation and assistance provided by individuals and agencies concerned with native economic development in the Yukon. We particularly wish to thank Bob Inkpen, Dave Porter, Phil Fontaine, Frank Mooney, Duncan Sinclair and Dave Morrison, as well as Tom Bodoine, Nancy McPherson, and numerous others. Rob Harvey also deserves our special thanks, since his efforts as Research Consultant much exceeded his formal commitment.

Finally, we wish to express our appreciation to the Regional Planning Division, Northern Economic Planning Branch of the Department of Indian Affairs and Northern Development, not only for funding this unique and challenging project, but also for the personal guidance and encouragement provided by Peter Osrunn and Rudy Rogalski.

II TERMS OF REFERENCE

A. GENERAL OBJECTIVES

Our objective in this study was to examine alternative approaches to the development of native entrepreneurship in northern Canada, with particular reference to achieving greater and more lasting entrepreneurial benefit from the proposed gas pipeline in the Yukon.

B. INTENDED TASKS

As originally conceived, the tasks identified as necessary to achieve this objective included:

- (1) a literature search detailing various kinds of entrepreneurial activities in which native people have participated,
- (2) the development of a typology of entrepreneurial activities to assist in evaluating which type of activities have been successful, and what have been the circumstances behind these successful enterprises, and
- (3) the formation of conclusions as to types of business activities in which native people are most likely to be successful given present education and experience levels.

However, the terms of reference made it clear that these tasks were flexible, depending upon their usefulness in achieving our general objective. As will be evident from the section on methodology, the actual study diverged significantly from these originally intended tasks, but we believe it has been more fruitful as a result.

C. TIME CONSTRAINTS

Approximately two months were initially provided for executing the study. Several additional months were involved in completing the final report, partially to allow for the incorporation of feedback from regional planning staff following an initial discussion of our major findings. Under the circumstances, we believe this additional time has been warranted.

D. FUNDING CONSTRAINTS

A maximum expenditure of \$5,500.00 was permitted under the terms of the contract, and this limitation was adhered to. However, because related research activities were integrated with this study, the project report reflects a significantly greater overall investment.

E. GENERAL NOTE

This project was conceived as a short-term exploratory study. It was not intended to provide a total basis for program planning or decision-making in the area of native entrepreneurial development. Rather, the intention was merely to assess whether, on the basis of existing knowledge and experience, alternative approaches or strategies appear worthy of serious consideration. This volume should be treated as a working report.

III METHODOLOGY

This study presented a challenge not unlike that facing an entrepreneur. Our desired profit in this case was a better understanding of the entrepreneurial process and of the particular circumstances which a native entrepreneur must cope with - an understanding which we hoped would provide a basis for evaluating alternative approaches to native entrepreneurial development in northern Canada. The challenge was to achieve this objective by identifying the opportunities and resources available to us (recorded data, scientific literature, accumulated knowledge and experience), and by exploiting these resources as efficiently as possible within our situational constraints (scarcity of directly relevant material, limited time and funding). Our research strategy evolved to a large extent through this essentially entrepreneurial process. An element of risk was involved in the process, too. By incorrectly estimating our opportunities and our capabilities or through ineffective organization and management of the project, we might fail to achieve our research objective - losing our investment of time and effort as well as the satisfaction of a worthwhile achievement, and perhaps reducing our prospects for obtaining support for future research endeavours. Like the entrepreneur, we had a personal stake in the outcome of the endeavor, and this undoubtedly influenced the course of the study.

The selection and evolution of our research strategy was influenced by the following considerations:

- (1) the exploratory nature of the study,
- (2) scarcity of existing research material dealing directly with native entrepreneurship in northern Canada,
- (3) large volume of information on specific native enterprises but normally maintained in a form unsuitable for analysis during a short time period.

- (4) extensive relevant knowledge and experience acquired by economic development program personnel but largely unrecorded,
- (5) personal experiences of successful and unsuccessful native entrepreneurs, again largely unrecorded,
- (6) a vast amount of relevant scientific and technical knowledge and theory which has thus far been applied to native entrepreneurship in a very limited and piecemeal manner,
- (7) lack of first-hand familiarity with the Yukon by research staff, but extensive familiarity with northern communities in other regions (particularly northern Saskatchewan), and with native entrepreneurial activities in these communities,
- (8) distance of research institution from the Yukon,
- (9) availability in the Yukon of long-time residents with research experience who are interested in native entrepreneurial development, and,
- (10) extremely limited time and funding.

Statistical analysis was immediately ruled out by the lack of necessary data in comparable form for a representative sample of cases, and by the lack of sufficient time to access and prepare for analysis data which did exist.

The possibilities for primary data collection were extremely limited as well. It was therefore essential to maximize the use of our own qualitative knowledge and first-hand experience of the northern Saskatchewan situation,

supplementing and updating it as necessary by interviews with knowledgeable individuals and additional information collection activities. To broaden our geographic base to other areas in northern Canada, it was necessary to acquire information about native enterprises and related circumstances outside northern Saskatchewan as well. However, it was clear that this could not be done on an extensive level - the criterion for case selection had to be efficiency rather than representativeness, i.e. how valuable a contribution would information about a particular case make to the study as opposed to the time and effort required to obtain it. (These judgements of course involved theoretical considerations as well). Finally, our empirical base had to include sufficient information about native entrepreneurial activity (and related circumstances) in the Yukon to serve as an adequate basis for comparison and generalization. We felt this required a personal visit to the Yukon to speak with a number of key individuals and examine available information. Ideally, it also required the services of a resident consultant to collect additional information through interviews and other means, and to assist in the interpretation and evaluation of Yukon information (and to provide study input of a more general nature as well). Fortunately this proved possible.

Through these means, then, a descriptive information base could be established. While highly qualitative in form, and certainly unsuitable for quantitative analysis, it could nevertheless serve as a partial basis for developing and empirically testing certain kinds of hypotheses about the reasons for success or failure of past and present native enterprises in northern Canada. An empirical case analysis, however sophisticated it may be, is of course limited to what is actually occurring or has occurred in the past.

Since the primary interest is in what could occur under different circumstances, i.e. an alternative development approach, a great deal of emphasis had to be placed on theoretical work.

On the theoretical side, a review of the literature dealing directly with native entrepreneurship in northern Canada would have been brief indeed. Only a handful of reports and publications address themselves to this subject, and while one or two provide a good overview and some excellent insights, they do not deal with some of the issues which our experience indicated might be of central importance. As our consideration of case-specific data and interview content proceeded, our impression was strengthened that there were several major problem areas which might benefit greatly from the application of scientific knowledge and theory. It also became clear that the potentially useful scientific work lay in many different disciplines and sub-disciplines, thereby creating the difficult task of selection, synthesis and application without seriously distorting the originally intended meaning. One scientist cannot hope to be an expert in all fields, or even in all those disciplines which are related to his area of expertise. We are certainly not exceptions. However, in a problem area where much of the difficulty can be attributed to a fragmentation of knowledge and effort, a concerted effort to develop an integrated conceptual framework which can be effectively applied to the problem cannot be avoided forever. An exploratory

study presents an ideal opportunity to make an initial attempt in this direction, however crude it may be, and we chose to do so.¹

Conceptual development and theoretical formulation are useful to a particular problem area only if the concepts and theories can be "grounded" in the real-life situation in which the problem occurs. While the text of the report does not always make this explicit, the descriptive information base described above was kept constantly in mind during the course of our theoretical synthesis, and modifications or qualifications introduced accordingly. Further grounding and testing of our initial framework must be left to other times and other people.

One of the unfortunate weaknesses of this report is that, despite our primary emphasis on the community, time did not permit us to carry out a thorough analysis of the community context. This, too, must be postponed. Finally, the reader may be disappointed in the lack of specific concrete suggestions for potentially viable enterprises. Again, within our time restrictions, it was not possible to develop a general framework and do a concrete *opportunity study* as well. However, for an excellent example of what can be done along this line in a relatively short time by a person who has made an effort to become thoroughly acquainted with the local situation, the reader is referred to the recent report by Sandra Dibb (1978).

¹ This report is intended to be a working document; criticisms and suggestions from scientific and technical experts will be welcomed along with those of other people concerned with native entrepreneurship - economic planning agencies, economic development personnel, native organizations, community groups, and native entrepreneurs and would-be entrepreneurs. Only through this kind of joint effort can a truly effective and appropriate entrepreneurial development program come into being.

IV SUMMARY OF MAJOR POINTS

A. ASPECTS OF AN EFFECTIVE APPROACH TO ENTREPRENEURIAL DEVELOPMENT

1. Entrepreneurial development is not synonymous with the development of employment opportunities. These goals may frequently be in conflict.
2. An effective approach to entrepreneurial development will differ according to the perspective of each of the major participants, but will take into account the perspective of the other participants as well. The major participants in the entrepreneurial development process can be considered to be:
 - a) The entrepreneur (actual or prospective)
 - b) The local community
 - c) The government (regional, territorial/provincial, federal)
 - d) Research and planning agencies and institutions
3. An effective approach to entrepreneurial development will employ different kinds and levels of skills, experience and knowledge in the most appropriate manner:
 - a) Entrepreneurial abilities and experience (and motivation)
 - b) Local knowledge and experience (including interpersonal skills)
 - c) Regional knowledge (resources, socio-economic circumstances, administrative and service networks)
 - d) Specialized knowledge and skills (technology, socio-cultural dynamics, development strategies)
4. An effective approach to entrepreneurial development will concentrate much of its effort at the community level. The community is the usual point of interaction between most of the micro and macro processes affecting entrepreneurial development. It provides a meaningful context for research and evaluation, and a workable structure for program development and implementation.

5. An effective approach to entrepreneurial development will take into account the existing economic structure within the region and the particular communities within the region. In particular, it must consider subsistence production activities, which are of crucial importance in many northern communities, and non-commercial exchange practices. (Both tend to be ignored or under-rated because of their non-cash nature).

6. An effective approach to entrepreneurial development will be geared to the social and cultural dynamics occurring within the region and the particular communities within the region. For example, kinship networks and obligations, interfaction power struggles, attitudes toward commercial exploitation and differential prosperity, have an important influence on entrepreneurial activity.

7. An effective approach to entrepreneurial development will consider the essential characteristics of the entrepreneur and the entrepreneurial process, in order to facilitate entrepreneurial activity rather than undermine it.

These characteristics include:

- a) Recognition of an opportunity
- b) Marshalling energy and resources to take advantage of the opportunity
- c) Taking substantial risks to do so.

8. A responsible approach to entrepreneurial development will devote significant effort to assessing the implications of such development for the entrepreneur, for the community, for the region as a whole. For the entrepreneur it may mean a profound change in his lifestyle, his relationship to the community, and his personal identity. For the community it may involve a significant redistribution of wealth or power, an erosion of traditional activities,

lifestyle, values and patterns of authority. For the region as a whole, it may contribute to the already rapid processes of cultural confusion and social disorganization. These implications must be weighed against the economic and social benefits.

9. A balanced approach to entrepreneurial development will evaluate some kinds of entrepreneurial activity in terms other than financial profitability, such as provision of desired but otherwise unavailable employment, provision of a needed community service, provision of training and experience for identified future opportunities, support of an economically and culturally important but otherwise non-viable lifestyle, etc.
10. A balanced approach to entrepreneurial development will consider entrepreneurial activity in relationship to other important economic activities, such as wage employment and subsistence production.
11. An effective approach to entrepreneurial development will take into account the opportunities and constraints presented by the physical characteristics of the region, but at the same recognize that opportunities and constraints are defined largely by available technologies.
12. An effective approach to entrepreneurial development will devote substantial effort to the development and adaptation of ideas and technologies appropriate not only to the physical characteristics of the region, but also to the socio-cultural characteristics.
13. An effective approach to entrepreneurial development will endeavor to provide some preferential services to prospective native entrepreneurs to offset the competitive disadvantage presently experienced by many (eg. lack

of access to resources, insufficient capital, lack of financial and technical skills, lack of credibility with lending institutions, suppliers, markets, etc.) without perpetuating those very circumstances by allowing a double standard of expectations to become established.

14. An effective approach to entrepreneurial development will provide for intensive community involvement in formulation and implementation; so that local circumstances, perceptions and aspirations are fully taken into account.

B. SOME OBSERVATIONS AND CONCLUSIONS OF EXPERIENCED ECONOMIC DEVELOPMENT PERSONNEL

1. Many native entrepreneurs have great difficulty coping with success, resulting in serious personal and family problems.
2. The family is a critical element in entrepreneurial activity - how the family works and lives together is a good indication of how successful the venture will be.
3. Personal and family problems are more frequently the cause of business failures than economic or management problems.
4. Community reaction - envy, hostility, ostracism, sometimes willful damage or physical violence - may create serious problems for an entrepreneur, sometimes killing the venture. There is a suspicion that the anticipation of such unfavorable community reactions may prevent many would-be entrepreneurs from establishing a business in the first place.
5. Small operations are much less problematic than larger ones (manager can personally supervise all aspects).
6. Service type industries tend to be more successful (some dispute this).
7. Enterprises which have fewer interdependencies have fewer problems.
8. The common "checklist" of problems interfering with the success of native enterprises (underfinancing, lack of management and technical support, etc.) may frequently be superficial or secondary - most common problem is some form of psychological stress.
9. There is some abuse of programs which allow a person to develop and maintain a business with no personal cost or risk (but also cases when such a program is used to provide the initial opportunity it was intended to). With larger

community projects especially, there seems to be a correlation between the success of a venture and the amount of effort and frustration invested by community members to launch it.

10. The personal characteristics of the entrepreneur himself are probably more critical than all other factors - strength, leadership, judgement.

11. Community pressure (especially from relatives) to provide personal favors (use of equipment, free services, extending credit, etc.) is a serious problem, especially when compounded by strong family loyalties, a tradition of sharing, and a general lack of understanding of commercial activities (eg. if a store manager has a store and warehouse full of merchandise, he must be very wealthy - difficult to comprehend credit financing, cash flow requirements, depreciation of equipment, etc.) [related to 4].

12. The issue of an ideal form of ownership/management - co-operative, corporation, etc. - is irrelevant - the problem is to determine a form suitable to a particular situation.

13. Most business activities in the north are risky. Often a person would be "crazy" to give up a reasonably well-paying and secure job to undertake his own business.

14. Some form of subsidy for northern business enterprises is justifiable and probably necessary because of the unstable or marginal nature of most northern businesses and because of the benefits to the community in terms of employment or provision of otherwise unavailable goods or services, and perhaps also because of the management training needs.

15. Government economic development programs almost inevitably have a distortion effect because of the relatively underdeveloped nature of the north - the prospective entrepreneur has a greater hope for return if he directs his efforts toward securing government funding (requirements of program, biases of approval agent) rather than toward an accurate or imaginative assessment of "real" economic opportunities.

16. Those individuals with the greatest entrepreneurial ability are often already utilizing this ability for other purposes such as political leadership or as a go-between or "broker" between the community and outside agencies.

V EXISTING APPROACHES TO DEVELOPING ENTREPRENEURIAL ACTIVITY

Without dwelling on the details of each of the many existing programs intended to foster entrepreneurial development (or economic development in general) among northern native people, it may be useful to summarize what appear to be the major approaches implied in these programs. These basic approaches can be categorized as (A) increasing opportunities for entrepreneurial activities, (B) improving the capabilities of an entrepreneur or prospective entrepreneur to take advantage of existing or anticipated opportunities, and (C) promoting interest and participation in entrepreneurial activities. Another approach apparent in the north - and a somewhat problematic one, as discussed later - is (D) direct participation in entrepreneurial activities. A discussion of these four basic approaches follow.

A. IMPROVING ENTREPRENEURIAL OPPORTUNITY

One aspect of this approach is the identification and documentation of existing opportunities for entrepreneurial activity, and the dissemination of this information to prospective entrepreneurs. Since an opportunity has little value unless it is recognized as such, this function is clearly an important one. It may take the form of an inventory of existing businesses and services (to identify obvious gaps), an inventory of resources (to identify underutilized resources), a market survey of some form, or a more general opportunity study taking various resource, manpower, market and infrastructure characteristics into account. A logical extension of this approach is the undertaking of feasibility studies to evaluate the chances of success of a particular kind

of entrepreneurial venture under prevailing circumstances (and anticipated changes in these circumstances), or of a specific proposed enterprise. Most such opportunity assessment studies rely on standard economic criteria which have emerged and been refined in a highly developed market economy situation quite unlike much of northern Canada. Efforts to adapt these procedures to the particular socio-economic circumstances existing in many northern communities have been quite limited. Consequently, the findings and conclusions of many opportunity studies and feasibility studies cannot be relied upon to accurately fulfill their intended purpose. A further limitation is that the feasibility of exploiting a particular situation is largely dependent upon available technology. This is discussed elsewhere.

Another aspect of this approach, sometimes resulting from the identification and assessment function just discussed, is the provision or improvement of access to the resources or markets necessary to make an enterprise viable. This access can be provided either in the legal sense (eg. timber permits, land leases, commercial fishing rights, guaranteed or preferential markets, etc.) or in the physical sense (eg. construction of roads to resource areas or improvement of air services, marketing services, etc.). This too has been an important function, since the existence of suitable resources or markets is of little consequence to the entrepreneur if he is unable to reach them or is not permitted to exploit them effectively. However, it is also a complex and often controversial function, as almost every change in access involves differential benefits and costs, and the inevitable conflicts are not easily resolved. The issue in northern Canada is compounded by disputes over aboriginal

rights and in some areas treaty rights, disputes over territorial/provincial versus federal jurisdiction, and conflicts between large scale industrial development and smaller scale or traditional resource use. Despite these significant problems, though, there have been numerous instances where arrangements have been established which significantly improve access of native entrepreneurs to valuable resources and markets, and the process appears to be continuing.

A related aspect of this approach is the development and improvement of the basic infrastructure which is necessary for much entrepreneurial activity to take place (transportation and communication, community services, local government, financial and legal services, etc.). This has sometimes taken the form of direct provision of services, or sometimes incentives for community organizations or individuals to develop them. Again, this is an extremely important function, since the existence of essential infrastructure elements may mean the difference between a viable enterprise and a theoretical opportunity. However, concepts of infrastructure requirements have arisen largely in regions outside of northern Canada, and while substantial progress has been made in adapting these requirements to the sometimes extreme physical demands of the region, in most cases only superficial efforts have been made to similarly adapt them to the quite different socio-economic circumstances of northern communities. It is probable that more appropriate means of providing some essential infrastructure elements exist which would be more effective in, among other things, facilitating local entrepreneurial development.

Another aspect of this approach is exploratory research aimed at the discovery of new opportunities. This does not necessarily involve locating additional resources or markets, or inventing new technology. It may involve only the

recognition that a different combination of known resources, markets, technology and people constitutes an opportunity. It may involve the selective adaptation of existing technology to suit the unique physical, economic, and socio-cultural characteristics of a region or a community. This function, an especially significant one for northern Canadian native people, requires extensive and innovative research and development. Although there has been some progress here, particularly in the promising field of "appropriate technology", research efforts have been nowhere near as intensive as those aimed at developing the technology for large scale industrial development in northern Canada - a type of development which in the past has provided little benefit to native northerners.

In summary, programs aimed at identifying and increasing opportunities for entrepreneurial development have attempted to (1) identify existing opportunities, and evaluate the feasibility of exploiting them, usually based on standard economic criteria; (2) providing or improving access, either physically or legally, to known resources or markets, often hindered by conflicting interests or jurisdictions; (3) developing or improving essential infrastructure elements, directly or indirectly, based on conventional infrastructure concepts; and (4) conducting exploratory research to discover and develop types of enterprise appropriate to the physical, economic and socio-cultural circumstances of native northerners, as yet occurring on a very limited basis.

B. IMPROVING ENTREPRENEURIAL CAPABILITY

This approach has involved three major strategies: (1) education and training, (2) financial assistance, and (3) management support. Together, these strategies have probably received the bulk of government entrepreneurial development effort. They have also been given some attention in the literature.

1. Education and Training

To the extent that generally low education and skill levels among native northerners have constituted a barrier to successful entrepreneurial ventures, education and vocational training programs should prove to be effective strategies for entrepreneurial development. As Jenkins (1976, 1977) has pointed out, vocational training programs in the North were not specifically designed to produce entrepreneurs.¹ This is of course true for basic education programs as well. However, the assumption is that a general improvement in education and skill levels among the native population will result in a greater capability to take advantage of business as well as employment opportunities. Jenkins puts it this way:

Other things being equal, however, the more native people who are trained to be competent carpenters, plumbers, heavy equipment operators, electricians and radio-TV repairmen, the more likely it is that at least some of these individuals who possess such skills will eventually wish to go into business for themselves. Jenkins, 1977.

¹ There are exceptions. Courses in business management, bookkeeping, and other topics related to the operation of a small business have been provided in many northern areas. We have considered these courses as part of the Management Support strategy.

The difficulties involved in implementing effective and appropriate education and training programs in the North, and the broad implications of such programs for socio-cultural change, are beyond the scope of this report.¹ However, it is appropriate here to consider whether an increase in education and skill levels will indeed bring about a corresponding increase in successful entrepreneurship.

Bowles has examined this question with regard to African businessmen, and made a good case for applying his conclusions to native entrepreneurs in northern Canada. He begins by identifying three kinds of skills needed by an entrepreneur:

... a practical imagination, which enables him to recognize opportunities new, at least, in his own world of experience; an ability to order the day-to-day routine of his business so that money is accounted for, employees know their work, orders are recorded and fulfilled, and the plant repaired and serviced and; enough general knowledge to support these first two skills, since even the most imaginative organizer is helpless without information.
Bowles, 1975, p. 17.

The question immediately arising from this is whether these essential skills can be taught at all. A practical imagination? Organizational skills? We will return to this fundamental question later.

Bowles goes on to point out that the relevance of general education or specific vocational skills varies with the stage of development a business has reached:²

¹ These important subjects have received considerable research attention. See for example Darnell, 1972. Jenkins has also noted some of the practical problems arising from the geographic, cultural and language diversity of northern Canada.

² A similar case could be made for variation in skill requirements according to the scale and organizational form of a business, if a progression to a larger and more complex firm is not assumed inevitable (or perhaps even desirable). This is a significant shift, and the implications will be discussed elsewhere.

Without some competence at reading, writing and simple arithmetic, it is hard to practice business at all. Beyond this, education may become important only at a much higher level of sophistication, when a businessman needs to command a wide range of general knowledge and handle professionally trained subordinates. Similarly, he may not need much managerial expertise while he pioneers small enterprises under his supervision. As his activities outgrow these bounds, he can be faced with problems of organization he is helpless to control. So, too, for a craftsman. As he begins to buy expensive equipment, and has to sell a much greater volume of production, quality and control of costs become crucial.

If we think of a relationship between skills and business activities as a series of thresholds, then at different stages of development different kinds of ignorance will become an obstacle. Once that obstacle has been overcome, more training and experience in that skill will be redundant, at least for the time being. For this reason alone, success in business is not likely to be closely and continuously associated with education or vocational training. Any attempt to teach entrepreneurial skills would have to determine, very exactly, what handicaps a businessman had at a particular point in his growth. It is uncertain, therefore, whether an entrepreneur ever really acquires the skills he uses through formal education. Bowles, 1975, p. 18.

The practical problems in operating a vocational training program responsive to these circumstances (apart from basic skills, perhaps) are immense. Certain kinds of individually tailored management and technical training courses can possibly be provided through a management support program, and are probably more appropriately viewed as a part of this strategy rather than of a formal vocational training strategy. The more basic problem remains - some of the necessary entrepreneurial skills may be essentially unteachable.

Bowles makes another interesting suggestion, that *education and training may actually discourage entrepreneurship by opening less risky opportunities of earning a living, perhaps with higher prestige*(p. 19).

This almost certainly holds true for northern Canada. In fact, the Canadian Federation of Independent Business has argued convincingly that the Canadian education system (including business management schools) is oriented towards producing employees for large corporate and government bureaucracies and provides little preparation or encouragement for students either to go into business for themselves or to work for small business establishments (C.F.I.B., n.d.).

Bowles found empirically that education was associated with the size and sophistication of the business a person attempted, but beyond a minimum level not with his success in operating that business. He concluded that education and training much beyond the level of elementary literacy had a much greater effect on the entrepreneur's confidence and ambition than on his competence (Bowles, 1975, pp. 19-20). For larger and more complex enterprises, previous practical experience of the sort usually gained only through employment in an established firm became much more important than formal training. (It is interesting to note that the Canadian Federation of Independent Business, in its public information literature, stresses the importance of accumulating knowledge and experience in established businesses before attempting to start a new one). It is difficult to say whether a responsive vocational training program could provide opportunities to acquire comparable practical experience, or whether management support services could adequately compensate for the lack of such experience.

An Alaskan study into the manpower needs of the regional and village corporations established under the Native Land Claims Act of 1971 examines the appropriateness of different kinds of education for meeting these needs (Kleinfeld, Jones and Evans, 1973). Although the emphasis is on corporate

management, which is quite different from entrepreneurship, some of the observations from this study are applicable to entrepreneurial development as well. One observation is that because of the general shortage of highly educated and skilled native manpower, those natives which have above average education and training are in great demand for government and industrial positions. This makes it less likely that these talented individuals will continue to a higher level of education and attain the expertise that would enable them to become corporate managers or program administrators, or for our purposes perhaps, to establish their own professional business enterprises. The authors make another point which could have important implications for education and training programs. They argue that natives are suitable for many policy-making and community service positions, because their cultural background and interpersonal relations in the community give them an increased understanding of the issues at hand and a greater rapport with community residents. They conclude that training and recruiting should enhance and utilize these qualities rather than emphasizing technical or clerical skills. As we demonstrate elsewhere in this report, the successful entrepreneur must have an intimate knowledge of the community setting in which he operates and a high degree of interpersonal ability to deal with that setting on a day-to-day basis. This may well be more important than technical or clerical knowledge, which if necessary can be purchased from outside experts or utilized through a management support program.

To summarize, education and vocational training programs appear to have a limited role in developing native entrepreneurship. A degree of basic education - functional literacy and elementary arithmetic - is required for operating almost any enterprise. Beyond this level, knowledge and skill requirements diverge widely and are less easily met through formal education and training. Some essential entrepreneurial abilities are probably unteachable (practical imagination, organizational skills), and others may be undermined or diverted rather than enhanced by training programs (local and cultural knowledge and experience, interpersonal abilities, self-reliance). Many knowledge and skill requirements are so specific to an individual enterprise, or to the particular stage of development of that enterprise, that a general training program could not hope to respond to such a wide range of specialized and continually changing needs.¹

This is certainly not to say that education and vocational training programs do not provide a very important function in northern Canada. Entrepreneurship is only one aspect of economic and social development. Vocational skills and broadened horizons are of undeniable importance for native northerners. Employees with vocational skills are also required by entrepreneurs, so there is an indirect contribution to entrepreneurship, as well. And directly, a vocational training program which is able to provide the prospective entrepreneur with basic skills, general organizational and management skills which enhance those abilities he already has, and specialized technical or professional skills which are a common requirement for many entrepreneurs at

¹ Local committees have been formed in some northern areas to determine what kinds of vocational training courses would be most useful to the community. This appears to have been an effective means to make the program more appropriate to community circumstances.

some stage of their development, will still make an important contribution to entrepreneurship. It must be recognized, however, that not everyone can be an adequate entrepreneur. Also, some types of cultural and local knowledge and interpersonal abilities may be more important to entrepreneurial success than knowledge which can be acquired through formal training, some forms of technical and managerial expertise are just as effectively obtained by the entrepreneur from external sources, and that some kinds of essential knowledge can only come through personal experience in an established enterprise.¹

¹ In some areas, apprenticeship arrangements have been attempted to provide directly relevant experience.

2. Financial Assistance

It has long been recognized that a major barrier preventing prospective entrepreneurs from going into business has been lack of capital. The problem is, of course, not unique to northern natives - there are few entrepreneurs who have not expended considerable effort and experienced a great deal of frustration in attempting to raise the capital to launch or expand an enterprise. Indeed, government grant, loan and equity programs of various forms have been introduced all over the country to alleviate this problem. Some have been specifically designed for different groups of native northerners, to compensate for the special sets of circumstances encountered by each of these groups.

A detailed description and evaluation of each of these programs is ~~of course~~ beyond the scope of this report. Our purpose is to identify the underlying strategy inherent in government programs which provide some form of financing to native entrepreneurs, and to examine the effectiveness of this strategy for entrepreneurial development.

To put the matter in context, the entrepreneur in search of investment funds has a number of alternatives to eliminate before seeking government financing.¹

¹ There is also the alternative of avoiding the whole frustrating process by setting up a business which requires a very small capital investment. *It costs much less to set up shop as a television repairman, for instance, than to open a store selling those television sets (which is much, much less expensive than setting up a company to manufacture the television sets). An automobile dealership requires a staggering initial investment but you can get into the van customizing business, for example, with a small amount of front money.... As a rule of thumb, business which involves the sale of services (that is, labour) can be entered fairly cheaply. When office space and inventories are required, too, the entry costs are more substantial. Manufacturing is by far the most costly form of business. (C.F.I.B., n.d.).* There are two implications worthy of further consideration here. One is the importance of developing and utilizing low-cost or appropriate technology to reduce capital requirements. Another is the relative difficulty in obtaining financing for operating costs as opposed to equipment costs.

The first is personal savings or other accumulated assets. While some northern natives have managed to make substantial savings, this has been the exception rather than the rule. Limited employment and business opportunities, generally low levels of education and vocational training, and the economic rationality and socio-cultural value of non-monetary resource harvesting activities, have all contributed to a situation in which the accumulation of financial assets is uncommon.

The second alternative is family money. According to the Canadian Federation of Independent Business, most money for new business continues to come from relatives. The funding may take the form of a loan (which may become a *forgivable loan* in the case of business failure), or of equity (in which the relative shares in the profitability of the enterprise rather than expecting repayment of the original funds). Unfortunately for the native northern entrepreneur, however, the likelihood of having relatives with substantial financial assets is not great, for precisely the same reasons as he is unlikely to have them himself. There are of course a number of native families in northern communities who do have a long tradition of wage employment or entrepreneurial activity, and who have accumulated investment capital. This should not be overlooked (nor is it likely to be by enterprising members of these families, whether members by blood or by marriage). It should also be noted that households whose subsistence productivity is high have much lower cash requirements for day-to-day living. Consequently, even a cash income which is low by southern urban standards may result in a small surplus which is potentially available for investment.

Provided that investment requirements are proportionally small or that supplementary sources of funding are available, this household monetary surplus may be significant.¹

An enterprise involving family money (or non-monetary family contributions) will be subject to the complexities of kinship obligations and expectations, traditional or otherwise. Depending on the circumstances, this may be an advantage or a disadvantage to the entrepreneur.²

Commercial lending institutions are the next alternative. Native northerners face some serious difficulties in obtaining financing from banks and finance companies, and many of these difficulties extend to credit unions. One problem is access - financial services are not locally available in many of the smaller northern communities. Another problem is security. Lending institutions seldom lend money to an entrepreneur on the basis of how good the idea is; collateral is a more important consideration. For the various reasons already noted, the native entrepreneur is unlikely to have the necessary assets to provide this security. When loans are granted, they tend to be equipment loans, since the equipment can be reclaimed in case of default. Operating funds are much more difficult to obtain. Finally, there is the problem of confidence. Generally, native entrepreneurs cannot

¹ Household productivity may also serve to lower the operating costs of some enterprises through contribution of labour, subsistence products, shared equipment, etc. This would further reduce the need for outside funding. The scale of the enterprise, the type of technology employed, and the organizational form are obviously important factors.

² Kinship and friendship networks are discussed in Chapter VI.

gain the confidence of banking institutions because they are not well known and have no means to prove their reliability. Racial stereotypes have undoubtedly compounded the problem.

Suppliers are another traditional source of credit for business, but confidence and personal acquaintance are lacking here, too. Consequently northern natives have difficulty in establishing satisfactory financial relationships with suppliers as well as with bankers.¹

In general, then, the native entrepreneur has very limited opportunities for securing the capital to operate a business. There was clearly a need for a government strategy to alleviate this situation, and various kinds of financial programs have been developed accordingly. These include provisions for start-up grants, loan guarantees, low-interest loans, equity financing and various other arrangements.² How effective have they been in developing native entrepreneurship?

¹ See Bowles, 1975.

² The list is extensive. The Eskimo Loan Fund and the Indian Economic Development Loan Fund were introduced specifically for these respective native groups. Special ARDA funds are preferentially available for enterprises operated by or employing natives (including non-Status Indians and Metis), as are some DREE funds. Other programs, such as the Small Business Loan Fund and various provincial economic development programs (the Northern Saskatchewan Economic Development Program, for example) provide loans or guarantees to native and non-native entrepreneurs meeting certain eligibility requirements. There are also various federal and provincial agencies which provide equity funding (eg. the Federal Business Development Bank), and government departments often invest directly in an enterprise.

The first response must be positive. As Jenkins has noted,

Without financial aid, most native entrepreneurs could not otherwise have gone into business for themselves. It, therefore, appears that the availability of government financial assistance has encouraged and permitted at least some northern native peoples to become entrepreneurs. (Jenkins, 1977.)

A case analysis of enterprises receiving Special ARDA funding in northern Saskatchewan concluded that despite problems and difficulties, a reasonable proportion of the businesses were succeeding - earning satisfactory incomes for the entrepreneur and at least supplemental incomes for the employees (Nablo, 1976). A survey undertaken by our Yukon consultant of 55 businesses receiving loans or grants from the Indian Economic Development Fund yielded similar results. The survey demonstrated numerous problems (some with the loan program itself and some not) which had contributed to the failure of some enterprises. However, at the time of the survey (January, 1978), 30 of the enterprises were considered successful, another 6 were considered marginal or questionable, and only 19 were considered failures. (See Appendix).¹ Although there is no way to demonstrate conclusively that most of the ventures would not have been undertaken without government grant and loan financing, it is not an unreasonable conclusion.

Neither economic development personnel nor native entrepreneurs are fully satisfied with government funding programs, of course. Much of the criticism

¹ These figures should be treated with caution. The businesses examined range from fairly large scale projects such as garages, motels and sawmills to individual truck and skidoo accounts, making quantitative comparisons difficult. Also, the length of time the businesses have been in operation ranges from a few months to ten years. Finally, there is the matter of success criteria for which there is no universal agreement. Our ratings reflect the judgement of the research consultant and the program administrator. Evaluating the success of entrepreneurial ventures is dicussed in Chapter VI and VII.

is directed towards administrative and operational elements, such as eligibility requirements, loan approval procedures and ceilings, interest rates, delays in payment, etc., which may interfere with the effectiveness of the program. These matters have undoubtedly been the subject of many internal reports and discussions, and it is neither necessary nor possible to review them here. Other criticisms are concerned with the inability of some native entrepreneurs to effectively make use of the available funds because of insufficient business skills or inadequate management support services. These problems are discussed under different headings in this section of the report. There are also complaints about some entrepreneurs abusing the programs by not making sufficient effort to repay outstanding loans. However, deliberate abuse does not appear to be widespread, and in most programs fairly adequate measures have been taken to prevent or correct it.

None of these criticisms bring into question the basic strategy of providing supplementary sources of business financing for native entrepreneurs who lack adequate funding themselves and who are unable to obtain sufficient credit through other means. But there are other problems:

There are, however, inherent difficulties in any public loan scheme designed to outflank the caution of private financing. Governments lend money, at a price the borrower can afford when they want to encourage developments too risky to attract commercial capital, but they are seldom ready to accept the logical inference. If the risks are too high and the returns too meagre for private lenders, a government lending agency is likely to lose money too.

Development funds are scarce and cannot be squandered on ill-conceived or incompetently managed businesses. Equally they should not be wasted on projects that private investors are willing to support. The more government helps businessmen who lack the security and experience to attract private capital, the greater

the risks it runs since there are no reliable precedents to guide its judgement. However, the more precautions the government takes the more it becomes like a commercial lender, making the scheme redundant. If a government loan scheme is not to be either unprofitable or pointless, it has to work out ways of choosing applicants and guarding against default different from conventional commercial practice, but equally reliable. If it succeeds, the government, then, has to withdraw. Once it has demonstrated the reliability of its clients, its pioneering purpose is fulfilled. Otherwise the government scheme, instead of opening opportunities where private finance will follow, institutionalizes a permanent division between private and public lending, which, in time, inhibits the integration of these new businesses into the financial system. (Bowles, 1975, pp. 12-13).

The danger, then, is that a government funding program may perpetuate the very conditions it was intended to alleviate. Bowles concludes as follows:

From every point of view, the role of government finance seems, therefore, to be narrowly circumscribed. Unless it pioneers loans to new kinds of enterprise, it tends to be redundant, but if it takes too strong an initiative, it overwhelms the entrepreneurial drive of its clients. It can help businesses forward at crucial stages in their growth, but if it encourages them to expand too soon it may destroy them. If it goes on helping them when they are well established, it only institutionalizes their segregation from the network of private finance. The role is a subtle one which tends to be encumbered with lengthy precautions. The delays and restrictions, then, may outweigh its benefits. It is just as damaging to lend improvidently, and confirm the prejudice ... by losing a lot of money. Government finance has, therefore, to steer a very finely drawn line. (pp. 16-17)

There is a related danger in government funding programs which has important implications for the economic development of a region. We have called this the *distortion effect*. Experienced economic development personnel have noted with concern that the types of business operations which emerge

in a particular region often reflect not so much the prevailing economic conditions (resources, technology, markets, etc.) as the orientation and biases of past and present development programs and even of individual development agents. In an area with few locally perceived opportunities, it makes a great deal of sense for the astute entrepreneur to direct his efforts toward exploiting a government funding program, which by comparison appears to be a limitless resource. This is best accomplished by discovering what kinds of projects are encouraged and supported by the program and developing a proposal accordingly. An accurate and imaginative assessment of the local economic situation is of secondary importance.¹ Consequently, we have a surprising number of co-operatives of all kinds in areas where co-operative development has been the ideal. In other times, places, and jurisdictions corporate structures have been viewed as definitely superior, and ~~sure enough~~ a variety of small corporations have emerged. Hotels appear to be prevalent where development agents have had much enthusiasm for hotels; handicraft ventures where development personnel have had interests in native handicrafts. And so on. This is not altogether a negative thing. A development ideology is usually more than just a fad, and may reflect sound scientific and human principles. The co-operative push, for example, despite errors which can best be seen through hindsight, made an undeniable contribution to northern development. The interests of

¹ It may be that a group of people with long experience in working a paternalistic administration structure have become particularly adept at this process. Historically it has been essential for northern natives to learn as accurately and quickly as possible just what was expected and desired by those administrative personnel who had a significant influence over their lives at any given time. Armed with this knowledge, it was possible to work through the system or around it as necessary to survive and maintain a meaningful lifestyle. Some, of course, have always been more successful than others.

individual development agents, too, usually are more than just biases. They normally reflect experience, intelligence and judgement as well. The point is that however sound the prevailing emphases of a government funding program are, the program will tend to overwhelm other features of the local economy. It is therefore of crucial importance for development personnel to have a clear understanding of that local economy if the distortion effect is to be minimized.

When government involvement in enterprises extends beyond approval of grants and loans to management assistance or to joint ownership and control (as in equity financing, for example), the distortion problem becomes more severe. Not only is there an increased danger of developing enterprises which are inappropriate to the local situation; there is also the tendency to undermine whatever entrepreneurial ability and motivation presently exist in the locality. It should be noted that government finance programs were not designed solely, or even primarily, with entrepreneurial development in mind. Employment and community service have been important considerations as well. These objectives do not always coincide. A government sponsored and managed project may create employment or needed services quickly and securely; an entrepreneur may take longer to launch a similar enterprise, he may expand more slowly, employment may not be consistent, services may not be reliable, and the enterprise may ultimately fail. (The reverse is not impossible, either). In such cases job creation or provision of services often assumes a higher priority. The erosion of entrepreneurial initiative, if recognized, is accepted as a cost. Part of this cost may also be the lost potential for an enterprise which more accurately and more ingeniously meets the employment and service requirements of a particular community.

We do not wish to leave the impression that this distortion effect has gone unrecognized. Local economic development committees and native representation on centralized committees have been specifically introduced in numerous funding programs to provide local/native input into and control over project approval decisions. While this does not eliminate the problem entirely, it does constitute an important improvement.

3. Management Support

It will be clear from previous portions of the report why management support has become an important strategy in entrepreneurial development. Management ability is the key to successful operation of any enterprise. Yet few northern natives have had the opportunity to acquire business management skills. (The Hudson's Bay Company and northern co-operatives have figured prominently in providing the business experience which does exist in the more remote settlements). Formal education and training programs can provide essential basic skills and meet some of the more general management requirements, but cannot respond to the diverse needs of specific enterprises at different stages of their development. At the same time, financial, legal, accounting, distributing, advertising, market research and other services available in southern urban centres are not easily accessible in most northern areas, or are not well understood where they are available. Government management support programs were designed to fill these gaps.¹

Management support services are difficult to evaluate. They constitute one factor among many which influence the success or failure of an enterprise. However, there is almost universal agreement among native entrepreneurs and economic development personnel alike that management assistance is a very great need, and that more and better support services would be welcomed. The following difficulties should be considered in this light.

¹ As noted elsewhere, there is considerable overlap between management support, vocational training, infrastructure development and government financing. The precise boundaries need not concern us.

Quality of support services is a not unexpected problem. Because of the broad range of specialized requirements, management support personnel with limited time and resources cannot realistically fulfill them all when and where they arise. Typically these individuals have other responsibilities as well, such as supervising loan accounts which make additional demands on their time.¹ In recognition of this problem, a recommendation has been made to utilize specialists from outside the North, including experienced business practitioners to broaden the range of support services available. (See Bowles, 1975, and Jenkins, 1977).

Management support services, like vocational training courses, have not always been appropriate to the particular local circumstances, nor have they always recognized important abilities already present in a locality. The outside advisor is unlikely to achieve an intimate understanding of the community setting, and hence of the unique difficulties of operating a business in that setting. This is especially true if the advisor is a non-native whose experience has been acquired primarily in a quite different economic and socio-cultural environment. As discussed elsewhere, kinship and friendship obligations often conflict with the efficient operation of a conventional business. An enterprise may become embroiled in a long-standing rivalry between community factions or be viewed as a threat to the established power structure. Labour problems may result from seasonal participation in

¹ Apart from the additional time demands, this situation creates the further problem of conflicting interests. A creditor may not always be the best advisor, tending to prefer a secure minimum rate of return to cover repayment rather than a gamble for a much higher return to the entrepreneur. (If the investment is in the form of equity, of course, the situation is different).

resource harvesting activities, or from a reluctance to help someone else get rich. There may be fundamental value conflicts as well. All of these are serious management problems which the entrepreneur must recognize and take action to prevent or overcome. Because of his limited experience with the local situation, however, the management advisor can normally offer very little assistance with these problems. Acceptable and effective methods of conflict resolution, negotiation and control vary not only from culture to culture but from community to community, and even among social groups within a community. Advice for managing this internal social network is likely to prove ineffective, and may occasionally prove disastrous. It is far better to encourage the entrepreneur to rely on his own knowledge and experience. Community development committees or similar groups also have an important contribution to make here, and there is a strong argument to be made for providing a means for northern entrepreneurs to meet periodically to discuss common problems and ways of dealing with them. Management advisors may suggest general strategies, but the adaptation and application of these strategies is best left to the entrepreneurs themselves.

Dealing with the external socio-economic network is a different matter. Management support personnel have a broad familiarity with financial agencies and programs, suppliers, marketing services, transportation systems, regulatory bodies, research units, etc. The native entrepreneur is typically much more limited in his knowledge of these things, and requires a great deal of assistance to learn what he has to know and make the necessary contacts. This is an important function of a management support program. Also, where regional

infrastructure is weak, it may be necessary to fill the gaps or encourage others to do so. Marketing assistance, for example, has been identified as an important requirement. *Help in marketing ... might prove more productive than any other single support.* (Bowles, 1975, p. 11). Accounting and legal services have also been considered deficient in many northern areas. (See Jenkins, 1977). Equipment repair and maintenance presents considerable difficulties in the north as well. *It appears that the northern "squeaky wheel" does not get greased quickly because the grease salesman may be 100 miles or more away. Examples of this problem were noted in the trucking industry, the ranching industry, and the tourist industry* (Nablo, 1976). Scharf has suggested formation of a type of conglomerate corporation which would not only invest in smaller businesses throughout a region (through equity shares, the business retaining the option to buy out these shares at any time), but would also provide central management and related services which the individual businesses could not afford to develop themselves. (Scharf, personal communication). There are a number of organizations in the north approaching this model, for example Northern Contractors Association in northern Saskatchewan, Yukon Native Construction Ltd., and a some community development corporations. Management support structures of this nature show promise and should be considered as a partial alternative to government support programs.

At what point does management support become management? The danger of an aggressive and efficient support program is that it may discourage the utilization of already existing management ability or the development of potential skills. If local entrepreneurs come to rely on outside assistance for every aspect of managing their enterprises, there is little incentive for developing their own capabilities. The advisors in effect become the

managers, and the entrepreneurs relinquish responsibility for the direction of their ventures. Local entrepreneurial initiative may be undermined, and enterprises may reflect the perceptions and values of support personnel rather than those of the entrepreneurs or the community as a whole. If this distortion effect is to be minimized, considerable care is required to ensure that the management support program is responsive rather than directive.¹

We have suggested that some essential entrepreneurial skills are probably unteachable. An effective management support strategy will enable a potentially successful entrepreneur to acquire some of these skills through experience; without such support he would have much less chance of surviving long enough to benefit from the experience. It cannot, however, compensate indefinitely for a lack of imagination, judgement, organizational ability or determination. Not everyone can be an adequate entrepreneur, and not everyone wishes to be. Many of those who do have the essential attributes choose to employ them elsewhere than in conventional business operations. It would be a mistake to build up false hopes and inevitable frustrations in an individual who simply does not have the basic ability to operate a business, or to divert an individual away from a non-commercial form of entrepreneurial career he may consider much more profitable in his own terms.²

¹ Again, entrepreneurial development and employment objectives may be in conflict. Government may judge that active direction of management activities is necessary to ensure that employment is not jeopardized, whatever the costs in terms of entrepreneurship. This may be a justifiable trade-off in some cases. However, the strategy has been known to backfire when local circumstances were not accurately assessed.

² Such mistakes cannot be avoided. There is no foolproof test of entrepreneurial potential, and it would be a greater mistake to deny assistance to an individual whose deficiencies stem from a lack of training and experience.

C. PROMOTING ENTREPRENEURSHIP

This approach recognizes that the existence of opportunities and of the capability to exploit these opportunities does not guarantee that the appropriate enterprises will automatically spring up. Prospective entrepreneurs may not be aware of opportunities or of the various types of assistance and support available to them. They may not have considered the possibility of establishing a business at all, or if they had, they may not have seen it as a desirable course of action. For entrepreneurial potential to be realized, then, a mixture of information, encouragement and direct support has been thought necessary. Another strategy has sometimes been involved: by creating increased interest in entrepreneurial activity in general, it is assumed that individuals will be motivated to discover new opportunities and develop the necessary entrepreneurial skills on their own.

Dissemination of information about known opportunities and about available sources of assistance is clearly an important function. Strategies involving active persuasion, however, should be viewed with caution. Establishing an enterprise entails significant changes for the entrepreneur and his family. Seldom has the promoter fully understood just what is being given up and what is being taken on. Low cash incomes, for example, and long periods of 'unemployment' have typically been viewed as indicators of poverty and inferior living standards among northern natives. Yet it has been found that subsistence resource harvesting activities are frequently extensive, highly valued as a way of life, and economically significant - requiring a relatively small cash input to supplement.¹ If operating a business means abandoning these

¹ See for example La Rusic, 1978. This is discussed more fully in Chapter VII.

activities, a net loss in economic productivity and security and deterioration in quality of life may well be the result. The marginal prospects for most northern businesses, the necessity of dealing with a complex and unfamiliar network of external institutions, and the constant need to cope with interpersonal community conflicts, do not make operating a business a particularly attractive alternative for many individuals.

From the point of view of the prospective entrepreneur, then, the decision to attempt a business enterprise must be carefully evaluated. On the one hand, the risk of failure is high. On the other hand, if he does succeed he may find himself no better off in real economic terms, despite the inevitable increase in social and psychological stress. It is not surprising that relatively few native northerners have chosen to go into business. The wisdom of encouraging more to do so is questionable.

Promotion of a somewhat different nature, however, could prove highly beneficial in the long run. The rather pessimistic picture painted above applies to the operation of a business enterprise patterned on a commercial southern urban model in a community where the institutions, lifestyles, conventions and values do not correspond to such a model. The alternative is to devise new models for entrepreneurial activity which are in harmony with the existing socio-economic structure and with desired changes in that structure. This is hardly possible without the active participation of the people who know the community best and have a personal stake in its future -

the residents. Encouragement of community involvement in entrepreneurial planning and development is therefore an essential strategy.¹

¹ Scharf (1978) has outlined the *Participative Approach* to the Industrial development for small communities generally. Singer (1974) has developed the concept of Community Economic Development with reference to communities in the Canadian Mid-North, a concept which was integrated into the recommendation for a locally-based development strategy put forward by the Canadian Council on Rural Development (1975).

D. DIRECT PARTICIPATION

It is not uncommon in northern Canada for government to participate directly in the initiation, management and ownership of an enterprise. The objective has not necessarily been entrepreneurial development; more frequently it has been employment or community service. However, some government-operated enterprises have been established to provide prospective entrepreneurs with relevant experience and on-the-spot support, the intention being that they will strike out on their own when ready. Some have also been justified on the basis of their demonstration value: if a particular type of enterprise is shown to be viable in the North, other individuals or groups may attempt a similar venture. Joint ownership and management is a normal aspect of equity funding arrangements as well. Finally, as has been noted previously, government direction and control may be an unintended feature of aggressive funding, management support or promotion strategies.

There are two fundamental difficulties with this approach. The first is the extreme case of the problem which has been discussed several times already in this report. A directive strategy, whatever its virtues, tends to overwhelm the entrepreneurial initiative and ability which already exists in the community, and to be less sensitive to the particular characteristics of the local socio-economic environment. The usual results are a perpetuation of the circumstances of disadvantage an entrepreneurial development program should be gradually alleviating, and a distortion of the economic development process such that local circumstances, values and aspirations are not reflected.

The second difficulty is confusion over objectives. An enterprise intended to produce successful entrepreneurs will not necessarily be operated in the same manner as one intended to create maximum employment, to provide adequate community services, or to develop vocational skills. Since a government sponsored enterprise can be criticized on any of these grounds, the tendency is to attempt a little of everything, with the result that no objective is satisfactorily achieved. This kind of confusion over multiple objectives has been a recurring problem of concern to many economic development personnel.

VI THE NATURE OF ENTREPRENEURSHIP

In order to intelligently discuss appropriate ways of developing something, it is important to have a common understanding of what it is that we wish to develop. The term entrepreneurship has come to mean different things to different people, especially so when applied to northern natives. There is also much disagreement and confusion about how and why it occurs (or does not occur). It is therefore important to examine the concept of entrepreneurship, and any applicable framework or models which would aid in explaining or analyzing the subject.

In simplest conventional useage, an entrepreneur is someone who attempts to operate a business, or simply a businessman or businesswoman. For our purposes this definition is inadequate - there are too many cases when operating a business does not involve entrepreneurship in any real sense, and too many cases where entrepreneurial activity lies outside the realm of business. Belshaw noted the following connotations of the term entrepreneur:

- (a) *the management of a business unit,*
 - (b) *profit taking,*
 - (c) *business innovation, and*
 - (d) *uncertainty bearing*
- (Barth, 1972, p. 5)

Barth, arguing that entrepreneurship should be regarded as an *aspect of a role*, provides this summary of the concept:

To the extent that persons take the initiative, and in pursuit of profit in some discernable form manipulate other persons and resources, they are acting as entrepreneurs. (Barth, 1972, p. 6)

Entrepreneurship can be thought of as either (1) a combination of qualities and abilities inherent in some individuals; or (2) something which happens - an event or a process. Let us begin by suggesting that an entrepreneur is someone who has the ability to recognize an opportunity, the capacity to exploit that opportunity, and the motivation to do so.

Leibenstein (1957), for example, noted that an entrepreneur must

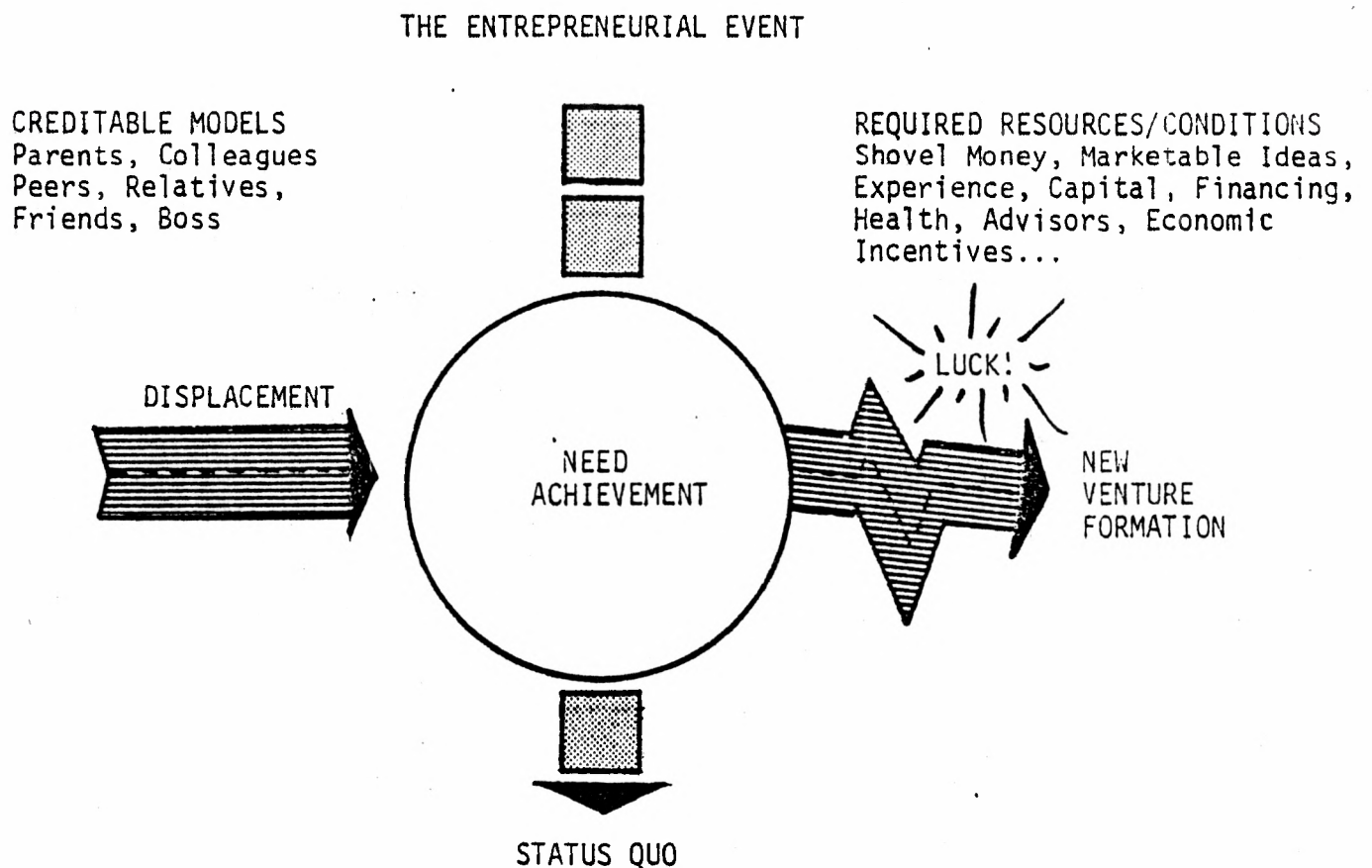
- a) *have the ability to discover investment opportunities, and/or the ability to seek information the analysis of which can lead to the discovery of investment opportunities;*
- b) *have access to resources and the capacity to marshall whatever resources are necessary for the venture so that the requisite factors of production can be obtained;*
- c) *and/or have the ability to promote the venture, that is, sell the venture to others who may be interested in investing;*
- d) *have the ability to organize the enterprise, that is, purchase the factors and get operations started, as well as retain or transfer into competent hands the ultimate responsibility for the continued coordination of the operations.*

Bryon Williamson has developed the following list of characteristics which appear to be present in most successful entrepreneurs, a list which the Canadian Federation of Independent Business has adopted as prerequisites for an "adequate" entrepreneur:

- 1) Good Physical Health
- 2) Superior Conceptual Abilities (or Problem-Solving Abilities)
- 3) The Broad Thinking of a Generalist
- 4) High Self-Confidence
- 5) Strong Drive
- 6) A Basic Need to Control and Direct
- 7) Moderate Risk-Taking
- 8) Very Realistic
- 9) Moderate Interpersonal Skills
- 10) Sufficient Emotional Stability

An entrepreneur can compensate for the lack of one or more of these characteristics by bringing in partners or associates who possess the missing elements (Peterson, 1977, pp. 24-25).

Bowles, in his study of African businessman, found entrepreneurs to be typically intelligent, experienced and ambitious, with more experience in skilled employment and more exposure to business and crafts (often as a result of travel), and characterized by a degree of restlessness arising out of frustration with previous employment experience. (Bowles, 1975, p. 22). This suggests that past experience may be equally as important as inherent personality characteristics in shaping the entrepreneur. Shapiro combines both of these elements in a model of the entrepreneurial event, which has been illustrated as follows:



Shapiro's model adds an important new dimension: despite the presence of the necessary personal and experiential qualities, the individual or group is unlikely to form a new business unless some form of situational displacement occurs which makes the current career path less desirable. This corresponds to Bowles' observation that African entrepreneurs tend to be individuals who were frustrated in their employment situation by limited prospects for attaining positions of importance and prestige. (Bowles, 1975, pp. 2-3).

For a new enterprise to begin, then, a *good idea* which can be translated into a sound business concept is required (not necessarily the individual's own idea) together with a situation of displacement which forces the individual to consider an alternative course of action. If creditable models of existing businesses or self-sufficient relatives, friends, or peers are present within his world of experience, formation of a new enterprise may be one of the alternatives considered. However, the actual establishment of the enterprise still requires sufficient resources and environmental incentives, one of the greatest initial requirements being the *shovel money* to prepare and organize an innovative concept until it is ready for presenting to potential investors. *From this point of view, an entrepreneur is an organizer, the link between the investor and the innovator, the person who puts it all together.* (Peterson, 1977, p. 28).

It is worthwhile at this point to stress the difference between an entrepreneur and a manager, and between an entrepreneur and an innovator. Again, we turn to Peterson (p. 29), who notes that day-to-day management

of an already established enterprise requires a different set of attitudes and skills from those required to launch the venture. The entrepreneur has the choice of acquiring these skills and characteristics himself, or turning over the management to someone else. The innovator is somewhat similar to the entrepreneur in that he *organizes* concepts and knowledge into new forms. However, the innovator is interested in changing the world around him rather than dealing with it as it is; it is important that his new ideas are in his terms worthwhile. Also, the innovator usually lacks the business sense, experience or desire to translate a new idea into a workable business structure.

Let us now place the concept of entrepreneurship in some meaningful and workable context. Fredrik Barth, examining entrepreneurship in northern Norway, develops the notion of the entrepreneurial career as a social interaction process, *a chain of transactions between the entrepreneur and his environment*. He argues that to analyze the entrepreneurial process, it is necessary to describe the social context of this interaction (the community) in terms compatible with those used for the entrepreneur, or the reciprocal nature of the transactions cannot be established.

In other words, we need to see the rest of the community as composed of actors who also make choices and pursue strategies, and we must analyze routinized, institutionalized community life in terms of the choices that are available and the values that are ascribed - factors to which the entrepreneur, through his relations with other people, is subject, but which he also by his very activity may modify and change. (Barth, 1972, p. 7)

The common framework selected by Barth for this purpose is a classic Weberian view of social life:

The view we adopt is that all social activity may be analysed as the result of constrained choices, and thereby connected with the variables of "value" and "purpose". Statistical regularities or patterns in the behaviour of a population, as well as institutionalized patterns (i.e. the general acceptance of the expected patterns), may be expected to result where a set of external factors limit choice and in conjunction with a certain set of evaluations define clear strategic optima. Or put differently, where many persons act in a similar manner one may expect that they agree on certain relevant evaluations and regard their own behaviour under the prevailing circumstances to be optimal in terms of these evaluations. (Barth, 1972, p. 7)

Within this common framework of community social activity, entrepreneurship can be distinguished from traditional and institutionalized behaviour:

Thus the relations of entrepreneurs with the remainder of the community in which they are active may be represented as a series of transactions between actors. The differences between actors pursuing entrepreneurial activity, and the incumbents of traditional statuses who act in accordance with institutionalized patterns, are thereby limited to a few crucial features, and are largely a question of degree and emphasis. These are:

- (1) the entrepreneur's more single-minded concentration on the maximization of one type of value: "profit"*
- (2) the more experimental and speculative, less institutionalized character of the activity of the entrepreneur, who must act in terms of a deductive prognosis of results, rather than - as may the incumbents of institutionalized statuses - accumulated experience which give empirically founded expectations of results.*
- (3) the entrepreneur's greater willingness to take risks, exemplified by his (i) committing a greater fraction of his total assets in a single venture, (ii) putting trust in his own deductive reasoning as against common opinion, and perhaps even (iii) delighting in gambler's odds, leading to possible risk-favouring departures from the mini-max principle, where other actors might entertain a conservative, exaggerated fear of the risk loss. (p. 7-8)*

Note that these three distinguishing features correspond to three of the previously-mentioned entrepreneurial characteristics noted by Belshaw - profit-taking, innovation and uncertainty bearing.¹

The Barth framework, in addition to contributing a social context for entrepreneurial activity and explicitly providing for human evaluation and choice, also allows us to deal with profits and costs in other than strictly monetary terms. This is essential if we wish to apply the conceptual framework to communities characterized by marginal participation in the cash economy. Barth notes that the

... goods which are obtained through entrepreneurial activity are clearly not restricted to purely monetary, or even material, forms, but may take the form of power, rank, or experience and skills; indeed one or more of these forms may be the explicit goal of an entrepreneur. The term "profit" will be used to describe net rewards in all these various forms; their classification together under one heading is justified by the fact of their transitivity: the latter forms of gain may be obtained from, and converted into, a material and monetary form, and thus serve the entrepreneur also as a store of value in a strictly economic sense.

Likewise, to understand properly the balance-sheet of an enterprise, social costs of various kinds which are not readily recognized as economic must be considered. As in the case of the entrepreneur's gains, his loss may also include vital intangibles like power, rank, and goodwill. For each enterprise the entrepreneur must therefore estimate - and subsequently "pay" - costs in any one or several of the forms of value that circulate within the community's network

¹ On the basis of our previous discussion, the term innovation should be qualified here. The entrepreneur innovates in the sense that he attempts to put a new idea into practice (taking the associated risks). He does not necessarily originate the idea.

of social prestations and counter-prestations. This may prevent him from pursuing various instrumentally effective strategies, because he is aware, or discovers through the failure of the enterprise, that its "social costs" are too great. One may distinguish two kinds of restrictions that follow from this: (a) Certain technically effective acts are morally or legally condemned in the community, and the sanctions they call down on an actor obviate any advantages which their performance might otherwise provide. This type of cost can only be circumvented by secrecy (b) Persons have commitments in specific social relations which hamper them in, or prevent them from, pursuing effective strategies. This type of cost can only be avoided by not partaking in such relationships, or may be paid once and for all by repudiation of the relationship.¹

Thus, in evaluating the prognoses and results of an enterprise, we need a unitary concept of value-embracing profit and cost in this expanded sense-which covers all the different forms of tangible and intangible value which, through social processes we can recognize, are convertible one into another. Barth, 1972, pp. 8-9.

On the basis of the conceptual framework, it is possible to construct a descriptive and analytic model of entrepreneurial activity in its community setting. It is useful to separate the activity into two stages - launching the enterprise initially, and maintaining or modifying the enterprise after-

¹ Barth makes the significant point here that a particular relationship may hinder, as well as help, an entrepreneur. Thus in some cases (not all) an uncommitted stranger has certain advantages. Similarly, forms of social division within the community such as factionalism and social stratification imply limitations or discontinuities of obligation and commitment and are thus social barriers which may give strategic scope to certain kinds of enterprise, and may even be generated by the entrepreneur where the advantages he gains (and can offer those who follow him) outweigh the costs of repudiating the relevant relationships (p. 9). We have observed variations of this entrepreneurial strategy (and the social stresses which often accompany it) many times in northern Saskatchewan. It is perhaps most conspicuous where efforts are made to overcome it, (or where it is ignored) such as in co-operative or community ventures.

wards. (In practice, the entrepreneur will attempt to take into account as far as possible at the initial stage the factors influencing the subsequent course of the enterprise).

Barth uses the term *niche* to denote the point at which an entrepreneur seeks to exploit the environment: *the position which he occupies in relation to resources, competitors and clients*, (p. 9). This corresponds loosely to the way in which *opportunity* has been used throughout this report, except that it is used in a more interactive sense. That is, a *niche* is an opportunity in relation to a particular entrepreneur in his particular social context. An entrepreneur must choose an appropriate niche before he can launch an enterprise. Similarly, what a particular entrepreneur has with which he seeks to exploit this niche, Barth characterizes as his assets: *the sum total of capital, skills and social claims which he may employ in the enterprise* (p. 9). This corresponds to the term *capability* which has been used in this report, but again with an interactive emphasis. *Assets* are the capabilities of a particular entrepreneur which are applicable to a particular niche (taking into account the social context). Together, the niche and the assets determine the *restrictions* to which any particular enterprise is subject, and thus form the basis for the entrepreneur's strategic choice of enterprise: *a successful choice related niche and assets to each other in an optimal way* (p. 10).

Within these restrictions of opportunity and capability, then, the entrepreneur must devise a workable means of attaining an acceptable level of profit (whatever the form) without incurring unacceptable costs (including

social costs). This is essentially a matter of strategic planning and decision making. Various alternative strategies are mapped out, based on past experience, comparable examples, adaptation or innovation.¹ These are assessed in terms of their feasibility within existing restrictions as these are perceived, and evaluated with respect to the anticipated profit and associated costs. The evaluation is based on the individual's own value system, although the values and expectations (and anticipated reactions) of other significant people must be taken into account.² As a result of this calculation and evaluation process, an optimum strategy is selected. Putting the strategy into effect constitutes launching an enterprise, or expanding or otherwise modifying an existing enterprise. In either case, the success of the venture will depend upon how accurately the opportunities and constraints have been assessed in terms of the entrepreneur's capabilities and objectives, and how accurately the various consequences of the actions associated with the selected strategy have been anticipated.³ In the course of maintaining an enterprise, the strategic decision-making process may become almost continuous to compensate for changing conditions, new information, unexpected consequences, increased assets (including experience and influence) or even changing values. Indeed, it may eventually become routine.

¹ Entrepreneurial strategies are, in effect, means of organizing people and resources to achieve the desired ends. Some form of management/technology combination is implied, though not necessarily in the conventional sense.

² Note that at this point, anticipated social costs which are absolutely unacceptable to the entrepreneur (forfeiting a valued relationship, for example) become in effect further structural constraints on his choice of enterprise.

³ The initial limitations may be changed by the entrepreneurial activity itself. Indeed, this may be part of the strategy.

As we have seen, the difference between entrepreneurial and traditional or institutionalized behaviour is largely one of degree and emphasis. The strategic planning and decision-making process outlined above is only a special case of the goal-oriented (or tension-reducing) process followed to some extent by everyone. (See for example, Bolan, 1973). However, most human behaviour is *reflexive* (habitual), based on previous definitions, interpretations, evaluations and actions, and requiring no further conscious evaluation. Only when confronted with new or unfamiliar situations (or perhaps a new interpretation of a familiar situation) is the individual forced into *adaptive* behaviour.¹ This involves conscious appraisal of alternative courses of action in terms of some value criteria. It also involves the formulation of these alternatives in the first place. The value criteria may be positive or negative. That is, alternatives may be evaluated according to their potential for achieving goals or fulfilling desires, but also according to their potential for reducing tension, misery, or frustration. In either case the value structure constitutes one key element of the adaptive decision-making process. Another element is the knowledge-reasoning basis upon which the consequences of various alternatives are calculated. Experience alone is insufficient for predicting the effects of novel actions. And finally (or more correctly-initially), a basis for conceiving alternative courses of action is essential: the existence of directly comparable examples, prospects for adaptation, a perceived possibility of innovation.

¹ Probably the most usual "new situation" is the discovery or gradual realization that the present "familiar" course of action is not satisfactory.

We now have an evaluative decision-making framework superimposed on a community interaction framework. The entrepreneur is initially constrained in his choices by structural features of the community (including his own place in the community structure). His entrepreneurial actions subsequently have effects on the community structure which in turn affect the viability of continuing the enterprise or the desirability of doing so. Anticipating such consequences in advance further constrains his initial choices. By examining key elements in the decision-making process and relevant aspects of the community structure, a great deal can be learned which has significant implications for entrepreneurial development.

Barth has identified three essential parts of this analysis:

- (1) a weighing of objective factors affecting the promise of alternative niches (respective carrying capacity, long-term stability, etc.) against the extent to which the entrepreneur's assets are adequate for the alternative tasks they imply,
- (2) a mapping of the social costs incurred when the various techniques of exploitation are acted out in a community of a certain structure, and
- (3) a consideration of the place of the product of an enterprise in the whole system of circulation of value that characterizes a community.

The third point requires some elaboration. A community is characterized by different sectors or *spheres of exchange* which are more or less discreet, and certain acceptable *channels of conversion* of value from one sphere to another. (An oversimplified example might be economic wealth, social status and political power, with a further division between the land-based subsistence economic sphere and the market economy.)

The man engaged in an enterprise will be concerned to move his store of value, his assets, through [channels of conversion] to the places where they can have the optimal exploitative effect in a niche. But he will also be concerned to use techniques which as far as possible avoid or reduce social costs - i.e. do not lead him to incur loss in other spheres of exchange in which he participates in his community. Finally, he will be concerned that his enterprise should produce value in a form - i.e. goods and services which pass in a sphere - which again gives optimal freedom of exchange and conversion into value in other spheres (i.e. "liquidity"). (Barth, 1972, p. 11)

In some economic systems, the productive plant and other factors of production are often not available as goods in the same market sphere as are their products (p.11). For example the trapline (and the associated resource base) is necessary to produce furs which are sold for cash, but the cash cannot normally be used to acquire or enlarge a trapline and thereby increase the profitability of the enterprise. On the other hand, the cash can be used to purchase skidoos and other equipment and supplies which may increase production and profitability. The cumulative effects of growth are generated only where the products, or at least the profits, of an enterprise are of a form so that they can be reinvested as assets in the same enterprise. This is most readily achieved where assets and profits belong in the same sphere or where profitable channels of conversion exist. The essence of entrepreneurial activity is to discover new possible channels and exploit them: to enter such a system in which value flows and expand it, short-circuit it, or otherwise make it flow differently, while tapping or otherwise accumulating some of the flow in the form of profit (p. 12). For these reasons it is necessary to consider the various forms of product and profit produced by an enterprise, their liquidity, and their relation to the community system.

These three logically independent sets of factors: economic dependence, ethnic distinctiveness, and peripheral location, tend to combine to produce a situation in Northern Norway where entrepreneurial opportunities are predominately to be found in mediating roles, where new links are being created between local communities and central or national organizations. i.e., the entrepreneur becomes a "broker". This is a niche where he can find most clients: persons who need and desire goods, services and leadership, who are unable by traditional means and skills available to them to obtain what they wish. It is also the niche where he most readily can raise the capital needed for enterprises: the loans, subsidies and technical assistance which the Welfare State offers to ameliorate and remedy conditions in the area. (Barth, 1972, p. 16).

One of the implications of this analytic framework is that there are different types of entrepreneurs. For example, one category of social costs calculated and evaluated by an entrepreneur (or experienced) is the possible loss of community goodwill and neighbourly relations as a result of his actions. This may be of different importance to different individuals. Robert Paine distinguishes between what he calls the *free-holder* and the *free-enterpriser* (in Barth, 1972, p. 52). The free-holder aligns himself with community interests and helps to raise the productivity of an entire community. Holding the goodwill and respect of the community is more important to him than sheer production efficiency. The reverse is true for the free-enterpriser, who pursues wealth or bureaucratic status in disregard of local values. The free-enterpriser is unlikely to identify with the community he lives in. His

To complete the analytic framework, the external environment must be considered. Circumstances outside the community place initial constraints on the possibilities open to the entrepreneur - access to resources and markets, competition, access to credit, laws and regulations, equipment supply and maintenance, support services, language requirements, alternative models of management and technology, etc. Changes in external conditions may have a significant effect on the viability of an enterprise once underway. Anticipating such changes and devising strategies for influencing them is therefore part of the entrepreneur's initial task.

The entrepreneur's strategic planning must become much more complex with the addition of this new dimension. An optimum strategy within the community context may be unworkable in the external network, or vice versa. This is especially true where racial and cultural differences separate the community from the dominant external system and where the region is characterized by a dual economy. The prevailing value structures are different, as are bases for expectations and commitments. The entrepreneur must therefore devise a means to satisfy (or appear to satisfy) the conflicting requirements of both networks while still attempting to achieve his own objectives. It is not surprising that psychological stress and confusion about personal identity have frequently afflicted those native entrepreneurs who have managed to maintain this precarious balance.

The external environment adds new spheres of value and channels of conversion as well. Of particular significance is the role of broker:

reference group lies outside the community. As Paine notes, however, the free-enterpriser may suffer more than social costs (which are in any event of no importance in this situation) for this orientation. Members of the community may actively obstruct his activities, thereby diminishing his profits. Consequently, the astute free-enterpriser in such a situation will attempt to pass himself off as a free-holder. Conversely, the free-holder is always under suspicion as a possible free-enterpriser at heart.

The particular niche selected by the entrepreneur has strategic importance in this respect. Ottar Brox, describing entrepreneurship in two localities in northern Norway, noted that the activities of both the fishing boss and the merchant were entrepreneurial in character. Yet the merchant experienced much community opposition and obstruction because he was *conceived as an exploiter extracting profit from the clientele*, whose interests were considered contrary to the fishermen's. The herring-boss, although much more successful in terms of profit, received no such opposition. This was partially because he was regarded first and foremost as a fisherman rather than an investor, partially because he and his crew occupied the same niche in a symbiotic relationship - an increase in profit for the net owner-boss meant a proportional increase in profit for the crew (See Barth, 1972, pp. 24-25). There are many parallel situations in northern Canadian communities, perhaps the most striking again involving comparisons between extremely successful commercial fishermen and marginal or unsuccessful operators of stores, cafes, poolrooms, and the like. Objections to such enterprises may be especially strong when the service being sold was formerly an expected friendship or kinship obligation - a new taxi business for example.

The self-interest versus community-interest orientation (real or perceived) is complicated in most northern communities by factions, kinship groups, and social strata. Thus an enterprise identified with the interests of one group may succeed in obtaining the support of that group but at the expense of alienating and perhaps arousing active opposition from other community groups. This may or may not be important to a particular entrepreneur in a particular situation, depending partly on whether the support from the one group is sufficient to maintain a successful operation and counter the obstructive tactics of the rival groups. The alternative is to attempt to gain and maintain the support of all community groups, perhaps at the expense of losing his special status and support within his own group. As the history of co-operatives and community enterprises in northern Canada shows clearly, this is not an easy task.

Another type of entrepreneur common in northern communities is the broker, as noted earlier. Herald Eidheim has also argued that political careers may be largely entrepreneurial in nature, although conversion of assets from one sphere to another presents special difficulties. (See Barth, 1972, pp. 70-83). Finally, we suggest that another kind of entrepreneurial activity is prevalent - although largely ignored - in northern communities. This is the economic innovation and expansion undertaken by households which continue to be involved in subsistence resource harvesting activities.

Boulding (1950) examines the *entrepreneurial* character of the household. On the one hand, there is the subsistence household which has a real income which is higher than the net cash flow, as a substantial part of the household

consists of the value of food raised or harvested, buildings built, firewood cut, etc. which, although it never gets into the market economy at all, nevertheless has an impact on the market through its effect on the demands and supplies of the household. On the other end of the scale is the household which sells all of its production for money and, in addition, does a good deal of trading in the market so that its net cash flow exceeds its real income. In this light the excess of net cash flows (receipts - expenditures) over real income (income-outgo) is a measure of the *entrepreneurial* character of the household.

According to Boulding, this character seems to be determined by two broad principles. The first is the principle of the best alternative whereby comparative advantage determines the extent to which specialized production for exchange in the market is worthwhile. Between the two possible methods of acquiring assets - direct production, or indirect production to exchange for the other desired assets, the household will choose that which is cheaper in terms of its disutility. The degree of specialization depends of course on the extent of the market, for a household with no market is forced to be self-sufficient. Where the market is well-developed the household can sell its labour for money. Of course, two households faced with the same market situation may have different degrees of specialization which arises from the entrepreneurial character of the households themselves.

We suggest, however, that a household which does not operate entirely within the marketplace can also pursue an entrepreneurial career. For example, a household which possesses a given subsistence-exchange ratio can perceive

an opportunity and unite the means of production at hand to take advantage of the opportunity and thereby increase the real income of the household. Two important points should be made. First, both subsistence and exchange components of the household are considered as contributing to the welfare of the household. Second, the household can improve its welfare by altering either or both of the subsistence or market components.

There are thus many types of entrepreneurial activity possible. Operating a conventional business enterprise is only one such possibility. Under the circumstances prevailing in many northern communities, it may frequently be less attractive to the native entrepreneur than other available alternatives which may or may not be evident to the development agent.

The reader patient enough to come this far may justifiably question the point of the preceding discussion in a report which is supposed to have a practical application for developing native entrepreneurship in northern Canada. Our reasoning is this: Relatively few native northerners have become successful entrepreneurs in the conventional sense, despite substantial government encouragement and support. The researcher's problem is to discover the reasons for this situation and suggest ways it might be improved. One approach is to assume that these reasons are irrational, the problem being to find the cause of this irrationality (dysfunctional values or beliefs, ignorance, false consciousness, whatever) so that this can be pointed out and people encouraged to behave rationally. Our position is that these reasons are probably quite sensible in the context of the prevailing circumstances and

meaning/value system, the problem being therefore to learn enough about this context to understand the reasoning and accompanying behaviour. Only in this way can recommendations for improvement be made which work with, rather than against, the existing reality. The preceding analytic framework is presented as a tool to assist in examining actual and potential entrepreneurial activity from the point of view of the entrepreneur himself, which may be quite different from that of the development agent. The entrepreneur is equally prepared to exploit unplanned or unintended implications of government development programs if these are more relevant to his circumstances and objectives. An effective approach to entrepreneurial development must take this into account.

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VII ENTREPRENEURSHIP AND DEVELOPMENT

In the previous chapter, we examined the concept of entrepreneurship and made an effort to describe and analyze the entrepreneurial process as it occurs in the community setting. To do so it was necessary to look at the situation from the point of view of the entrepreneur. From this point of view, government economic development programs are significant only insofar as they present additional factors to be taken into account and, if possible, exploited. In this chapter we wish to proceed from the other direction - to look at what development agents wish to bring about and at the place of native entrepreneurship in this overall plan.

Let us begin with the concept of *development* itself, and with two terms which have often been used interchangeably with development - *growth* and *modernization*. According to Peter Berger, growth is the easiest to define as it falls within the realm of economics. Growth is typically measured by economists as the rise in total output of a society and rise in the per capita output. Both measures have been defined with a great deal of precision. In the contemporary world, economic growth is usually the result of technological improvement in the means of production and distribution. But technological and economic processes do not occur in a vacuum but rather affect the institutions and the culture of the society in question. It is this wider transformation that is referred to by the term modernization. Thus modernization refers to the *institutional and cultural concomitants of economic growth under the conditions of sophisticated technology* (Berger, 1976, p. 34). However, the problem of defining the term development is more difficult for it is often used as the equivalent of one or both of the other two. Yet, in its general usage it carries with it a more positive connotation than the other two for it usually implies a general improvement in the well-being of the population undergoing the process. In other words, development means good growth and desirable modernization. By way of summary, we have the following thoughts:

Concepts are not made in heaven, and all definitions are arbitrary. For the present argument, however, the following definitions will be adhered to: Growth will be understood as an economic category only, in accordance with the conventional usage of economists. Modernization will be understood as the institutional and cultural accompaniment of growth, again following a widespread convention among social scientists. In this understanding both growth and modernization are value-free concepts, and as such can be meaningfully employed regardless of whether one evaluates these processes as good, bad, or indifferent. Development on the other hand, will be understood as a political category, and thus as not value-free. Development will then refer to such instances (actual or projected) of economic growth and sociocultural modernization as are deemed desirable in the contexts of moral judgement and public policy. Put simply once more: People who speak of growth and modernization may do so in the role of neutral observers. People who speak of development should frankly admit that they are engaged in the business of ethics and, at least potentially, of politics. (Berger, 1976; 35).

Those who link growth with development have a tendency to assume that the more growth there is the more development there will be, and because growth is economic in nature the problem of underdevelopment is primarily, if not exclusively, economic. Of course, since the sickness is economic, so is the treatment, even if non-economic elements are present. This does not mean that non-economic factors are ignored, but they are usually treated as being conditions or aids to the growth process - they are evaluated in terms of helping or hindering the growth process. The following quotation illustrates this mentality.

From the evidence available it would appear that the attitudes which exist and persist in backward economies are attitudes that inhibit growth.

A partial list of the attitudes that it would be desirable to develop in order to promote economic growth are:

(1) Western "market" incentives, that is, a strong profit incentive, an eagerness to maximize money incomes, etc., (2) a willingness to accept entrepreneurial risks, (3) an eagerness to be trained for industrial and "dirty" jobs rather than white collar jobs or those that have cultural prestige value, and (4) an eagerness to engage in and promote scientific and technical progress rather than devotion to an honorifically valued "cultural" education. In sum, it is necessary to create an outlook in which success is gauged by market performance and in which rational, rather than conventional or traditional, considerations are the determinants of action. (Leibenstein; 1957; 109).

Without getting into the classical chicken-and-egg questions (which comes first - economic growth, or its social, cultural, or even psychological correlates?), it is perhaps more apt to question the blind acceptance of some economic prescriptions.

, For example, Galbraith (1962) examined the question of poverty in terms of the astonishing number of assumptions as to what was wrong and commented that it was based upon these assumptions, many of which are self-contradictory and all of limited applicability that remedial action is based. The assumptions which he notes are as follows:

1. The people are poor because they prefer it that way.
2. The country is naturally poor.
3. The country is poor because it has been kept in a state of colonial oppression.
4. Poverty is the consequence of class exploitation.
5. Poverty is caused by insufficient capital.
6. Overpopulation is the cause of poverty.
7. Poverty is caused by incompetent economic policy
8. Poverty is caused by ignorance.

Taken together, the picture is one of people who are lazy, illiterate, exploited, oppressed, and misguided, living in a barren land with not enough resources to go around and no money to develop. Of course, such diagnostic statements as those displayed above are old hat. It is questionable whether such blanket statements have any utility whatsoever in formulating economic prescriptions, based as they are upon biased perceptions and misunderstanding. Development is a process which builds upon what has gone before and what now exists. Economic planning must be in terms of the economic system which exists.

For many years past, the process of economic development has been accepted as being concomitant with industrialization and urbanization. This view is exemplified by A Survey of the Contemporary Indians of Canada (Tremblay et'al; 1966) who accepted economic development to be associated with industrialization and urbanization, and that the work behaviour and way of life of individuals and groups reflected this process. To them, measurement of industrialization and urbanization could be made in terms of such criteria as degree of mechanization, size of capital investment per workers, proportion of skilled to unskilled in the labour force, rates of pay, regularity of employment, rules and sanctions governing hours of work, absenteeism, promotions lay-offs and dismissals, and the like. They stated:

From this perspective then, we may view the process of economic development as a progression of individuals and groups through a series of different types of industries and occupations having job requirements and characteristics from the least to the most industrialized and urbanized. The order of progression may be viewed somewhat as follows:

1. *subsistence hunting, fishing, trapping, food and fuel-wood gathering and marginal farming, supplemented by intermittent domestic handicrafts;*
2. *casual, seasonal and non-recurrent commercial employment for short periods in such jobs as guiding, fishing and fish-canning or processing, fruit and vegetable canning, casual farm labour, logging, pole and pulpwood cutting, clearing and unskilled construction labour, fire-fighting;*
3. *regular or recurrent seasonal employment over longer periods of the year in such fields as semi-skilled or skilled construction work, road and railway maintenance, truck driving, longshoring, logging and sawmilling in some areas and various seasonal secondary industries (particularly in food handling and processing);*
4. *regular, full-time and permanent employment in a non-urban setting, in such fields as commercial farming; highway and railroad maintenance; maintenance, repair, service and clerical employment in larger bands; government employees in game and forestry conservation; and the like;*
5. *specialized full-time or recurrent seasonal employment and residence in relatively high-wage, urban-located industries, particularly in small and medium sized industrial towns, such as larger sawmills and planing mills, plywood, pulp and paper plants; mining and smelter operations; factory work, particularly in the semi-finished category; building construction maintenance and repair; automotive transportation; and various clerical and service occupations;*
6. *full-time employment and residence in urban communities, particularly large metropolitan centres, in diverse occupations representative of a metropolitan population, ranging from unskilled to the most skilled, technical and professional jobs. (Tremblay et al; 1966; 140-1).*

The suggestion that economic development does follow such an industrialization-urbanization continuum implies that each successive stage is better in some way than the previous, that one is a logical outcome of the other, and that in some way, the industrial-urban complex does and will provide the answer to prevailing economic woes. While such a stage approach is based upon empirical evidence, the pattern which is observed may not be one of a development process at all, but one reflecting differing circumstances.

In the north, where the traditional resource base is largely intact (unlike the south - the buffalo are gone), the exploitation of this resource is still the backbone of the native economy. However, the actual productivity of hunting, fishing and trapping lies hidden. The often quoted small monetary returns to trappers and fishermen are regarded by many as being the total income of these pursuits. It is no wonder that subsistence sectors of the northern economy have been seen to have a limited life span. But in reality, it is largely unmeasured domestic production of food via hunting, trapping and fishing which is the major contributor to the economy.

By way of example, La Rusic (1976, p. 13) notes that Inuit hunters in Northern Quebec have a productivity in the order of 5,000 pounds of food per annum per man, the equivalent of perhaps \$5,000 to \$10,000. It is becoming more and more apparent that when the productivity of the traditional sectors is measured only in terms of cash incomes, it is only the tip of the iceberg that is visible.¹ It is acknowledged that traditional pursuits are, with some exceptions, not wholly successful in commercial terms. In fact, they

¹ See for example the Berger and Lysyk reports; also Jarvenpa (1975), Ballantyne et al (1966), Kelly, (1977, 1978), Schindelka (1978). These are only a few representative examples.

are usually cash and capital consuming. However, the amount (of cash and capital) utilized to support and supplement domestic production activities is estimated to be much lower than that which would be required to compensate for ceasing these activities altogether.

Consequently, in real economic terms, moving from Stage 1 to Stage 2 and 3 and even to Stages 4 and 5 of Tremblay's "progression" may constitute a backward journey if in so doing subsistence activities must be diminished or curtailed. It is also important to note that Stage 1 is relatively uncommon in the north. Subsistence activities are almost always supplemented by cash-generating activities such as the sale of furs or fish, seasonal employment, and sometimes small business activities. (Government transfer payments, including welfare, are of course an additional important source of cash.) Indeed it has been noted that, contrary to popular belief and certainly contrary to the notion of staged development, those individuals and households who are most productive in the traditional sector tend to be more productive in the wage employment sector as well. (See Ballantyne et al., 1976. La Rusic, 1976, also reports that the most productive Cree hunters of Fort George had part-time employment, and that those with full-time employment were only slightly less productive hunters). This significant relationship has also been hidden because native employment figures have generally been considered in isolation, and usually interpreted to indicate serious levels of unemployment or under-employment, or problems with employee reliability and turnover.

It is quite possible that a similar relationship exists between subsistence production and at least some forms of business activity, although we are unaware of any comprehensive data which would substantiate this hypothesis. (We can, however, note the number of apparently successful contractors in northern Saskatchewan involved in line-cutting, prospecting, post-cutting, and other similar endeavors which can be combined effectively with subsistence activities. This is no doubt a factor for the crew, if not for the entrepreneur himself. We can also note that it is not uncommon for northern hotel operators to shut down and move to the bush during off-seasons, and that more than one northern taxi operator carries a rifle during out-of-town trips). Entrepreneurs with a significant local labour force may be especially inclined to take subsistence activities into account (as well as commercial resource harvesting activities). One co-operative post peeling and sharpening operation, for example, shuts down operation during the short but highly productive commercial fishing season on a nearby lake.

In any case, our point here is that development should not be viewed as abandoning one form of economic activity and adopting a new form, through a series of successive stages each of which replaces the previous one. Rather, it should be viewed as a process whereby the existing economic system *adapts* to changing opportunities and constraints while maintaining an essential degree of continuity. The various kinds of strategic mixtures and blends noted above provide some important clues to this process, since the adaptation is of course already well underway.

The discussion thus far has been in strictly economic terms. The above argument is strengthened further when social and cultural aspects of development are considered. Man's pattern of living is largely dependent upon the particular cultural system in which he grows up. Each generation inherits an accumulation of knowledge, traditions, values, institutions and material culture. This framework, subject to minor modifications and deviations, provides a basis for viewing the world, for living and making a living, for social behaviour and organization, for meaning and personal identity. Economic activity cannot be separated from this framework, since it is part of a way of life which carries with it meaning and value as well as inter-personal obligations and expectations. Adopting a new form of economic activity therefore involves a major personal and social adjustment. The success of this adjustment, for an individual or for a cultural group, depends largely upon the degree of continuity which can be maintained in the basic meaning-value system.¹ (See for example Berger, 1976 and Eisenstadt, 1966. The notably successful modernization of Japan in spite of strong traditional values and institutions has been attributed to a deliberate and concerted effort to provide for such a cultural continuity). The adaptive potential inherent in the original cultural framework is another important factor. A tradition of continual adaptation to a changing environment may in itself provide a solid basis of continuity amid changing circumstances.

¹ In any society or community there are marginal groups or individuals who operate largely outside prevailing institutional patterns for a variety of reasons, (voluntarily or involuntarily) or who for the sake of expediency follow conventional behaviour patterns but reject all or part of the underlying meaning-value system. Such people tend to be more adaptive (or mal-adaptive, as the case may be), partly because they have fewer commitments in the present system, partly because they have greater experience with alternative systems and in coping with conflicting expectations and values.

We further suggest that adaptive development need not be a one-way process. Increasingly there are examples of what we have termed *mutual adaptation* between the two sectors of the northern dual economy. Mining companies, faced with serious labour recruiting and turnover problems in isolated areas, as well as with increasing pressure to employ northern natives, have experimented with various forms of fly-in rotation shift arrangements which enable northerners to benefit from well-paying employment without abandoning their home communities or giving up traditional economic activities. (See Hobart, 1976). In some cases, the communities affected were actively involved in the planning stages and have viewed the results positively. (The Gulf Minerals uranium mine at Rabbit Lake in northern Saskatchewan is one such example. See Scott, 1975). As we attempt to demonstrate later, the field of appropriate technology has a great deal of promise for development through mutual adaptation.

A useful background for these and related arguments is the *ecological approach* to development as formulated by Richard Wilkinson. Instead of holding the view that northern man has lived in great poverty through most of his history and has persevered with highly inefficient technology, the ecological approach reveals that societies regarded as underdeveloped have remained in such a state because of strategic factors which have acted to maintain a stable equilibrium in which basic human needs were satisfied. Instead of trying to explain why old ways are not abandoned in favor of more efficient methods by resorting to arguments of economic irrationality and the lack of social institutions which provide the incentives to innovate, the productive resources of pre-industrial societies are seen to allocate efficiently within the given economic framework.

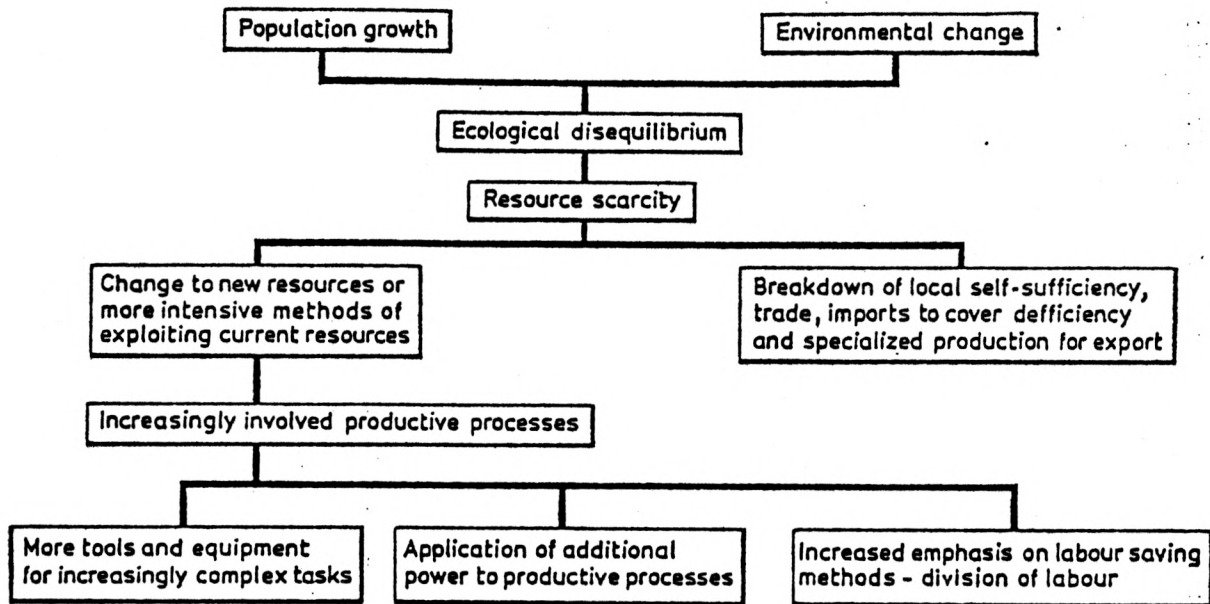
A stable, well-adapted society has settled into a known and proven way of life which allows it to deal with all eventualities without resorting to innovation. In order to do this it must have developed an integrated productive technology and must have found ways of ensuring that a balance is maintained between the demand for natural resources and the environment's ability to supply them. Development is seen to be stimulated by the growth of material needs, either through population growth or environmental depletion, beyond the maximum level which can be satisfied by existing environmental relations. Thus the population has outgrown the resource base and production system. It is necessary to increase the output of the environment rather than produce a given output more efficiently.

As the established economic system is proved inadequate and subsistence problems become more severe, societies are driven to change their methods. Development comes out of poverty, not out of plenty. Poverty stimulates the search for additional sources of income and makes people willing to do things they may previously have avoided. (Wilkinson; 1973; 5).

Once resource scarcity is evident, the society must adapt, either within a fixed environmental context or to meet changes in the environment. Generally, resource scarcity results in a breakdown of self-sufficiency, the growth of trade, imports to cover deficiencies and specialized production for export. There is a change to new resources and/or more intensive methods of exploiting current resources.

Understanding the course of development is partially realized through the understanding of the order in which different resources are chosen to be exploited. When the traditional resource base is in disequilibrium with the society, the choice of substitute resources which are adopted are simply those which come most easily to hand in the context of their established cultural system. In general, those things in the environment which already most closely approximate the consumable state will be chosen.

THE COURSE OF ADAPTATION TO ECOLOGICAL PROBLEMS



Source: Richard G. Wilkinson, *Poverty and Progress: An Ecological Model of Economic Development* (London: Methuen & Co. Ltd., 1973).

By virtue of this type of analysis it can be deduced that once the point is reached where traditional pursuits are no longer sufficient to satisfy both subsistence and exchange needs, change is needed. There is no doubt that the type of change which is needed lies in the marketplace. But the change needed is not necessarily a total change as is advocated by an industrialization theorist. If it is accepted that a fine balance must be kept between the old and the new, then the next step is to accept that the old will dictate what is acceptable in the new and not vice-versa. It is argued that the present configuration of old and new, of traditional and modern will influence the pattern of development.

A man does not leave the environment in which he has born and bred unless he is obliged to do so; he does not, as a rule, desert a form of society the economic structure of which he has grown accustomed, except under compulsion.

In this vein, it is hypothesized that the present economic system will determine, in large part, both what is happening now and what is likely to be successful in the future. Some relevant features of the present economic system are as follows:

1. Institutions through which economic decisions are reached.
2. Availability of resources.
3. Social units involved in production and consumption and their interconnection.
4. Scale of the economy.
5. Framework of the economy.

In the past the bonds which structured families and kindred were for the most part the bonds which organized economic activities. The organizations were subsistence organizations in the sense that production and consumption

were more or less direct, without intervening acts of exchange among producing units (not in the sense of an economy which produces just the bare minimum necessary to keep people alive). The units were multipurpose in that their economic behaviour was not the sole governing purpose but rather an aspect of the total activity. Conflicts and choices over the use of time and resources were resolved and made with reference to the total calculus of the many purposes of the group rather than by the single magnitude of output or economic return.

The rudimentary division of labor and the use of simple technology are significant aspects of these institutions. Also conspicuous are the absence of large work groups, a work rhythm tied to the annual cycle, a discontinuous demand for labor and small capital costs of production.

While elements of these institutions are still present, the subsistence nature has been partially replaced by elements of exchange. The subsistence-exchange ratio varies, of course, between communities and between households within the communities. The extent to which people presently allocate their time and resources according to the signals of the exchange market institutions is questionable.

It is frequently noted that the development of market institutions has not occurred. The concept of businesses and firms distinct from the social sphere is an alien one. Credit mechanisms are conspicuous by their absence.

The availability of resources is first a function of technology and science and secondly of norms defining things as transferable in a commodity-like fashion. There are many barriers to resource development as

perceived from the context of the community. A knowledge of the potentialities as well as the desire to realize potentialities are needed. It must be recognized that the resources can be transformed into products which are desired and can be used. There must be a suitable concentration as well as a means of access.

This argument can easily be illustrated by acknowledging that a single area can be viewed as a mineral deposit, a stand of commercial forest, a habitat of animals, a source of water, or a display of scenery. The interpretation is controlled by the viewer. To a person accustomed to viewing the area as a habitat for animals, the realization that it can also be viewed as a display of scenery is not in the same category with the realization that it can be viewed as a commercial forest or a mineral deposit. The benefits of the former are easily consumable, while the benefits of the latter require an extensive modification of the environment and the way it is used.

As previously mentioned, the units of production and consumption are normally households. They are multipurposed and one to another use similar techniques. The interaction between households and market operations must be viewed, both from within and without, in the larger calculus of survival and status in the social system. Given the fact that households, not firms, are the economic organizations around which the economy is to be built, the limits of planning, continuity, scale and technological complexity in economic life become readily apparent. This sort of economy has no loose capital seeking marginal returns, nor any busy entrepreneurs seeking novel modes of production. The entrepreneur, as conventionally defined, is not a clearly identified social figure in productive activity, for an entrepreneur depends on just those social arrangements lacking

or poorly developed or irrelevant in small-scale societies. Change in the kind and level of capital is not encouraged: capital maintenance is the dominant theme rather than 'entrepreneurial outlook'.

The economy is generally small-scale which implies limited membership in economic units, a short temporal continuity in action, a relatively small output at virtually continuous levels. The incongruity of large scale action structures superimposed on this kind of society is frequently noted. The scale of the economy is such that a large scale structure is not warranted.

The norms and institutions present in the small-scale economy serve to define what is a legitimate economic activity. The pattern of resource use upon which the norms and institutions are predicated are not consistent with the institutions developed by the larger society and, in fact are not consistent with the pattern of settlement living which has been witnessed in recent times. The organization of people vis-a-vis their resources has been redefined, but the relationship between the people and the resources has not.

The economy, in the past and at present, is distinctively seasonal in nature. At one time, the entire life-style was organized around the seasonal exploitation of resources. The seasonal influences are still strong.

While the strength of the above observations is dependent upon the nature of a particular community, its resources, its history, etc., they hold generally true for the north. And if such factors are held to be important determinants of the form of things to come there has to be a new form of economic thinking. The closest that any concept comes to this requirement is the concept of *appropriate technology*.

Rein Peterson (1977) in his book on the importance of small business in Canada takes a look at appropriate technology in the course of his arguments for building a balanced economy. Appropriate technology is seen as a philosophy of development as opposed to a set of technologies but it is a philosophy which is just emerging in the Canadian context. He puts it into context for his purpose in the following manner:

Let us place the term appropriate technology in the context of our main theme, building a balanced economy.

Capital intensive technology employs sophisticated and expensive machinery to minimize the number of man-hours to do a job.

Labour-intensive technology attempts to employ human labour whenever feasible using machinery only when it is physically mandatory.

Intermediate technology involves choosing between a number of possible technological options involving a range in the extent to which labour and capital are used. It is a complement rather than a substitute for modern technology. It promotes the existence of technological pluralism, rather than accepting blindly a single (often capital-intensive) solution to fill any need.

Appropriate technology takes account of factors in addition to labour and capital and must satisfy certain socially acceptable criteria, such as regional self-sufficiency:

- 1. The chosen technology must be adapted to local cultural and economic conditions.*
- 2. The chosen technology must be competitive, or, if that is not possible, it must be able to avoid the competitive sphere.*
- 3. The chosen technology should not only be appropriate at a local level but also be formed in such a way that it takes regional, national and international conditions into consideration.*
- 4. The chosen technology should be flexible so that the enterprise and community do not get locked into an incorrect but irreversible course.*

5. *The chosen technology should be constantly innovative in order to improve the human and material conditions of the local people through the use of new organizational types and new technological devices.*
6. *The chosen technology must create jobs for local people.*
7. *The chosen technology should encourage the use of locally available materials.*
8. *When imported materials and technologies are chosen, some control over them must be available to the community.*
9. *The chosen tools and processes utilized must be under the maintenance and operational control of local workers.*
10. *The chosen technology should produce items which the majority in a country or region can currently afford.*
11. *The chosen technology should, if possible, utilize locally available energy resources.*
12. *The chosen technology should be ecologically sound.*

(Peterson; 1977; 48-9).

This is no doubt the stage where the pragmatist steps in and notes that it sounds good on paper but how do you put it into practice. Good question!

Attempts to improve the economic position of northern peoples are not new. But the major thrust in the past has been directed towards industrial mobility from over-crowded low-income resource-based industries into better paid wage and salaried employment in other industries. Unfortunately, industrial mobility too frequently requires geographic mobility. The relocation of families and extended absences from the home community are commonplace solutions. But, in addition to geographical barriers, there are many other barriers to overcome in order to generate sufficient access to employment in existing industries. These barriers are exemplified by the often quoted lack of education and industrial inexperience of northerners.

By focusing on strategies to assimilate native people into the industrial mainstream there is an obvious propensity not to promote the development of options. Given the size, structure, and location of major industries and the distribution of the population into communities of different size and type, it is all too obvious that the potential labour force is not contiguous to the opportunities in many cases.

The need for some other development strategy is clear.

Such a need is the conclusion of the Science Council of Canada's report of August, 1977 Northward Looking A Strategy and a Science Policy for Northern Development. Their analysis identified two major and apparently conflicting trends: the large scale exploitation of natural resources and the desire for development based on:

- desire for economic self sufficiency of northern peoples
- desire to use skills and materials available locally
- concern for long term environmental protection
- desire for local control of education, cultural activities and municipal services.

Based upon these trends, the Science Council advocated a strategy of *mixed development* and supported this conclusion with an outline of principles and initiatives. The principles for the development of appropriate technology are:

1. Development opportunities which involve wage employment should exist in the community and should relate to development opportunities which involve subsistence living and the harvesting and trading of renewable resources.

2. Local materials, products, labor, and capital are preferable to imports.
3. Production methods must not make unrealistic demands, particularly with regards to organization, skills required, financing, and so on. In order to use more simple technology, developmental work will be required in many cases which take account of the objectives of the activity, the scale of resources available, and the skills of the users.

No doubt it is an area of great possibilities but much hinges upon the fruitful application of scientific and bureaucratic minds as well as the mobilization of the entrepreneurial imagination of northerners.

VIII ALTERNATIVE STRATEGIES FOR ENTREPRENEURIAL DEVELOPMENT

It has been stated that, in the past, relatively few business opportunities have existed for northern entrepreneurs. The major reason cited is the small size of the market as witnessed by the small total population, the insignificant size of most northern settlements as well as their wide geographical separation. But, it is further suggested by Jenkins (1977) that this may be changing as the rapid population growth and the higher levels of education suggest in theory that some northern settlements are becoming large enough to support a variety of small business enterprises. In addition, young native people, who are more familiar with the economic system and are able to communicate better, may be able to perceive business opportunities in their settlements more easily.

The proposition that, in light of the many business failures in the North, the amount and kind of successful enterprises at present can provide an indication of what kinds of enterprises will be successful in the future is one that is practically unprovable. The reasons are many but in the end they all boil down to lack of knowledge. Yet even with a lack of knowledge, the temptation is great to resort to the thesis that there does not exist a group of successful businesses, only a group of successful entrepreneurs. Experience tells us that businesses fail everyday and it is not the nature of the business which is the prime cause of failure in most cases, but the nature of the businessmen.

Yet it is thought that the types and kinds of enterprises which have initiated will go a long way to explain the types of opportunities which are available, which have been perceived, which have been promoted - as well as the types of opportunities which are absent.

It is an extremely risky undertaking to read into the typology of enterprises which is presented above. A general lack of knowledge with respect to the formation and continuation of enterprises has been cited. Nevertheless, a certain degree of interpretative analysis is deemed to be of utility.

If one is to rank the categories in terms of visibility, it is apparent that the larger the venture, the more unique the endeavor, the greater is the profile, the greater are the expectations. Yet at the same time, these larger and more unique enterprises are more difficult to perpetuate, requiring as they do more management skills to coordinate resources possessing attributes of less than optimal commerciality. At the other end of the scale are the many individual ventures which bridge a whole array of life-styles and represent the methods by which individuals are adapting. These ventures are largely hidden, their impact undetermined, yet they are probably the most significant.

These individuals are responding to their present circumstances and are utilizing their experience and skills to try something new. Irregardless of the size of the risk in monetary terms, these individuals are reacting to the opportunities they perceive. The overall indication is that in any particular location the number of opportunities taken is largely determined by the supply of opportunities. Yet to examine the entrepreneurial opportunities which have been taken does not account for the opportunities which have not - if they exist. It is not as if there are clear, graspable opportunities everywhere as well as the entrepreneurs to devise and implement new ends.

A TYPOLOGY OF ENTERPRISES

From the information available about past and present ventures, the following general pattern of entrepreneurial expression has been hypothesized:

1. Individual ventures in support of general activity patterns such as new boats for fishermen, new snowmobiles for trappers, expansion of business facilities, etc. These are accepted as entrepreneurial ventures because they represent both growth activities and require a substantial amount of coping to make even a small incremental risk a success.
2. Individual ventures in conjunction with present regional industries. The examples here are many, including small logging contractors, outfitters, heavy equipment owner/operators. The major factors here appear to be the existence of a regional industry which can accommodate this type of relationship and an experienced worker with entrepreneurial tendencies.
3. Individual ventures which serve to expand the range of services in a community and which include cafes, pool rooms, stores, beauty shops, hotels, motels, garages, etc.
4. Large ventures in competition with present regional industries. In this category are seen construction and transportation firms, tourist complexes, sawmills, etc.
5. Unique ventures largely initiated by an entrepreneurial agent, not necessarily native. For example, woodworking shops, arts and craft industry, snowshoe factory, etc. The unique nature of these ventures demands a relatively high amount of entrepreneurial energy for successful operation. Their unique nature also assures a higher public profile.
6. Community ventures in the nature of public services. While not conventionally defined as enterprises, it is hypothesized that much of the entrepreneurial talent finds its expression in local and regional political bodies. Thus we see recreational centres, day-care centres, rehabilitation centres and nursing homes becoming more frequent.

A crucial problem in considering alternative means of development for northern communities is the lack of a visible and readily exploitable resource which will provide sufficient levels of income for communities to support themselves on a continuing basis. (Prattis; 1974; 61)

While it is logical to start from the resource base and determine the possibilities, the results quite likely reflect a western exploitation of the resource base rather than the pattern of exploitation which would evolve through cultural adaptation. The type of resource base which is visible to an outsider is not the type of resource base visible to community members.

But to adopt a strategy to promote resource development is a mixed bag of tricks.

RESOURCE DEVELOPMENT VERSUS SERVICE DEVELOPMENT

There is a very noticeable dichotomy between the development of producer goods as opposed to services. Nablo (1976) hypothesized that *the local entrepreneurial imagination does not see itself involved in the development of the resources but sees small gaps in the services available for everyday life and seeks out a way to have the gap filled or to fill it.* On the other hand, Prattis (1974) stated that *projects to do with the cooperative movement vis-a-vis lumber, fishing and craftwork have been generally unsuccessful, as the envisioned resource base was inadequate in terms of product and skills, and potential markets for the commodity produced were uncertain.* The fact that small service enterprises are more frequent can no doubt be largely explained by the fact that these kinds of opportunities are more visible, more easily grasped and on a scale conducive to individual enterprise. The conclusion by Nablo (1976) that *it may be of special importance to enquire*

how the economic development of a region can be stimulated by service development as distinguished from resource production is probably prompted to a large extent by the ease of entry which is apparent. However, the growth inducing properties of service development are questionable.

What may be a source of income creation for the individual may not be a means of income creation as seen by the community at large. The terms of reference here are the difference between a zero-sum game and a non zero-sum game, both of which permit gains or profits to some players. Enterprising individuals can make money either by exploiting their fellowmen or by the creation and marshalling of resources in more productive combinations. In the zero-sum enterprise, there is only a redistributive effect as profit or income is shifted from some individual in the economy to the fortunate entrepreneurs. In productive creation of resources there need not be, although there may be, a distributive effect. This is the type of activity which is conducive to economic growth.

As evidenced by the observation of Prattis, the uncertainty in industry is a particular type of uncertainty that differs from the risk involved in ordinary commercial transactions. Not only is the return as such, uncertain, but it takes a considerable period of time before the extent of uncertainty can be gauged. It is necessary to build a plant, produce the goods and develop the market, etc. In other words, in the commercial and usually zero-sum type of enterprises, there is only a trading risk involved; in the industrial enterprises, there is a combined exploration and trading risk involved.

The essence of the above argument is that neither the existence of a stock of entrepreneurial ability and energy, as it were, nor the existence of opportunities to engage in activities that lead to growth, is in itself sufficient to promote growth. There are so many ways of spending energy that are easier to follow despite the fact that they provide income for just a few but add little or nothing to the productive capacity of the economy. From this point of view not only are trading activities put in a bad light but also some non-trading activities. Consider the amount of energy which is spent in securing political power and prestige.

Thus an economy of no growth does not imply the absence of entrepreneurial activities. But when the entrepreneurial expression is in terms of zero-sum enterprises, the investment activities are not that at all from the point of view of the community as a whole for they are merely transfers of liquidity from some holders to others.

Resource Development Possibilities

The voices calling for indigenous resource development in the North seem to be growing in number. However, as Parnell (1977) notes, the extraction of non-renewable resources in the Yukon has provided benefits primarily to outside interests, white Yukoners and transient workers while having done little for the Native people. Whatever opportunities which can be created are likely to lie in the area of renewable resources.

Berger (1977) considers the natural resources that native people have traditionally used, as well as resources they can develop largely under local initiative, management and control as being of prime importance. His report

mentions the fur, fish and game resources, timber resources for selected purposes, the environment as a recreational and aesthetic resource, as well as certain small-scale, non-renewable resource developments such as gravel pits and quarries. A major factor mentioned in the development of these resources is that *for native people, the scale of organization should not exceed the framework with in which they make decisions in their community.* The community should dominate the development not vice-versa.

Some additional arguments voiced by Parnell (1977) are that renewable resources are more conducive to labour-intensive, smaller-scale levels of operations. They are a long-term resources which provide less boom, but also provide less bust. This is more compatible with traditional Native values. Another advantage is that local production for local markets provides for decreasing dependence on outside production centers. The occurrence of production surpluses could be used to develop an export industry but attention should be paid to vulnerability which results from over-reliance on export markets.

Yet it is all too painfully obvious that as Berger states, the potential is one thing and the realization is another. The natural resources available are obviously influenced most strongly by the natural conditions - the amounts and availability of useful materials at given places. But the exploitation of these resources is further governed by:

- i) the cultural evaluation of materials
- ii) the technical means at hand
- iii) the organization of the economy using them
- iv) the volume and rhythm of production in the society
- v) the employments made of the resource.

In addition, other factors which determine whether a resource is exploited or not come into play. Obviously, a suitable concentration is needed. But there must be a human group that knows how to utilize that resource. There must be a means of access to the resource for the people concerned, assuming that there is a knowledge of its potentialities and to desire to realize them.

If one accepts that the most beneficial type of opportunity is one which allows an individual to participate on his own terms then one must heed the general flow of those terms. The implications of a propensity for independence and self-sufficiency, a discontinuous supply of labour, a limited commercial motivation, and other factors are simply that the development of appropriate opportunities must accommodate the lowest common denominator. In turn, strategies oriented to this denominator must ultimately be based upon the communication of a desirable lifestyle by northerners.

Stated in another way, for each identifiable opportunity, the aim should be to provide at least two or three levels of participation, to cater both to people who are wholly and partly outside the market economy, and for those who operate largely or entirely within the market system. In other words, one can pursue the provision of different levels of technology designed in the context of the family, the village or community, the market town or regional centres. These different technologies are characterized by ascending levels of cost, sophistication, and volume of output.

These different levels of technology need not be mutually exclusive. One only needs to look at the trapping industry for a parallel. Consider the small producer, the fur buyer operating to collect production on a commercial

basis, and the larger marketing organization. Of course, the most vulnerable link in this type of industry is the small producer who has to be satisfied with the prices he receives for his production.

What about the situation where the market dictates the price of a particular commodity to be so low such that the existing method of production ceases to be economical? We are all aware that technology enables an individual to produce more. At what point does the needed dose of technology become sufficient to satisfy both the economic requirements and the social determinants of what is acceptable?

Schumacher (1973) questions the role of economics in influencing the actions of individuals, groups and governments.

When an economist delivers a verdict that this or that activity is 'economically sound' or 'uneconomic', two important and closely related questions arise: first, what does this verdict mean? And second, is the verdict conclusive in the sense that practical action can reasonably be based on it? Schumacher; 1973; 33)

And of course, he answers his question.

No, I am asking what it means, what sort of meaning the method of economics actually produces. And the answer to this question can not be in doubt; something is uneconomic when it fails to earn an adequate profit in form of money. The method of economics does not, and cannot, produce any other meaning. Numerous attempts have been made to obscure this fact, and they have caused a great deal of confusion; but the fact remains. Society, or a group or an individual within society, may decide to hang on to an activity or asset for non-economic reasons - social, aesthetic, moral or political - but this does in no way alter its uneconomic character. The judgement of economics, in other words, is an extremely fragmentary judgement; out of the large number of aspects which in real life have to be seen and judged together before a decision can be taken, economics supplies only one - whether

a thing yields money profit to those who undertake it or not.

Do not overlook the words 'to those who undertake it'. It is a great error to assume, for instance, that the methodology of economics is normally applied to determine whether an activity carried on by a group within society yields a profit to society as a whole. Schumacher: 1973:35.

Thus we see that the contribution of economics is limited, although for some it is the only criterion. But what if the problem at hand is not how to get the best value for money but how to employ unused labour in a meaningful manner?

The western capital-intensive technology will automatically appear more profitable in private terms (but not necessarily in social terms) than the local indigenous technology which employs many people but requires little capital. If on the other hand, employment is a real (as opposed to rhetorical) national priority, the profitability of the small-scale technology cannot be measured exclusively on the basis of the effective wages paid to the workers. Employing a person who would otherwise be out of work is a net gain for the economy, and this factor can be taken into account by using a shadow wage rate and measuring the opportunity cost of employment. Anonymous, n.d.

Considering that the main idea behind the concept of appropriate technology is that the value of a new technology lies not only in its economic viability and its technical soundness, but in its adaptation to the local social and cultural environment, measurements of appropriateness necessarily imply some sort of value judgement both on the part of those who develop it and those who use it. By measuring the real cost of a new technology, the conflict between micro-economics and macro-economics, between the entrepreneur and the planner on the national or regional level, is clearly displayed. The planner who is looking at choosing a small-scale technology must consider

such factors as the social cost of unemployment or the import-saving value of a new product. The small entrepreneur who is investing his money and his work is mainly interested in securing the cash flow to allow him to operate successfully. There must be some link between the planner and the entrepreneur in the cases where the real cost or value of a new technology is not recognized by the market.

But one must not think that the situation is one of satisfying the demand for low-cost, small-scale, culturally appropriate technologies. This demand cannot arise independently of the supply of information.

The supply of information must come largely from sources external to the community. But the usefulness of any information is determined by community members, individually or collectively.

Community Involvement

The dilemma as to what kind of involvement the individual communities will have in an entrepreneurial development process lies not in the question of whether they should play a role but in the question of what kind of role it will be. Parnell (1977) concludes that *unless Native organizations and communities select their preferred alternatives soon, decisions made by the dominant society may restrict these options considerably and input into these (the) general Yukon directions will be considerably reduced.* It is also stated that *the present low level of development offers substantial freedom of choice for Native people to design a future in accord with preferred values and in light of problems which have occurred elsewhere.* It is obvious that the communities are not going to be operating in a vacuum. Consider what Nablo (1976) says about the native entrepreneur.

The native entrepreneur perhaps like other entrepreneurs therefore, in the north needs to be encouraged by his banker, encouraged by his representative, encouraged by his suppliers, etc. This human factor is vital in the development of this kind of northern enterprise. These businesses indeed may fail on financial grounds but they will fail much faster if they are discouraged by those agencies whose purpose it is to encourage them.

This argument is as valid at the community level as at the individual level. They are going to support things which they see as sensible in terms of their view of the environment and of the resources and in general to the signals they receive from the outside world. The role of the outside catalysts can only be successful if it is performed in conjunction with the populace itself. Barth (1972) argues that successful adaptation can be attained if the change strategy operates to increase the society's capacity to process information (not merely its stock of information) and by increasing the resources to which the society in question has effective access. However, some obstacles which may arise are the premature transformation of desire mechanisms by demonstration effects long before the information-processing capacity is increased, the lack of effective access to resources for most members of the society even when the information-processing capacity is increased, and that when greater resources are available they can only be obtained on commercial terms which discriminates against those whose needs are greatest.

Much can be said concerning the importance of the degree to which a community is accustomed to making decisions. In the development of technologies for the family, the community and the regional centre, it is necessary to design according to the needs and capabilities of the existing decision-making

units. There seems to be some inherent advantages in developing *producer* technologies on the family or household level. In this fashion, the household can allocate time and resources to produce a given commodity knowing that marketing and distribution arrangements are not the concern of the household. At the same time, the household can work at any conflicts between subsistence activities and market-oriented activities.

At the next level, there has to be some form of organization to collect the production of individual households if maximum benefits are to be received. The complexity of the organization will depend upon the degree to which further processing is required, the location of the market, etc. For example, it is possible that individual communities can organize or collect production and add some value to the product through further processing before clearing the commodity to a more elaborate regional enterprise for final finishing and marketing. It is at this level where the energies and imaginations of community and regional leaders must be channelled into appropriate designs. Up to the present, the onus of community decision-making has been directed toward municipal matters. More emphasis should be placed upon mobilizing latent entrepreneurial talent in the direction of development strategies.

Of course, the development of resources is not the only possible avenue for development.

Consumer Goods - Community Enterprises

Stein (1974) discusses the reasons why community enterprises should focus on consumer goods rather than on intermediate or producer goods. Inherent in the arguments are the acceptance of community-initiated or controlled enterprises and the need to demonstrate their value.

By focusing on consumer goods, such enterprises are able to serve directly the needs of community members. Even if the production of producer goods is based upon a legal or contractual arrangement that guarantees a market for a certain volume and time, it is not possible to develop the same commitment by community members to the venture. It is only with consumer goods that they directly experience the fact that the enterprise is actually providing them with useful and meaningful products.

A consumer-oriented venture can also fill the particular needs of the people in that particular market. It can take advantage of feedback from the community and by acting upon that feedback can make evident the value of the enterprise to the community. With that value in evidence it makes it more difficult for external firms to invade that market. As well, it adds measurably to the credibility of the community to act on its own behalf. On the other hand, producer firms are ultimately dependent on other firms over which the community has little control.

It is in the field of consumer goods that prices are most inflated and by producing simple and routine consumer goods an enterprise has the best opportunity to reduce costs. There is no need to maintain brand images or a large distribution system. Community enterprises are able to offer the same goods, promote their value, and increase their market loyalty as a direct result of the very nature of the enterprise. As both learning and growth take place, unit costs can be expected to decrease.

It is also in the area of consumer goods that smaller scale enterprises make the best sense. The enterprise can take advantage of the basic materials and products produced by large firms as commodities. These commodities are

more nearly cost-efficient than differentiated final products. They can be modified or finished in whatever way is appropriate to the local market. For example, bulk industrial goods can be mixed and packaged for household needs or bolts of fabric can be cut, dyed and sewn for a multitude of purposes. This is not a matter of cottage industries for significant enterprises can be generated in terms of employment, technology and industrial organization.

The beneficial nature of focusing on such goods for community enterprises are notable. The need for these goods is long-standing, predictable, basic, and not subject to rapid change. While these are not glamorous products with great growth potential there is a minimum risk that the expected-needed market will not materialize. The advantages that large firms have in terms of financing and the ability to take risks is of small consequence. Since such goods are, by and large, relatively easy for the consumer to test and evaluate, promotional campaigns to differentiate competing products are less likely to be successful.

The production of goods and services which directly meet consumer needs offer a significant option for the members of the community to participate in novel ways in those enterprises. Given the opportunity to participate the members are able to see the value of the service more clearly - the economic system becomes more consistent with its basic social purposes.

While the above arguments are formulated by Stein (1974) with respect to communities in the United States, the basic thrust remains intact. If the designation of community is expanded to include not only the market in one settlement but the combined market of many settlements, the feasibility of

promoting such consumer oriented goods is closer at hand. Whether or not there are any such goods which can be produced and marketed in this aggregate northern community is, of course, yet another question to be answered.

It is notable that a strategy oriented towards producer goods can be based upon accommodating even the most marginally commercial production unit by having discrete levels of organizational complexity within the same production process. In this situation, the problem is defining an appropriate method of developing the given resource. In the case of a consumer goods strategy the emphasis is upon designing an appropriate strategy to employ labour and at the same time assure that the nature of the employment is meaningful to the population at large, as it is this meaningfulness which allows the organization to perpetuate itself in the face of adverse conditions.

The producer goods strategy can be viewed as trying to maximize benefits to northerners through greater involvement at various stages of production. The consumer goods strategy can be served as trying to maximize benefits to northerners by capturing some of the value of imported items. Both strategies require entrepreneurial imagination of differing intensities. Continuing with an orientation towards households, communities, and regional centres, the following can be hypothesized:

	Producer Goods Strategy	Consumer Goods Strategy
Household	Allocation of time and resources in appropriate mix for individual households to produce commodity for sale to	Acceptance of the value of community (or northern) produced goods or service and subsequent purchase (directly or indirectly) from

Community	Community centered non-profit enterprise for addition of value (by intermediate or final finishing, and/or distribution) before sale (or transfer) to	Community centered non-profit enterprise which produces good or service in final form based upon purchase of materials from and possible delivery of final product to
Regional	Regional enterprise (profit or non-profit) which markets commodity in finished form (with possibility of further processing at regional level).	Regional enterprise (profit or non-profit) which purchases raw material in bulk, distributes to one or more community enterprises and markets final product in the north.

Thus, at the household level, active involvement is required in the producer goods strategy. This involvement may involve entrepreneurial capacities in the nature of greater capital risk, etc. However, in the consumer goods strategy, the household level must support the strategy by buying in the market place.

At the community level, resources are mobilized to provide greater utility to either produce or consumer goods. Any particular community can be seen to specialize in either or both areas. In the area of producer goods, the accent is upon efficiency so as to maximize cost of raw materials and minimize processing costs with a given transfer or sale price to the regional enterprise. In the area of consumer goods, the accent is upon efficiency so as to minimize the sale price of the final product and processing costs with a given transfer or sale price of raw materials. The strategy in both cases is to maximize benefits at the household level.

At the regional level, the enterprises which are generated have the onus of carrying most of the risk. With the producer goods strategy, the enterprise will guarantee the purchase of all production at a given price (perhaps subsidized) and will attempt to maximize sales by appropriate marketing strategies. With the consumer goods strategy, the regional enterprise will employ its expertise to ensure that community enterprises are subject to minimum raw materials costs and households are subject to minimum prices.

It is immediately apparent that the three levels must be linked together so as to have a common purpose. While the actual form of the linkage is a decision of the participants, it seems desirable to strive to maximize benefits at the community and household levels.

Yet because of the inherent nature of these ventures, (both exploration and trading risks, are involved) it is imperative that the regional enterprise have access to expertise and support. And again, because of the high risk nature of the whole undertaking, it is expected that operations will not yield positive returns in the initial stages. However, because of the direct linkages between levels, built-in development concessions to community and household operations can enable these more fragile components to operate with higher prices than would otherwise be the case. In this way, the entire structure will likely have a longer life span as the small operators and the community enterprises, by being free to concentrate on developing efficient production, in the initial stages will form the basis of a stable industry.

The development of new industry in the general direction indicated above is only one part of a total development strategy. Other areas of emphasis which will yield development benefits are self-sufficiency strategies and employment strategies. These will be discussed in the next chapter.

A Further Note On Small Scale Industries

The role of cottage and small-scale industries in a development strategy possesses both claimed advantages and disadvantages(Morris;1967) but in the end, only empirical study will give the answer for a particular location. A cottage industry is one carried on in the home, wholly or partly by the help of family labour, and often as a part-time occupation. A small-scale industry operates mainly with hired labor in a special shop and employs no more than a given number of workers. A handicraft industry is one that demands a highly developed art and is usually, carried on full-time.

These small units undoubtedly face considerable difficulties and are often unable to survive. The real question to be answered is whether they have special advantages that make it desirable for them to be encouraged and whether it is possible to make them efficient enough to contribute to the growth process.

Some arguments in favor of small industries are:

1. They tend to be labor-intensive and so offer more employment than would industry based on large-scale units.
2. Small units can be located throughout the region thus affording benefits to all areas and avoid further urbanization.
3. The existence of a large number and variety of small industries is said to afford the gains of complementarity.
4. Small industry may also attract capital that would not otherwise be available.
5. Small industry can be based on local and traditional skills and require less skilled labor than is necessary for large-scale industry.
6. Small industries can better utilize part-time labor.
7. Small units have obvious advantages where markets are limited and customers have limited means.

8. Small industry can afford workers some industrial training.
9. Small units are apt to import saving and export producing.
10. Small units in experimentation carry less risk of big mistakes.
11. Returns accrue more quickly to small units because of shorter start-up time.
12. The widespread location of small units brings more widespread political support.
13. Small units are more flexible as conditions change because overheads are low.
14. Small units have proved their value by being remarkably persistent in all countries.

Of course there are those who feel that small units should not be encouraged and some of their reasons are:

1. Small units are apt to be inefficient and wasteful of scarce resources.
2. Much of small-scale industry is part-time work and so uses capital inefficiently and wastes motion.
3. Workers are poorly trained and often so lowly paid their work capacity is impaired.
4. Purchases of materials are small and marketings are small, which makes for low bargaining power and inefficiency.

But on the other hand, one must not fall into the trap of comparing small-scale units in a relatively undeveloped area to large-scale units in an advanced area, for there are many factors which make large-scale units inefficient in an undeveloped area.

1. A work force ill-suited for large-scale industry makes more mistakes and causes more damage.
2. Repairs take longer; thus more idle time
3. Downtime reduces efficiency and increases already high costs.
4. Most high-salaried managers and skilled labor must be imported.
5. Large-scale units necessitate higher urban costs.

All in all, it can be stated that a strategy to develop small-scale units is more appropriate and more desirable in a region badly in need of employment opportunities. This is not to say that large-scale ventures are not to be developed but that they can not generate the range of employment opportunities needed. No doubt, large-scale ventures play a highly significant role in the development of the economy but one can expect only limited benefits to accrue through direct employment.

However, there is no reason why large-scale ventures will not be complimentary to small-scale ventures.

The important role of small units in Japan is often cited as evidence of the desirability of promoting such units elsewhere; there, they were used to complement large-scale industry by making parts or performing special services for the larger firms. Similarly, another country might encourage subcontracting some of the parts or operations to small units where these could be made or done more efficiently. Little-used sizes of a product might be more profitably made in a small plant than in a large one, especially if the large one assumes the functions of purchasing materials, marketing the product, controlling the quality, and so on. The success of such a program depends on selecting the proper enterprises and providing the necessary supervision and aid. (Morris; 1967; 253)

While the above situation may be somewhat removed from the reality of the situation at hand, the basic philosophy behind the promotion of employer-employer relationships rather than a singular promotion of employer-employee relationships is sound. The question is begged as to how far one can go in formulating employer-employee configurations.

Another List of "Appropriate Industries "

Morris (1967) has provided an initial blueprint of the general characteristics of industries that seem suitable for developing areas. Limitations on the choice of industries were imposed by the following general criteria.

1. The industry should meet a real need of the people and should meet this better than any other alternative, such as exporting something else to pay for the imports.
2. The industries chosen should be based on available local resources, especially raw materials, labor, and power sources.
3. The industries should be within the capabilities of the people.
4. They should be industries that offer a prospect for efficient production so they can survive possible competition from imports.

The types of industries which were deemed appropriate are:

1. Those producing consumer goods required by large numbers of people.
2. Industries dependent on the processing of primary products, principally agricultural materials.
3. Import-reducing industries which are important in saving transportation costs and reducing leakages.
4. Basic social overhead industries, such as power, transport, communication, irrigation, and the like.
5. Industries that, because of high transport cost per unit of value, would be excessively high priced if they were not produced locally.
6. Highly perishable goods, such as baked goods and dairy products.
7. Service industries, which must be performed on the spot.
8. Local handicrafts such as pottery, jewelry, and decorations.
9. Simple capital goods to supply the industries mentioned above with intermediate goods.

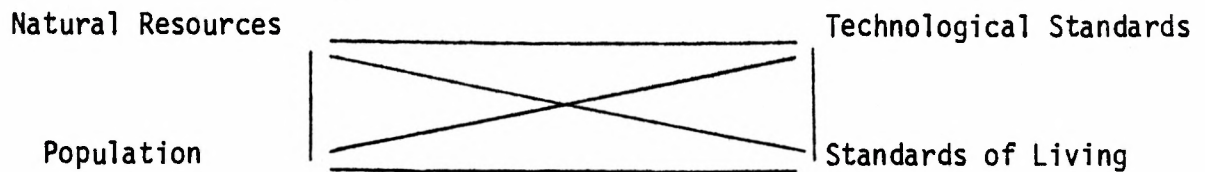
IX TOWARD A DEVELOPMENT STRATEGY

Barth (1972) characterizes the Northern Norway region as possessing three logically interdependent sets of factors: economic dependence, ethnic distinctiveness and peripheral location. The situation is very similar to Northern Canada. The economic dependence is two-sided - price fluctuations in the external market determine the community's terms of trade; the community is also dependent upon that external market for vital goods. The ethnic distinctiveness combined with partial assimilation has produced culture impoverishment. Peripheral location has resulted in marginality; remedies have taken the form of centrally implemented welfare schemes; the result is the confirmation of inequality of economic relations.

Compare this situation to the trend identified by the Science Council of Canada (1977) towards self-sufficiency, use of local resources, local control, and protection of the environment. It is obvious that the native Northerners want to control their own destiny. Coupled with these factors is the desire to continue traditional harvesting activities. The strength of these factors obviously varies from community to community, as do other factors which determine the life style options which are possible. But, in a general vein, it can be said that a total development approach to achieving social and economic preferences will consider the following options:

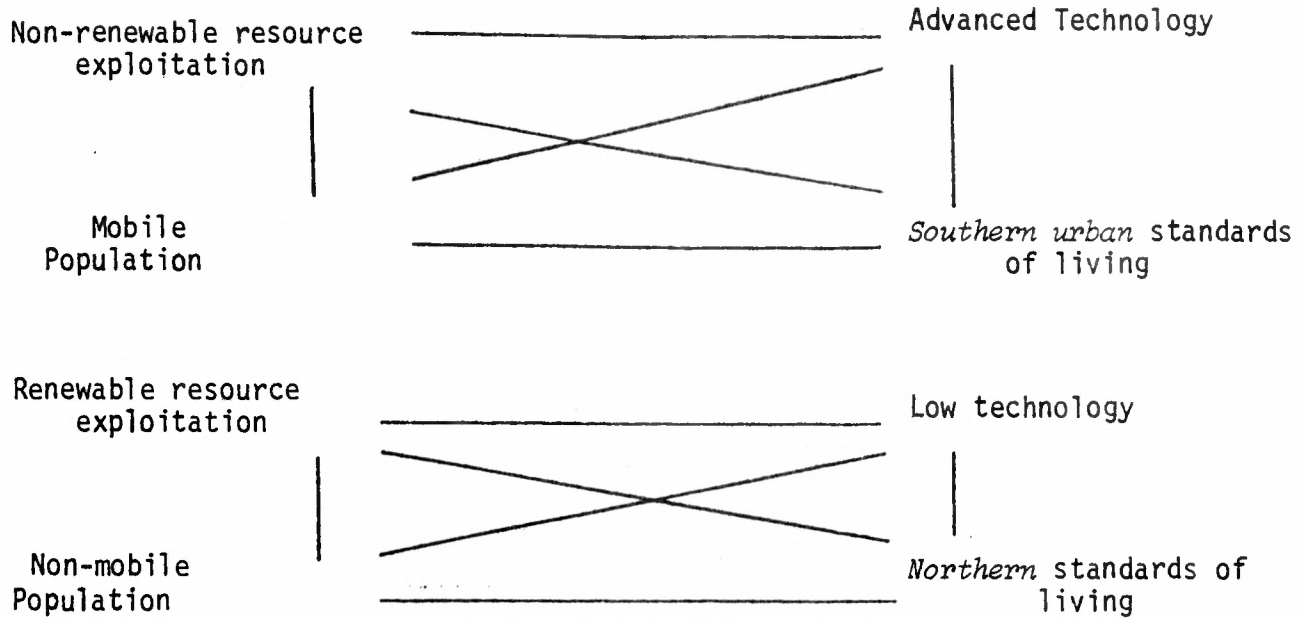
1. Development and Support of renewable resource activities.
2. Strategies to facilitate greater economic self-sufficiency.
3. Strategies to better utilize manpower resources in other industries.

These options are not mutually exclusive but are intertwined. A common way of looking at the basic economic relationship of people and resources is as follows:



The basic question which is posed is whether, since the distribution of natural resources is largely foreordained and the standards of living are to be altered, there is some way of manipulating the population and the technological standards so as to produce an optimum standard of living. One solution is to distribute the people in a more suitable manner. Another is to resort to technological advance to enable a large population to live within a finite area.

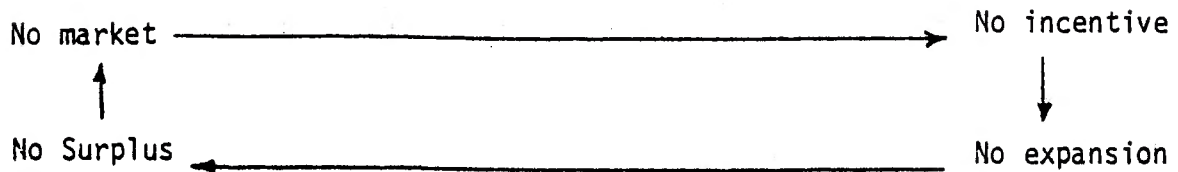
But, as was mentioned earlier we are dealing with a situation where the four primary factors have different orientations. On the one hand, there is a relatively mobile population aspiring to *southern urban* standards of living and employing relatively advanced technology in an economy based largely upon large-scale exploitation of natural resources. On the other hand, there is a relatively non-mobile population aspiring to standards of living of equivalent well-being but of differing orientation, whose technological standards are relatively low and whose past, present, and future aspirations tend towards exploitation of renewable resources. These two distinct groups are contained in an economy which is characterized by a large public and private service centre.



The population at hand is to promote the development of optimum *northern* standards of living based upon renewable resource exploitation while maintaining a symbiotic relationship with the other major economic trend. Disregarding, for the time being, the physical limitations of the resource base, let us examine two institutional hinderances facing an increase in renewable resource production - lack of organization and lack of capital.¹

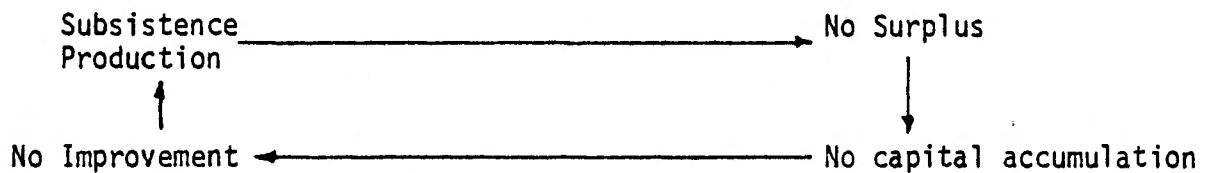
The lack of organization is an argument which is usually applied to the marketing of a commodity so as to secure a return to primary producers. Lacking security, they are quite likely not producers at all in a commercial sense, as represented by the following vicious circle:

¹ Two other institutional hindrances quoted are ignorance and prejudice and the pattern of land tenure.

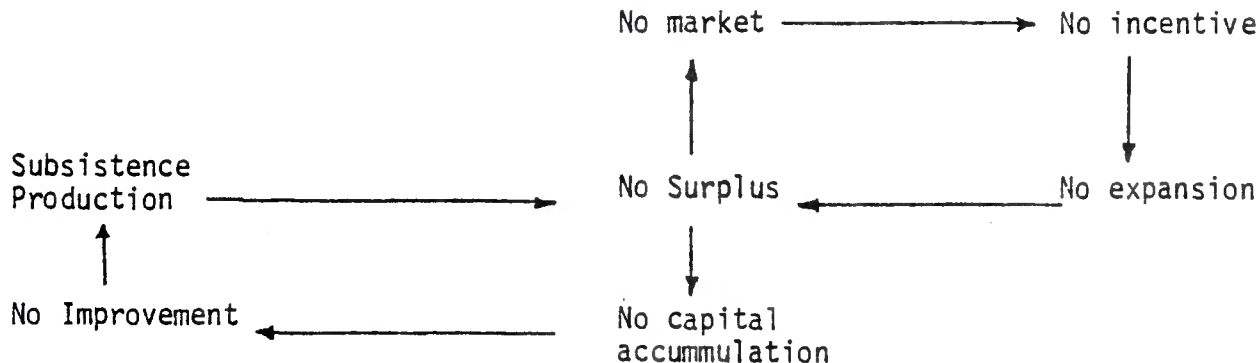


As is common with all vicious circle arguments, the problem is how to break it. That such a circle exists is well-known. The hunter-trapper-fisherman produces both for domestic and commercial reasons. But the lack of an adequate return in commercial terms does not prevent the continuation of these pursuits for the returns not recognized by the market are still there. When the market does put a high price upon these commodities there is some expansion because of greater incentive. But this expansion is a result of the ability to finance it from sources external to the activity.

But the needed capital is not obtained from subsistence activities.



With this vicious circle, the conventional argument is to inject capital to increase production so as to generate the needed cash flow to perpetuate that production. But what about the case where the tendency is to increase the non-monetary production and not the monetary returns which are necessary to maintain the capital, because among other factors the market demand for the commodities is not yet developed?



Therefore, the individual, in order to perpetuate activities which are preferred and are an efficient allocation of time and resources but are not sufficient to generate the needed capital, must seek capital elsewhere. His choices are (1) to collect welfare, (2) to find short-term, or part-time, or compatible full-time employment in order to generate the capital needed, if these activities are to continue.

By virtue of this rationalization process, renewable resource exploitation, for both domestic and commercial purposes, can not be given priority without some adaptation of existing labour functions or development of additional sources of compatible self-employment. This is not to say that conventional southern configurations of wage employment or self-employment are ruled out but that such configurations are only one form of labour utilization.

The realization of development in the north requires the mutual support of different segments of the economy. Self-sufficiency through domestic production of food, heat, shelter, etc. reduces the need for some imported items but not all. Renewable resource exploitation for commercial purposes must take place largely in light of external market demand and provides for instability and possibly only limited participation. The opportunities

for employment in other industries in a manner defined by constraints of the priority pursuits of self-sufficiency and renewable resource utilization seem to be the key to orderly development.

In any given community, the strength of development may lie in accentuating any one of the three development strategies depending upon the opportunities and constraints present.

APPENDIX 1

SELECTED INFORMATION ON NATIVE ENTREPRENEURIAL ACTIVITY IN THE YUKON

A. OVERVIEW OF CURRENT NATIVE ENTREPRENEURIAL ACTIVITY

1. Heavy Construction

In the past year native contractors did approximately \$1,000,000 worth of business - about 5% of the total Yukon volume of \$20,000,000. This was largely due to Yukon Native Construction Ltd. (YNC), which acts as a bidding service for individual native contractors, serves as a main contractor representing individual sub-contractors, provides guidance and technical expertise as well as a business framework within which individuals can learn through experience the skills needed to operate their own contracting business. (H. and R. Vance Construction Ltd., for example did \$400,000 in business last year.)

The management of YNC considers it can compete successfully in a number of pipeline-related projects, as outlined in Appendix 2.

2. Light Construction (buildings, etc.)

There has been little or no participation by native contractors in this industry. (Natives have of course been involved in construction employment.)

3. Fur Trapping

The 1976/77 Fur Report notes that this industry accounted for \$430,105. However, white trappers averaged 69% higher production in dollar value than Indian trappers, apparently because white trappers were generally more sensitive

to market prices while native trapping efforts were influenced to a greater extent by non-market considerations.

4. Big Game Outfitting

Most participation by natives in this activity is at the employee level. Of 21 active outfitters, one is native operated (Teslin Outfitters).

5. Retail

There are at least 13 stores (some co-operatives) operated in the Yukon by natives.

6. Service

Native operated service establishments include 3 cafes, 2 garages, a motel and a beauty shop.

7. Forestry

There are two sawmill/logging operators operated by natives.

8. Manufacturing

A woodcraft factory and a recently launched snowshoe factory are operated by Yukon natives.

9. Arts and Crafts

It is estimated that 75 to 110 native people are involved directly in the production of arts and crafts at a non-employee level.

B. RELATED CIRCUMSTANCES

The Yukon has been generally conducive to the growth and development of private enterprise over the past few years. In addition to a prevailing

attitude favorable to individual initiative, recent economic circumstances have been highly favorable. For example:

- 1) Tourist spending reached a record high in 1977.
- 2) Whitehorse Copper production reached a record high in 1977.
- 3) Local housing and industrial construction were exceptionally active in 1976-77.

Training is available for many business-related skills. However, the stress is on employee-oriented skills. It has been suggested that Yukon natives underestimate the skills required to operate a small business.

Financial assistance for initiating business operations is available from the Indian Economic Development Fund. Knowledge of this source of funding appears to be widespread among Yukon natives.

Support services to native businessmen do not appear to be well developed in the Yukon. Yukon Native Construction represents an important exception, providing a broad range of valuable expertise, equipment, services, etc. to its members.

Cultural and community processes influencing Yukon native business ventures were not examined in depth. Limited observation and discussions suggest that many of the general circumstances outlined in the text apply to varying degrees to Yukon native entrepreneurs - the importance of esteem versus monetary profit, kinship group pressures for credit privileges, etc.

C. INDIAN ECONOMIC DEVELOPMENT FUND CASE ANALYSIS

Information was obtained on 55 Yukon native businesses which have received loan or grant assistance through the Indian Economic Development Fund

(IEDF). The Yukon Research Consultant, in consultation with the IEDF manager, endeavored to identify the major reasons for the success or failure of each business. The results are presented in the tables below.

TABLE 1: Yukon Native Businesses Receiving IEDF Financing

Case	Type of Business	Success	Failure	Marginal or Undetermined
1	Sawmill		x	
2	Store (co-op)	x		
3	Outfitters	x		
4	Beauty Shop	x		
5	Store		x	
6	Logging			x
7	Logging		x	
8	Fish Stand	x		
9	Heavy Construction	x		
10	Woodworking		x	
11	Store		x	
12	Trapping	x		
13	Motel	x		
14	Store (co-op)		x	
15	Store (co-op)	x		
16	Store			x
17	Arts and Crafts	x		
18	Truck (band)		x	
19	Truck (band)	x		
20	Truck (band)	x		
21	Truck (private)		x	
22	Truck (private)		x	
23	Truck (private)		x	
24	Garage		x	

Table 1 (cont'd)

Case	Type of Business	Success	Failure	Marginal or Undetermined
25	Ski-doo	x		
26	Ski-doo	x		
27	Ski-doo	x		
28	Ski-doo	x		
29	Ski-doo	x		
30	Ski-doo	x		
31	Ski-doo		x	
32	Ski-doo		x	
33	Ski-doo		x	
34	Ski-doo		x	
35	Store (co-op)	x		
36	Skidder	x		
37	Outfitting	x		
38	Cafe			x
39	Woodcraft			x
40	Tourism			x
41	Store		x	
42	Cabinet-Making	x		
43	Store	x		
44	Truck (band)	x		
45	Truck (band)	x		
46	Ski-doo		x	
47	Dump Truck	x		
48	Garage	x		
49	Truck		x	
50	Cat	x		
51	Pilot Car	x		
52	Cafe	x		
53	Band Truck		x	
54	Snowshoe Factory			x
55	Construction Co-op	x		
		30	19	6

TABLE 2: Reasons Noted for Failure or Success of Yukon Native Businesses Receiving IEDF Financing

Reasons for Failure	Frequency Noted	Reasons for Success	Frequency Noted
Poor financial planning/ mgt.	4	Effective board of directors (co-op)	2
Poor Work habits, lazy	3	Non-profit objectives	1
Market competition too great	1	Outside mgt. support	3
Overextended credit	4	Husband/wife effort	1
Poor management (general)	1	Hard workers	5
Lack of employee discipline	1	Large demand for service/product	1
Alcoholic	2	Good rapport with clientele	1
Partners fought	1	Good quality of service	2
Inadequate stock maintained	1	Consistent hours	1
Family and Friendship obligations	2	Good patronage, support	3
Lack of local support/interest	3	Individual character	3
Orders too small	1	Good management	4
Lack of discount from suppliers	1	Good "attitude"	12
High freight rates	1	Long hours of work	1
Equipment damage-negligence	3	Good stock practices	1
Peer group pressure	2	Credit control	1
Bad outside advice	1	Pride in work	2
Lack of local skilled employees	2	Local control	1
No obligation felt to repay IED loan	5	Developed local expertise	1
Equipment worn out before loan repaid	2	Employee equity	1
Insufficient cash flow	1	Guaranteed demand	1
Limited specialized market	1	Clear objectives	2
		Management experience	1

The reader is urged to use caution in interpreting this information. The nature of the data precludes quantitative analysis. Type and scale of the businesses represented cover too wide a range, and the duration varies from a few months to ten years. Success ratings reflect the judgement of the research consultant and the program manager, although criteria other than account repayment have been taken into consideration. Also, in an overview of this nature, the identified reasons for the success or failure of a venture are largely a matter of judgement. Nevertheless, some very interesting points are suggested in this information. The importance of community reactions, both positive and negative, is clearly implied. Perhaps even more striking is the importance of the personal attributes, character, and "attitude" of the entrepreneur himself. Outside management support appears to have contributed to both success and failure, suggesting that inappropriate or ineffective support is worse than none at all. Also, many of the reasons cited for both success and failure are common to non-native business ventures as well. It is worth noting as well that there have been successes and failures among most types of native operated businesses in the Yukon - viability cannot be attributed to the type of business apart from the surrounding circumstances.

APPENDIX 2

NATIVE ENTREPRENEURIAL OPPORTUNITIES AND PIPELINE DEVELOPMENT IN THE YUKON

Because of the rather broad terms of reference, involving the examination of native entrepreneurial activity generally in northern Canada, an intensive investigation of opportunities associated with the proposed Alaska Pipeline development was not possible within our time frame. This appendix is limited to a few general comments and observations.

A. LARGE-SCALE DEVELOPMENT PROJECTS: IMPLICATIONS FOR NATIVE ENTREPRENEURIAL DEVELOPMENT

It is frequently argued that a large-scale development project has many spin-off opportunities which could be exploited by local native entrepreneurs. Historically, this has not been the case. An examination of such projects as the Alaska Highway, the Alyeska Pipeline, the Great Slave Lake Railway, the Peace River Development, and the Anvil Mine, to name a few, reveals little or no participation by northern native entrepreneurs. The benefit from entrepreneurial opportunities associated with these projects has gone primarily to southern firms. While this does not necessarily imply that such an outcome is inevitable, there are certain common reasons why large-scale development projects frequently do not result in significant lasting benefit to northern native entrepreneurs. These include:

1. The large scale of the project, usually combined with a relatively short lead time to prepare, plan, acquire capital and equipment, develop the necessary managerial skills and experience, leave local entrepreneurs at a serious disadvantage compared to larger outside firms who have already developed the necessary capability on similar developments elsewhere.

2. The short duration of intensive development activity makes it unwise for a local firm to expand to meet the demand, since it will be subsequently left in a seriously overextended position. By comparison, larger firms with a broader geographic base may have the flexibility to allocate its resources strategically among various large-scale projects where and when they occur.
3. Limited experience in entrepreneurial activity among northern natives reduces prospects for coming successfully with more experienced outside firms.
4. A large-scale development project attracts the most aggressive and (perhaps) capable entrepreneurs. Inexperienced local entrepreneurs with fewer resources face exceptionally stiff competition .
5. The pace of large-scale construction activity, especially during inflationary periods when costs increase rapidly, leaves little room for uncertainties which may result in costly delays. Small contractors whose performance and reliability are unproven are passed over even if bids are competitive.

Not only do large-scale development projects provide little direct opportunity for native entrepreneurial development; they also reduce the chances of success of native entrepreneurial ventures unrelated to the project:

1. Project-related employment available at higher than average wages results in increased difficulty for local entrepreneurs in retaining employees. (The employment opportunities also attract many potential entrepreneurs away from riskier undertakings.)
2. Greatly increase demand for goods and services results in difficulties in obtaining supplies and services necessary to the operation of a local enterprise, or in prohibitively high prices for these essentials.

In general, development of native entrepreneurship during a large-scale development project is especially problematic. However, a number of suggestions

can be made to obtain as much benefit as possible from this situation . These include:

1. Employment in the development project provides an opportunity to obtain skills and experience which will contribute to future entrepreneurial endeavors. (Increased availability of skilled employees is also a factor.)
2. Employment income from the project may support some types of local businesses.
3. "Quick-in, quick-out" business ventures, in which the capital investment can be recovered during the course of the development project, may be profitable (eg. rental of recreational vehicles to project employees).
4. Specific niches in which native capability has been developed and established (or can realistically be developed in the time available) can be identified, promoted, if necessary legislated and guaranteed.
5. Salvage of equipment following the construction stage provides an excellent opportunity for local entrepreneurs to start up or expand a business at considerably reduced expense.
6. Communication, negotiation, mitigation, monitoring and other functions involving interaction between the development project and native people and communities constitute significant entrepreneurial opportunities of a less conventional form.

B. STATED POLICY OF FOOTHILLS PIPELINES (YUKON) LTD. REGARDING LOCAL ENTREPRENEURIAL INVOLVEMENT

The following policy statements have been reproduced from Socio-Economic Policies and Undertakings, Foothills Pipe Lines (Yukon) Ltd., April, 1977:

Local Business Involvement (Pre-Construction Stage)

- a) A prime objective of Foothills is to maximize within practical limits the participation of local businesses in our project. Foothills' prime

role is the formation and implementation of policies designed to encourage entrepreneurship.

- b) In order to accomplish this objective, discussions have been initiated and will be continued between Foothills and representatives of the Chamber of Commerce, Yukon Contractors Association, etc. These discussions are designed to:
 - i) ensure that Yukon businessmen are aware of the opportunities to participate in and benefit from the construction and operation of the proposed Alaska Highway Pipeline Project.
 - ii) ensure that the Foothills purchasing policies reflect any special circumstances or needs of Yukon businessmen.
 - iii) develop a bidder list composed of potential Yukon suppliers of goods and services to the pipeline project.

Northern Entrepreneurship and Local Purchasing (Construction Stage)

- a) As a matter of policy, Foothills will encourage local entrepreneurship and will wherever practicable use Yukon firms to perform work. It will obtain its supplies and services including transportation from local businesses to the extent that supplies and services to residents will not be unduly inflated in cost or depleted in number.
- b) Foothills will locate its construction headquarters in Whitehorse where close contact can be maintained with northern companies and organizations.
- c) Contractors and sub-contractors on our project will also be required to purchase from local business wherever practical and where there will be no adverse effects on community supplies or services.
- d) Foothills will identify the business opportunities which are potentially available to the local businessman in light of their capabilities and desires. The local Chambers of Commerce and other business organizations

will play an important role in this identification of opportunities.

- e) Whenever practical, contracts will be made available by Foothills in proportions which will be manageable by small local firms.
- f) Whenever possible, a greater than normal lead time with regards to bidding on contracts will be provided the local businessman.

Disposal of Surplus Facilities (Operations and Maintenance Stage):

Following the construction phase, there will be considerable surplus material available for disposal, and Foothills intends to give the people within the impact region the "right of first refusal" with respect to this equipment and material. Arrangements for the disposal of surplus equipment and materials will be co-ordinated with the appropriate governmental agencies.

Entrepreneurial Opportunities (Operations and Maintenance Stage)

Foothills will encourage the involvement of local residents in the durable business opportunities created by the operations and maintenance phase of its pipeline towards maximizing the "local content" of the project.

This policy will be implemented through the continued application of the local procurement policies initiated during the construction period and through continued input from the local business organizations.

C. ANTICIPATED LOCAL ENTREPRENEURIAL OPPORTUNITIES ASSOCIATED WITH THE ALASKA HIGHWAY PIPELINE PROJECT

Foothills Pipe Lines (Yukon) Ltd., in its 1976 application to the National Energy Board, outlined a number of services which could be supplied by local business, as follows:

1. Right-of-way clearing for the pipeline, compressor stations, access to roads and campsites.

2. Construction of buildings and installation of services such as electrical, plumbing, heating, fencing, painting, etc.
3. Transportation of material and equipment to work site, and stock piles.
4. Loading and unloading of materials and equipment.
5. Transportation of personnel.
6. Construction of access roads and of dikes, fuel storage tanks.
7. Construction of draining culverts.
8. Construction-materials-salvage, clean-up, and revegetation.
9. Provision of warehousing, watch man, guard, janitorial, maintenance, first-aid, and laundry services.
10. Supply of office equipment, supplies and stationery, first-aid equipment, janitorial supplies, lumber and wood products.
11. Provisions of air charter services.
12. Equipment rental of some passenger vehicles and machinery.
13. Manufacture and delivery of pipeline weights.
14. Earth-work, (bulldozing, grading, trucking, gravel supply, drilling and blasting, landscaping).
15. Paving and curbing.
16. Equipment and maintenance, and
17. Welding and machining.

The management of Yukon Native Construction Ltd. indicated that native contractors should be able to compete successfully in the following pipeline-related services:

<u>Service</u>	<u>Equipment Required?</u>	
1. drilling and blasting	Yes	
2. gravel supply	Yes	
3. clearing, grubbing		No
4. clean up		No
5. moving men	Yes	
6. moving equipment & materials	Yes	
7. access roads & culverts	Yes	No
8. security guards		No
9. misc. delivery		?
10. earth excavation (prelim.)	Yes	No.

It is interesting to note, however, that the YNC management considers the longer term, more definite Shakawak Project (paving of a portion of the Alaska Highway) will be more beneficial to native contractors than the Alaska Pipeline project.

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