

Native Entrepreneurship



Challenges and Opportunities for Rural Communities

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Native Entrepreneurship

CHALLENGES AND OPPORTUNITIES
FOR RURAL COMMUNITIES

JENNIFER MALKIN

With
Brian Dabson, Kim Pate,
and Amy Mathews

December 2004

ABOUT THE NORTHWEST AREA FOUNDATION

The mission of the Northwest Area Foundation is to help communities reduce poverty. We work with communities in Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Washington, and Oregon providing knowledge, financial resources, products, and services. We assist communities in acquiring the skills, information, and connections they need to plan and lead sustainable strategies for lasting change. We believe communities can successfully tackle poverty.

Our aim is to identify, share, and advocate community-focused strategies that work. We do this through our three programs—Ventures, Connections, and Horizons—and through an expanding network of community practitioners, nonprofits, educational and research institutions, policymakers and service providers, and civic and business leaders.

With these strategies in mind, we work with communities to achieve four primary community outcomes: expanded economic opportunities, asset identification and development, increased community capacity to reduce poverty, and increased use of inclusive decision-making. We work to capture and share know-how about poverty reduction with communities throughout our region and nationwide in a variety of ways including publications, workshops and conferences, practical products, and electronic communications.

Although the eight states are contiguous, it is history more than geography that brings them together into the Foundation's service area. These eight states were served by the Great Northern Railway, founded by James J. Hill. In 1934, Hill's son Louis W. Hill, Sr. established the Northwest Area Foundation.

ABOUT CFED

CFED is a nonprofit organization that expands economic opportunity. We work to ensure that every person can participate in, contribute to, and benefit from the economy by bringing together community practice, public policy, and private markets. We identify promising ideas; test and refine them in communities to find out what works; craft policies and products to help good ideas reach scale; and foster new markets to achieve greater economic impact.

Established in 1979, CFED works nationally and internationally through its offices in Washington, DC; Durham, North Carolina; and San Francisco, California.

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CFED would also like to recognize First Nations Development Institute for over 20 years of work dedicated to promoting Native entrepreneurship and asset development strategies and for producing the first reports on these subjects nationally.

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**Jennifer Malkin, Brian Dabson,
Kim Pate, Amy Mathews**
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Introduction

“ENTREPRENEURS ALSO NEED TO BE CELEBRATED. AND, AS A COMMUNITY, IT IS ABSOLUTELY ESSENTIAL THAT THE ENTREPRENEURIAL SPIRIT, WHEREVER IT IS FOUND, IS ENCOURAGED, CELEBRATED, AND PUBLICIZED.”

—DR. CHARLES GOURD, CHEROKEE NATION

Approximately 2.7 million Native American and Native Hawaiian people live in the United States and about half of them live on rural Indian Lands or Hawaiian Home Lands.² There are 562 federally recognized tribes and Alaska Native Villages with populations ranging from fewer than five members to more than 250,000.³

Long before tribal gaming became a national economic development issue, Native peoples were creating and growing small businesses, both on and off reservations. While most don't

term or perceive themselves as “entrepreneurs,” thousands of Native individuals in lower-income communities produce goods and services for their local markets, often in response to the lack of mainstream businesses like supermarkets, gas stations, and video stores. In some cases these entrepreneurs trade and exchange goods as a means of survival; in many cases they run businesses on the side to patch together incomes to support their families. In still other cases, Native entrepreneurs launch high-growth small businesses that produce jobs and attract mainstream venture capital.

A December 2003 article in *Native Peoples Magazine* provided a look at the types and “tremendous range” of Native businesses on and off reservations. Examples included small companies like Kabotie Software Technologies in Lakewood, Colorado, specializing in software development and applications; reservation-based businesses like Lakota Express under Karlene Hunter in Kyle, South Dakota, focusing on direct mail and marketing services; and social entrepreneurship ventures like Native American Photovoltaics in Winslow, Arizona, providing solar cell systems to off-grid homes on the Navajo reservation on both a for-profit and nonprofit basis.⁴ These entrepreneurs—often operating in extremely difficult economic markets—have created business opportunities where many claimed none existed.



47th Street Café on the Rez, Lac du Flambeau Reservation, WI.

In recent years, entrepreneurship in Native communities has gained national attention among journalists, policymakers and private foundations. Last year, *American Indian Report* joined many other news magazines and publications in highlighting the promise of individual businesses in revitalizing reservation economies. In fact, the magazine featured *Road to Prosperity: Small Businesses Pave the Way for Reservation Economy* on the front cover of its August 2003 issue. In policy circles, the National Congress of American Indians (NCAI) covered topics such as financial education, asset development, and small business development for the first time at its November 2003 annual meeting of tribal governments and again at its mid-year session in February 2004.

Despite the increased visibility of entrepreneurship in Native communities, there is still very little information about the nature and needs of these entrepreneurs or about the resources available to them. This void contributes to a poor understanding of Native entrepreneurship and difficulty attracting new services and investments to Native businesses. A participant in a recent national meeting on Financial Education in Native Communities noted, “One of the most worrisome barriers for groups trying to increase support for Native entrepreneurs is a lack of information about Native entrepreneurs.”⁵

To help close this information gap, increase the understanding of Native entrepreneurship among key groups, and develop potential strategies for expanding access to business development services and capital, the Northwest Area Foundation commissioned CFED to

conduct this study on the state of Native entrepreneurship.

Native Entrepreneurship: Challenges and Opportunities for Rural Communities is the result of two years of rigorous research. It offers a picture of Native entrepreneurial activity and support services across the country and provides a more detailed look at rural or “non-metro” counties in eight states in the Northwest Area Foundation region: Idaho, Iowa, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington. Given the breadth and diversity of tribes and Native communities across the country, Native entrepreneurs and

their businesses could be examined from many perspectives. But the particular goal of this research was to get a sense of the small business activity on or near Indian reservations, which are located predominantly in rural counties.

A recent CFED report on entrepreneurship in rural America noted, “From an economic development viewpoint, rural communities, especially those located some distance from larger cities, face a number of major challenges.

“ONE OF THE MOST
WORRISOME BARRIERS
[TO NATIVE
ENTREPRENEURSHIP] IS
A LACK OF INFORMATION
ABOUT NATIVE
ENTREPRENEURS.”



This report offers detailed information on Native American entrepreneurial activity throughout eight states in the northwest region.

Low population size and density and associated limited local demand make it difficult for rural businesses and service providers to achieve economies of scale. This has an impact on the cost and availability of real estate, goods, and services. Remoteness from markets and from key infrastructure limits the range of economic opportunities that can be supported and often results in a lack of connection to regional and global possibilities. Poorly educated and low-skilled workers, weak entrepreneurial cultures, and entrenched racial inequalities all serve to inhibit the participation of rural families and communities in the new economy.”⁶

While it represents significant progress, this report is only a starting point. There is also a need for research on Native entrepreneurship in urban areas, where more than half of the Native population in the United States resides. Further research is necessary to gain a better understanding of the factors that contribute to entrepreneurial communities and to determine how to implement effective culturally relevant entrepreneurship development strategies at the community level.

This report is the first attempt to document and analyze the spectrum of supports available to Native entrepreneurs. It does not provide a comprehensive assessment of all entrepreneurship development initiatives; rather it represents a cross-section of efforts and institutions that have or could have significant impact in the areas of policy, education, adult training and technical assistance, financing, and networking. The report does not attempt to assess why some states exhibit higher levels of entrepreneurial activity or judge the quality of entrepreneurship development programs, policies, or initiatives.

Because the cultural history, political management, and current socioeconomic status of Native Americans are extremely diverse, it would be inappropriate and unrealistic to

quantify or prescribe a universally relevant framework for Native American entrepreneurship development. However, this report does suggest opportunities for research, policy, and program development to support Native entrepreneurs and their businesses.

METHODOLOGY

This study incorporates a quantitative and qualitative research methodology to assess the state of Native entrepreneurial activity and entrepreneurship development supports. Specifically, CFED conducted:

- A quantitative assessment using best-available published data to prepare an analysis of Native entrepreneurial activity nationwide and in eight states.
- A qualitative assessment of institutions, programs, and activities that support Native entrepreneurship development based on an extensive literature review and Internet search and a series of telephone interviews with more than 60 Native and non-Native experts and practitioners.

The research revealed that while there is a myriad of data sources related to information on Native American businesses (See Appendix A: Inventory of available data sources), only the U.S. Census Bureau offers systematic quantitative data that includes demographic and firm-specific information. Though the Census data is the most comprehensive to date, it should be noted that many Native policy and research organizations have significant concerns about its accuracy. They believe there is a strong possibility of significant under-counting of both firms and populations, especially on reservations.

Entrepreneurship as a Poverty Alleviation and Economic Development Strategy

“I THINK WE LIVE IN A PART OF THE WORLD THAT IS GOING TO BE DISCOVERED SOON AND WHAT WE [MUST] DO [NOW IS] TO ESTABLISH OURSELVES AS BUSINESSES BEFORE SOMEBODY ELSE COMES IN AND TAKES UP THE SLACK.”

—NATIVE AMERICAN BUSINESS OWNER⁷

If the orthodoxy in the United States is that economic growth leads to poverty reduction and that the key to this growth is maximizing economic opportunity through private enterprise, then many Native communities hold great potential. The untold story, often hidden by the national focus on tribal gaming, is that informal and formal businesses are the basis of local economic activity in many parts of Indian country. Building on a long tradition of commerce and trade, many more Native entrepreneurs are starting and growing businesses on and off reservations than ever before.



Pine Ridge Indian Reservation, South Dakota.

ENTREPRENEURSHIP AND THE U.S. ECONOMY

The Global Entrepreneurship Monitor, a long term, multi-national investigation into the state of national entrepreneurial activity found that the entrepreneurial sector is responsible for much of America’s economic growth as compared to other nations. Its 2001 report found a clear, positive correlation between entrepreneurship and economic growth among countries.⁸

A closer look at entrepreneurship in the United States reveals that:

- Fast-growing new businesses account for at least two-thirds of new jobs in the American economy.⁹
- Small businesses (with fewer than 500 employees) make up nearly all (99%) of American businesses. The majority (75%) of these firms are very small with no paid employees.¹⁰
- Small businesses employ about half of the private sector workforce in the United States and accounted for almost all net new job creation during the economic downturn of

the early 1990s and in 2000–2001, and a total of 60–80% during the entire decade.¹¹

- In 2003, approximately 23.7 million businesses in the United States were operating in the formal economy.¹²
- In 1997, 14.8% of total firms, or approximately three million small businesses, were owned by minorities:
 - 5.8% by Hispanic Americans,
 - 4.4% by Asian Americans,
 - 4% by African Americans,
 - and 0.9% by Native Americans.¹³
- Sixty-nine percent of Inc. Magazine’s 500 fastest growing businesses in the United States started with less than \$50,000 in capital; 50% had businesses that were non-technology related; and 56% started their businesses at home.¹⁴

ENTREPRENEURSHIP AND POVERTY ALLEVIATION

Entrepreneurship is a ladder out of poverty and into economic stability for low-income families. Compelling data illustrate the relationship of the small business sector to employment, economic growth, and poverty alleviation and provide a strong basis for advancing entrepreneurship-friendly policies and strategies.

Recent economic analyses of Census data have found that households with businesses are generally better off financially than households without businesses. Specifically, households with businesses have more than double the income and nearly seven times more wealth than households without. Even households with businesses that do not have any employees earn about 20% more income and typically own three times as much wealth as households

without businesses. This is especially true in women-run households, which generally experience higher rates of poverty than male-headed households. In 1998, the average income of a female-headed household with a business was \$60,892, more than 2.5 times that of such a household without a business. The average net worth of a female-headed household with a business was \$739,600; nearly six times the wealth than such a household without a business.¹⁵

Small businesses also employ a larger share of employees on financial or public assistance and a higher number and share of employees with lower education levels. This suggests that small businesses may play an important role in helping those transitioning from welfare to work.¹⁶ Studies of Temporary Assistance for Needy Families recipients or the unemployed note that efforts to stimulate self-employment can raise incomes and provide a cost-effective alternative to paying unemployment insurance or public assistance. However, this is only true for the small sub-section of the unemployed who are more motivated, have work experience, and some accumulated assets.¹⁷

Of all segments of the small business field, the effects of microenterprises (businesses with fewer than five employees) on poverty alleviation are perhaps the best studied. Research conducted by the Self Employment Learning Project of the Aspen Institute indicates that microenterprises contribute significantly to poverty alleviation and household income. One study showed that over a five-year period, 72% of poor microentrepreneurs increased their household incomes and assets by approximately \$8,500 and \$16,000, respectively and 53% moved above the poverty line.¹⁸ Another study showed that 57% of microenterprises survived after five years, with average revenues increasing 27% and profits doubling in that period. Forty-nine percent of microenterprises owned by low-



Ted Piccolo, Founder, Image Communications.

income entrepreneurs survive after five years, a rate comparable to the national average for all small businesses.¹⁹

While this report focuses on the formal sector of the U.S. economy, it should be noted that a vibrant informal small business economy exists in both Native and non-Native communities. And economists have estimated that these businesses make up approximately 10% of the Gross National Product, equaling \$1,067 billion.²⁰ According to a recent study by the Aspen Institute and Institute for Social and Economic Development, the informal economy consists of two main components—those who work in some form of subcontracting capacity and those who work on odd jobs for cash or operate microenterprises. In both situations the businesses are often outside the framework of regulation, taxation, benefits, and health and safety protections. The majority of entrepreneurs engaged in the informal economy are lower-income, earning less than \$30,000 annually. They earn an average of \$4,061 and build \$3,364 in assets per year from their informal businesses. This suggests a significant role for microenterprise in providing supplemental income that can be used in combination with wages and other income to produce creative livelihood strategies.²¹

NATIVE ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

Limited data exists on the role of entrepreneurship in promoting economic development among Native populations. But analysis of the available national data shows that within the last decade, private (non-tribally owned) small businesses have become an increasingly important economic base in these communities. Select studies have demonstrated the impact of Native entrepreneurship in particular sectors such as arts and culture. For example, a New Mexico study found that the 2001 Santa Fe Indian market (a two-day event) generated more than \$19 million in revenue.²² And in 1997, the U.S. Indian Arts and Crafts Board found that the industry was generating well over \$100 billion annually.²³

Reports from the Community Development Financial Institution Fund of the U.S. Department of Treasury characterize Native communities as America's "domestic emerging market."²⁴

Census data from the 1997 Survey of Minority-Owned Business Enterprises, found that:

- Between 1992 and 1997, the number of Native-owned businesses grew by 84% to a total of 197,300 and their receipts increased by 179%.
- In 1997, these businesses generated \$34.3 billion in revenues and employed almost 300,000 individuals.²⁵

Higher-performing Native businesses are making notable progress when compared to other minority firms. Dun and Bradstreet company data show Native American businesses, while only representing 5% of minority firms, make 116% of the average sales volume and employ 123% of the average number of employees.²⁶

In 2001, a Bureau of Indian Affairs Labor Force Survey found that of the 403,714 employed

tribal members across the country, 256,910 worked in the private sector. The survey does not indicate whether these businesses are Native or non-Native owned, but it reveals that the private sector formally employs nearly two-thirds of tribal members nationwide.²⁷

Dun & Bradstreet Minority Business Data reports that Native American businesses registered with the database are primarily concentrated in manufacturing (11.2%), construction (12.8%), and wholesale trade industries (24.4%).²⁸ There is no similar analysis of Native entrepreneurs at the reservation level, but a 1988 study of informal businesses on the Pine Ridge Indian Reservation found that the majority of household income from informal work was derived from traditional activities such as hunting, trapping, drumming and singing at ceremonies and events, or working through the traditional arts such as beading, quilting, or flutemaking.²⁹ In addition, the Native American Entrepreneurship Project Report, written by First Nations Development Institute, estimates that 170,083 of Native-owned businesses on reservations are microenterprises.³⁰

Interviews with leaders in the Native American economic development field confirm that the informal economy traditionally has been and continues to be a life-sustaining self-sufficiency strategy for Native families. Informal activities sometimes serve as the only alternative for families living on reservations, where there are a finite number of jobs. The 1988 Pine Ridge study found that the informal sector accounted for more than half of the total net wealth accumulated by tribal members. Among 93 households surveyed, 83% were involved in one or more forms of self-initiated, home-based, informal, income-generating activities. On average, informal activities were able to generate between \$3,500 and \$5,000 in additional

income per year. Thirty percent of households surveyed generated one half or more of their income from informal work in arts and crafts, the service sector, and clerical and sales jobs.³¹

THE PROMISE OF NATIVE ENTREPRENEURSHIP

There is promising initial data that Native American entrepreneurship is growing and general agreement among policymakers, researchers, and practitioners that entrepreneurship development is a “means of promoting economic growth and diversity, ensuring competitive markets, helping the unemployed to generate additional jobs for themselves and others, countering poverty and welfare dependency, encouraging labor market flexibility, and drawing individuals out of informal economic activity.”³² While few empirical studies have systematically examined the relationship between the birth of new businesses and local economic change, interest in Native American entrepreneurship is growing on the part of tribes, entrepreneurs, service providers, educators, researchers, and policymakers alike.



Ancient Ways, Ft. Washakie, Wind River Reservation, WY.

Culturally Relevant Strategies

“PERHAPS THE BEST ECONOMIC DEVELOPMENT METHOD OR STRATEGY IS FOR NATIVE AMERICANS TO START AND GROW THEIR OWN BUSINESSES BASED ON THEIR OWN EXPERIENCES AND CULTURE, AS OPPOSED TO BORROWING A COOKIE CUTTER STRATEGY FROM CORPORATE AMERICA. I BELIEVE THAT THE LAKOTA CULTURE WILL BE A STRENGTH IN THE CREATION OF NEW BUSINESSES.”

—LAKOTA ENTREPRENEURSHIP EDUCATOR³³

Central to uncovering the challenges of entrepreneurship and economic development in rural Native communities is understanding the economic and cultural context in which Native entrepreneurs live and operate their businesses.



ECONOMIC CONTEXT

Although some tribes have experienced increases in income from tribal businesses such as casinos, resorts, and construction companies and Native individuals are showing greater participation in entrepreneurship, the majority of Native communities continue to face high rates of persistent poverty and unemployment.

- The “three year average poverty rate” for American Indians and Alaskan Natives [from 1998-2000] was 25.9%—higher than any other racial group.³⁴
- Tribal member unemployment increased from 42% in 1999 to 49% in 2001.³⁵
- Unemployment rates on Indian lands were between 20% and 80% compared to 5.6% for the United States as a whole.³⁶

In addition, analysis of unemployment, per capita market income, and poverty rate data show that counties with the highest rates of persistent poverty in the eight states later discussed in this report are within or around Native American reservations.³⁷

CULTURAL CONTEXT

Any discussion of Native American entrepreneurship is incomplete without addressing the issue of culturally appropriate entrepreneurship development strategies. More than 20 years of study by the Harvard Project on American Indian Economic Development revealed that one of the three components that underlie Indian nations' ability to build sustainable economies is "institutions that operate consistently with indigenous beliefs about how authority should be organized and exercised (cultural match)".³⁸ (The other two factors, sovereignty and capable governing institutions, are touched on in the policy section of this report.) There is still some debate about the cultural appropriateness of individual entrepreneurship (versus tribally owned enterprises) in Native American economic development strategies. However, available research and interviews confirm that tribal elders and policymakers, economic development practitioners, and researchers believe that individual entrepreneurship is compatible with past and present Native culture and can be an important vehicle for expanding tribal economic sovereignty.³⁹

Underlying this general agreement, however, is the acknowledgement that Native American entrepreneurship development strategies will not succeed without taking the differences between Native and non-Native cultures into account. The complexity of and differences among tribal cultures also must be considered. Native Americans are not a homogenous group and do not hold the same values. Still, general differences between Native and non-Native cultures need to be recognized and incorporated

into culturally relevant entrepreneurship development strategies.⁴⁰ CFED's interviews and analyses of available research on cultural perceptions of Native entrepreneurship revealed the following initial considerations:

The issues of control and use of assets are critical in any Native entrepreneurship development strategy. Tribes own lands rich in resources, such as timber, range and crop land, oil

and gas reserves, uranium deposits, and water reserves, yet most tribes and individual Native Americans have little or no use of or control over their own assets.⁴¹ Because much of the land on Indian reservations is held in trust by the federal government, either for the tribe or for private families, it is difficult for aspiring entrepreneurs to

use their trust land as collateral when working with banks to gain access to credit. And because of flawed accounting by the federal government, many individuals with trust land do not have a clear accounting of the land they own. Educating tribes and individuals about regaining control and/or using their assets is critical to any effort to promote entrepreneurship in Native American communities.⁴²

Native Americans have had a long history of individual entrepreneurship, which continues today. Despite general misperceptions that Native culture (past and present) is not consistent with private entrepreneurship, Native peoples have had a long history of engaging in trade and commerce. The traditional Native American model of entrepreneurship differs from mainstream models in that it acknowledges and encourages the role of trade and individual product development while respecting the preservation of natural resources.⁴³

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ENTREPRENEURSHIP
DEVELOPMENT STRATEGIES.”**



Ed Edmo, Native American consultant and storyteller, Shoshone Bannock, OR.

This remains true for many Native entrepreneurs today, who note that Native American business models value sustainable utilization of natural resources over profit.⁴⁴ While Native entrepreneurs may vary in their incorporation of traditional tenants, all of them play an increasingly important role in diversifying the economic base of local rural economies.

For many Native Americans, entrepreneurship is about utilizing individual initiative to benefit the whole community. In many Native communities, entrepreneurship has a broader meaning than mainstream definitions, such as “the process of growing and creating an enterprise for personal economic gain.” As noted by Johnnie Aseron, founder of the social entrepreneurship venture Rediscovering the Seventh Direction, entrepreneurship means, “having the boldness and insight to begin something new and recognizing one’s strengths and abilities as well as the abilities of others in order that the entire community may benefit.”⁴⁵ To some, a Native entrepreneurship development strategy means emphasizing the role of cooperation, valuing group goals, and placing material success after emotional, family, or community relationships.⁴⁶ This includes taking the time to receive

feedback on plans or ideas not only from a board of directors or business mentor, but also from tribal elders and the larger community. On the other hand, this community-oriented approach creates discomfort for some Native entrepreneurs. They sometimes feel uneasy about as the appearance of “having something,” as it is sometimes met with jealousy or resentment from the community. As noted by Elsie Meeks, Native entrepreneur and advocate, “contributing to the community is part of doing business for us, but people also need to recognize that they must give from their net profits, not their gross, if they want to survive in the long run.”⁴⁷

Native entrepreneurship development is a holistic strategy. According to many interviewed for this report, Native and non-Native American cultures “conceptualize” differently. While non-Native cultures may conceive in a more segmented and linear fashion, Native cultures think and plan holistically. They often take into account personal or community issues that may not be perceived by others as directly related to entrepreneurship development.⁴⁸ A recent survey of Native and non-Native American entrepreneurs quantitatively documented this difference, finding that a greater percentage of Native American entrepreneurs identified themselves as “subjective thinkers” or as people “thinking with their hearts,” whereas non-Native entrepreneurs saw themselves more often as objective thinkers.⁴⁹ According to some, this difference in thinking, combined with the current state of poverty and its accompanying social ills on reservations nationwide, means entrepreneurship development programs may need to employ holistic strategies that deal with both personal and economic empowerment. This is not to say that Native American business development programs should not assist entrepreneurs with careful analysis of market demand, business plans, and financial management. Rather it means that that simply imple-

menting a model focused solely on linear business development techniques into Native American communities will not necessarily be well received or effective.

Native Americans who live and work on reservations often have very little experience working in, managing, or owning businesses. Whether it is due to a lack of political, economic, or social support for reservation-based entrepreneurs, industry leaders convey that many Native Americans lack exposure to or experience in business, and are therefore hesitant to pursue or follow through on entrepreneurship opportunities. A

recent report that examined differences between Native and non-Native American entrepreneurs in Minnesota and Wisconsin found that only 13% of Native American have parents who are entrepreneurs compared to 75% of non-Native American entrepreneurs.⁵⁰ Without a strong base of existing businesses on reservations or support from role models, aspiring Native entrepreneurs lack opportunities to gain experience in or be exposed to entrepreneurship. In many cases, Native Americans feel marginalized and convey the feeling of being “left behind” and needing to “catch up with the rest of the world.”⁵¹



BRETT LANE, *COAST CONCRETE CUTTING*

Brett Lane, owner of Coast Concrete Cutting, is a Siletz Tribal member. He started his business in September of 1996, after moving from California to Lincoln City, Oregon. While in California, he had been trained as a concrete cutter. After the move, he noticed that there were no concrete cutters on the Oregon coast so he decided to start up his own business.

Brett took an Oregon Native American Business Entrepreneurial Network (ONABEN) class, which helped him with his business plan for Coast Concrete Cutting. With the purchase of one wall saw, which allowed him to do a variety of concrete cuts, Brett was in business. Growth minded, Brett read an advertisement for a grant program in his tribal newspaper, applied for a grant, and was awarded one. With this money, Brett purchased another saw, this one capable of cutting deeper and cleaner.

Still the only concrete cutter on the coast, business is going well for Brett. “Being in business for myself allows me to keep my hours flexible and pays more,” says Brett. “Sometimes it’s difficult being on call and trying to take a vacation. And I have to do about everything from maintenance to paperwork. But I wouldn’t change though. Eventually, I’d like to get another truck and further expand.”

For getting him off to a solid start, Brett is quite grateful to the Siletz Small Business Office. He remembers, “The Siletz Center helped with the ONABEN course, the grant, and even after that helped me write my proposals to people so that I could sell my services.” And to the tribal council that set up the Small Business Center to help young entrepreneurs get their enterprises off the ground, Brett is very thankful. “It helped me out a lot.”

Beyond the Average: Measuring Native Entrepreneurship

“EFFORTS TO MEASURE ENTREPRENEURIAL ACTIVITY AND PERFORMANCE BY GEOGRAPHICAL AREA ARE STILL IN THEIR EARLY STAGES.”

Looking beyond national statistics, efforts to measure entrepreneurial activity and performance at the state level are still in their early stages. Progress is hampered by the lack of data and the absence of a coherent and agreed-upon framework for a healthy, vibrant entrepreneurial environment.

The limited statewide data that is available reveals that despite the growth in Native-owned businesses, in states with high numbers of Native Americans Native entrepreneurs own private businesses at a much lower rate per capita than the non-minority population. In addition, the businesses they own produce less income on average than non-minority businesses.⁵² This is predominantly the case in the north, midwest, and southwest regions of the country. For example, according to 1997 Census data, the non-

minority population in South Dakota owned 97 businesses per 1,000, while Native Americans owned 16 businesses per 1,000.⁵³ However, in states such as New Hampshire, Alabama, Mississippi, and Pennsylvania, where Native Americans account for a much smaller proportion of the total population, they own businesses at a much higher rate per capita than the non-minority population.⁵⁴

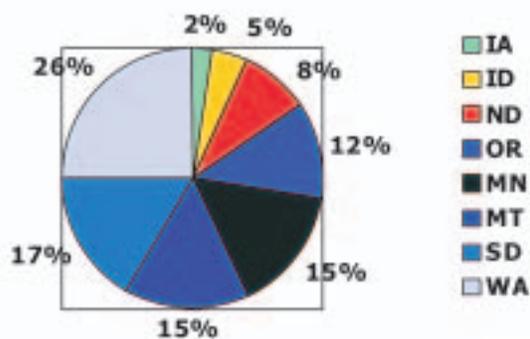
A CLOSER LOOK AT EIGHT STATES

Data on Washington, Oregon, Idaho, Montana, Iowa, North Dakota, South Dakota, and Minnesota show that Native Americans represent a very small proportion of the total population and business ownership in the region and that there are considerable differences among the states.

According to the 2000 Census, these states have a total population of 20,754,515, of which 369,793 or 1.78% are Native Americans. As illustrated by Figure 1 (left), the Native American population is distributed across all eight states, with:

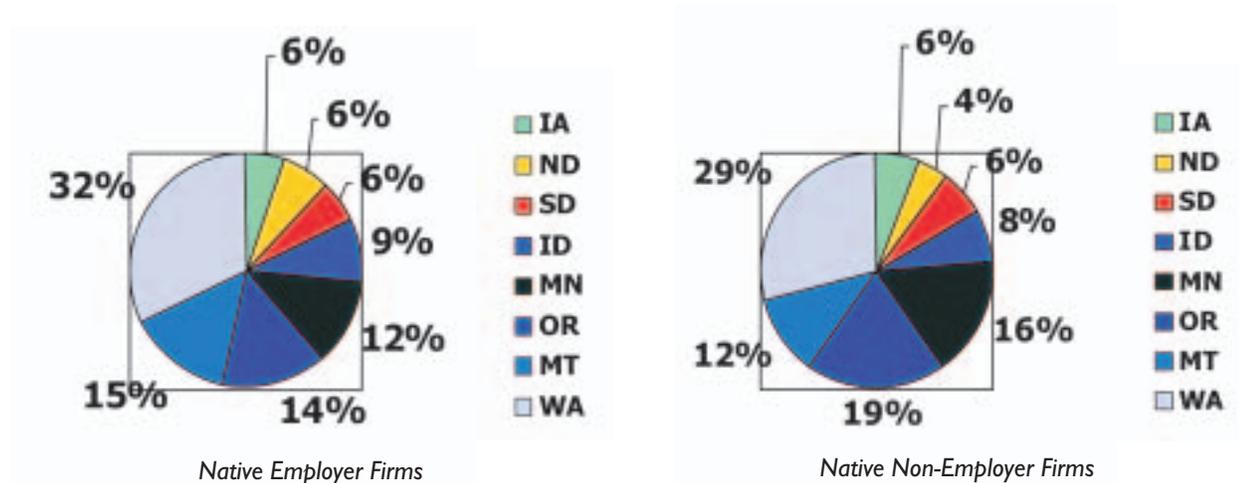
- 26% (93,301) in Washington,
- 17% (62,283) in South Dakota,
- 15% (56,068) in Montana,
- 15% (54,967) in Minnesota,
- 12% (45,211) in Oregon,

FIGURE 1: DISTRIBUTION OF NATIVE AMERICAN POPULATION ACROSS NORTHWEST REGION STATES



Native American Population
(Source: Census 2000)

FIGURE 2: DISTRIBUTION OF NATIVE AMERICAN FIRMS



(Source: Economic Census 1997)

- 8% (31,329) in North Dakota,
- 5% (17,645) in Idaho,
- And 2% (8,989) in Iowa.

The total number of firms in this region, according to the 1997 Economic Census, is 1,701,717, of which 1,233,715 or 72.5% are non-employer firms (mainly firms with no employees). Of the total number of firms in this region, Native Americans own 15,770. Specifically, Native Americans own 12,785 (1.0%) of the non-employer firms and 2,985 of the remaining 468,000 employer firms (0.6%).

Figure 2 (above) shows how these Native American firms are distributed across the region. Among Native non-employer firms:

- 29% are located in Washington,
- 19% in Oregon,
- 16% in Minnesota,
- 12% in Montana,
- 8% in Idaho,

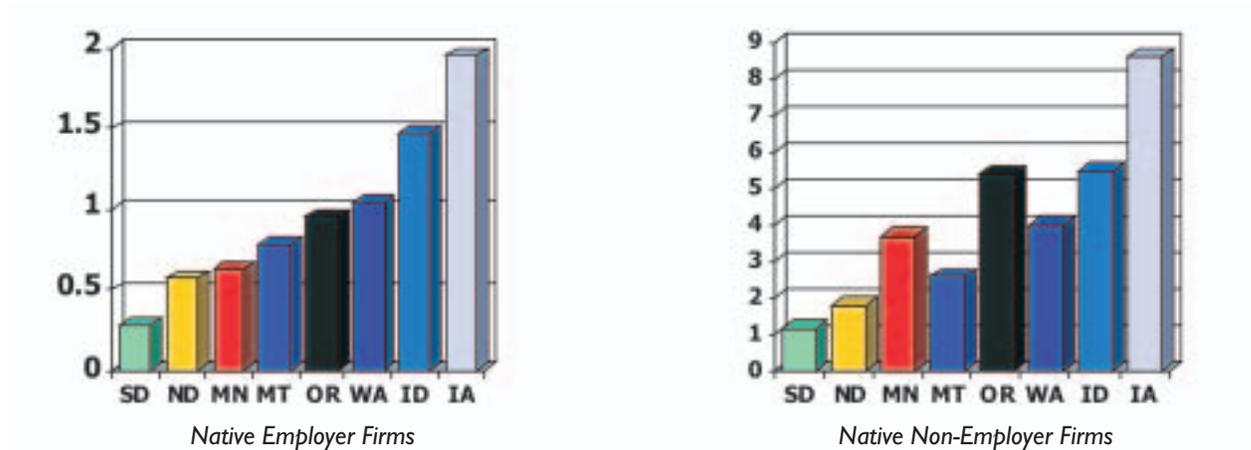
- 6% in Iowa,
- 6% in South Dakota, and
- 4% in North Dakota.

Among Native employer firms:

- 32% are located in Washington,
- 15% in Montana,
- 14% in Oregon,
- 12% in Minnesota,
- 9% in Idaho,
- 6% in Iowa,
- 6% in South Dakota, and
- 6% in North Dakota.

The density of Native American firms—the number of firms per 100 Native Americans—varies significantly across the region. The highest is 8.6 for non-employer firms and 1.95 for employer firms in Iowa and the lowest at 1.2 and 0.26 respectively in South Dakota. Figure 3 (see page 18) shows the densities for each of the region's states.

FIGURE 3: DISTRIBUTION OF NATIVE FIRMS PER 100 NATIVE AMERICANS.



(Source: Economic Census 1997 and Census 2000)

CFED's research on Native-owned businesses at the county level revealed that select reservations appear to have higher levels of non-employer and employer businesses. The data also revealed that a significant amount of Native entrepreneurial activity does not occur on the reservation, rather in urban centers or near reservations. Given significant concerns by many Native policy and research organizations about the accuracy of Census data about Native populations, especially those on reservations,

CFED will conduct additional research, specifically focused on four reservations in two states to further investigate the rates of entrepreneurial activity and supports at the reservation level. And while it is outside of the scope of this research project, it would be worthwhile to further investigate Native entrepreneurial activity in counties surrounding reservations and in urban centers, where high levels of entrepreneurial activity also take place.

Entrepreneurship Policy

“WE CANNOT ELIMINATE POVERTY UNTIL WE COMBAT UNEMPLOYMENT, AND WE CAN NOT ADDRESS UNEMPLOYMENT WITHOUT PROMOTING SUSTAINABLE BUSINESS PRACTICES TO CREATE JOBS. WITHOUT ADEQUATE ASSISTANCE FOR ENTREPRENEURS, THE ECONOMIC LIMITATIONS FACING NATIVE AMERICAN COMMUNITIES WILL PERSIST.”

—SENATOR TIM JOHNSON

In order for entrepreneurship development strategies in Native communities to be successful, federal, state, and tribal policymakers must give them high priority. According to a report by the Kauffman Foundation, policymakers can help serve as champions of entrepreneurs by recognizing their contributions to the local economy, streamlining regulations that slow down business incorporation and operation, and funding programs that directly invest in entrepreneurship education and support systems.

Both Native and non-Native leaders in economic development say the perceived and actual

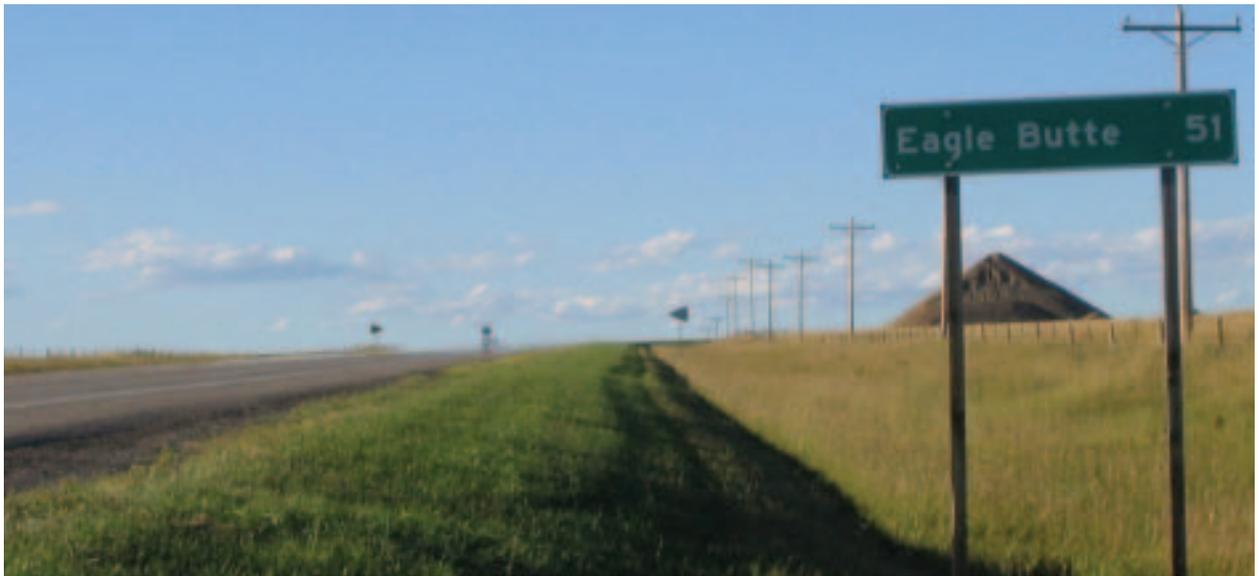


Harold Frazier, Chairman of the Cheyenne River Sioux Tribe, presenting at a community meeting on entrepreneurship development.

political and legal issues associated with tribal sovereignty have made it difficult for Native and non-Native entrepreneurs to do business on reservations. Given this, when considering the role of policy in promoting Native entrepreneurship one must consider the relationship between tribes and the U.S. government. The legal relationship is complicated and jurisdiction continues to be debated. However, tribes currently are considered sovereign entities with immune powers to determine their own economic and social interests.

The Harvard Project on American Indian Economic Development found that mainstream economic development policies, including those that promote entrepreneurship development, have been ineffective in ensuring long-term tribal economic success. Most strategies have failed because they:

- Focus only on starting businesses rather than sustaining them over time.
- Pay little attention to the political environment on reservations.
- Recognize indigenous culture only as a resource that can be sold (tourism arts and crafts) but not as a valid guide that shapes development strategies.⁵⁵



To address these issues, a variety of federal, state, and tribal policies and programs are underway to facilitate entrepreneurship development for Native Americans.

FEDERAL POLICIES

Federal policymakers and administrators are increasingly recognizing the potential of Native entrepreneurship as a viable economic development strategy. As noted by Senator Tim Johnson (D-SD), “We cannot eliminate poverty until we combat unemployment, and we can not address unemployment without promoting sustainable business practices to create jobs. Without adequate assistance for entrepreneurs, the economic limitations facing Native American communities will persist.”⁵⁶

According to a 2001 report by the General Accounting Office (GAO), tribes and tribal members had access to about 100 mainstream federal economic development programs. Though according to the GAO, aside from programs through the Department of the Interior (DOI), “little information is known about the effectiveness of mainstream federal economic development programs as they relate to Indians.”⁵⁷

Over the last 10 years, federal agencies have developed programs aimed at increasing investment in Native American economic and entrepreneurship development. As of 2001, 16 federal programs specifically targeted Native Americans (additional Native-specific programs have been created since).⁵⁸ These programs support activities that include assistance with economic development planning; commercial code development; financing for businesses; and capacity building, such as project grants, block grants, loans, loan guarantees, and technical assistance. And in 2002 at the National Summit of Emerging Economies in Phoenix, Arizona, the Assistant Secretary of the DOI declared the goal of creating 100,000 new jobs in Indian country and implementing policies to promote economic and entrepreneurship development on reservations by the year 2008.⁵⁹

The GAO report also notes that over the years, “the federal government has made a number of efforts to encourage agencies to keep track of and coordinate their efforts to promote economic development for Indians,” although many of these efforts have not been implemented or have been started and then defunded.⁶⁰ Notably, steps to promote inter-

agency collaboration produced Native eDGE—a web-based information and technical assistance clearinghouse on public and private resources related to Native American economic development, managed by the Office of Native American Programs at the U.S. Department of Housing and Urban Development. While highly utilized, this program has faced consistent cutbacks in funding over the last four years and is no longer able to operate as an interactive resource for tribes and tribal members.⁶¹ The National Rural Funders Collaborative, in partnership with various federal agencies and nonprofit organizations, aims to reinvigorate coordination efforts and support creative public-private initiatives that promote rural and Native economic and community development.⁶²

The following section highlights key federal policies and programs that are critical in promoting Native American entrepreneurship development. This is not an exhaustive analysis of all federal Native entrepreneurship programs; it highlights only major policies and programs.

Small Business Administration (SBA) Native Business Programs. Until recently, SBA's most prominent Native American business development initiative was the Tribal Business Information Centers project, which funded a consortium of 18 reservation-based business development centers that offered tribal members access to a wide variety of business resources and training and technical assistance services. Funding for this program was zeroed out in the recent SBA appropriations bill. However, the Office of Native American Affairs (ONAA) at the SBA still serves as an advocate for Native Americans, administers a Native American business development program, and consults with tribes on how to enhance the development and implementation of Native American small businesses.⁶³ In 2003, ONAA launched partnerships with several Native organizations and small businesses across the country to expand cultural tourism, offer training and technical assistance, and

provide business incubation opportunities. ONAA has conducted research efforts including tracking job-creation figures and monitoring severely under-served tribes. It also has partnered with the Southwestern Indian Polytechnic Institute to develop and deliver two days of culturally relevant small business training to Native entrepreneurs and tribal administrators in more than 100 tribal locations across the country.⁶⁴

U.S. Department of Treasury Community Development Financial Institutions (CDFI) Fund's Native American Programs. The CDFI Fund provides targeted funding to develop Native American programs, many of which offer small and micro business financing and development services. In 2004, the CDFI Fund launched several new programs to provide technical assistance to CDFIs and organizations that promote financial education and asset-development strategies for Native communities.

DOI's Bureau of Indian Affairs' (BIA) Business Development Programs. The BIA has managed an array of business development programs that provide grants, loans, and technical assistance to Native American tribes and individual entrepreneurs. The business development grant program, which provided equity to qualified borrowers to assist them with leveraging private debt financing, was considered the most successful BIA business development program, but was de-funded by Congress in 1996.⁶⁵ Currently, BIA offers two programs (appropriations totaling approximately \$8 million) specifically designed to promote business development on reservations. The BIA Loan Guaranty Program provides 30-year loan guarantees of up to 90% to private lenders who agree to finance Native American businesses. And the Indian Economic Development Tribal Credit Program provides direct grants to tribal governments to operate tribal credit programs and other economic development initiatives.



Chokecherry Cafe, Wind River Reservation, WY.

Department of Commerce Native American Business Development Centers (NABDC). Funded by the Minority Business Development Agency, seven NABDC sites currently serve Native entrepreneurs in Arizona, California, Oklahoma, New Mexico, the Northwest, the East Coast and the Dakotas. The National Center for American Indian Enterprise Development operates four of these sites. These centers are generally located in major cities and serve a multi-reservation region.

Other federal programs. A number of federal grants are available to promote Native American economic development. The grants are often used to promote business development strategies. Among them are the Economic Development Administration's Tribal Planning Grants and U.S. Department of Health and Human Services' Administration for Native Affairs Social and Economic Development Strategy Grants. Other agencies, such as the U.S. Department of Defense and Department of Transportation promote Native American small business development by offering special mentoring or contracting programs targeted to Native American businesses.

STATE POLICIES

Researchers and advocates agree that state support is critical to the success of entrepreneurs. According to a three-state study of Maine, Nevada, and Pennsylvania, state funding represents an important revenue source for entrepreneurship development organizations.⁶⁶

Yet, recent research has found that state government commitment to support entrepreneurs is divided between "active" and "passive."⁶⁷ Some legislators show interest and support for comprehensive approaches to entrepreneurship development and education. Others are cutting back supportive programs, while endorsing expensive business recruitment strategies. But overall, most states continue to rely on business recruitment strategies, including tax incentives, tax breaks, and direct investments—spending billions of dollars to attract technology, manufacturing, and other large companies from other states. Many of these investments have few accountability measures and offer low returns in terms of jobs and local multiplier effects, yet they remain the "bread and butter" of state economic development policy.

Some states, however, are increasing their levels of investment in "homegrown development" strategies through entrepreneurship development policies and programs. A 1999 Kauffman Foundation report notes that "while state funding for entrepreneurship development lags behind other economic development activities, many states have created programs or adopted policies that have a positive impact on entrepreneurs."⁶⁸ Some states are intentionally providing direct or indirect financing, promoting entrepreneurship support services, and providing tax incentives to emerging entrepreneurs.

Other states are focused primarily on business recruitment, which translates into resources for marketing and incentives and continued expenditures on basic physical infrastructure.



Lakota Travel Lodge, Pine Ridge Indian Reservation, SD.

Overall findings from the Kauffman report reveal that state entrepreneurship programs:

- Promote linkages to innovation and research primarily through universities;
- Support entrepreneurship education at the post-secondary, rather than early education level;
- Provide debt, either through direct loans or loan guarantee programs, rather than equity capital;
- And do not generally focus on the needs of entrepreneurs during the start-up stage.

While the existing elements of state support are important, in most states they do not make up a comprehensive “package” of services for emerging or established entrepreneurs.

STATE SUPPORT FOR NATIVE AMERICAN ENTREPRENEURSHIP

States differ widely in their overall relationships with Native American reservations. As more federal resources are devolved to the states and some tribes experience economic growth, the political and economic relationships between tribes and states are changing. While there are numerous exceptions, as a general principle of

tribal sovereignty, state laws can not be enforced in Indian country and state courts are without jurisdiction to hear lawsuits brought by non-Indians against tribes, tribal entities, and tribal members about matters that occur on reservations. Sovereignty issues that involve land interests in Indian country present similar challenges in business transactions between tribes/tribal members and non-tribal entities, often resulting in adverse and competing tribal, state, and federal interests.⁶⁹

Recent economic growth in some Native communities also has raised awareness about how much tribal spending, tax payments, employment, revenue sharing, and financial investments can contribute to states’ economic health. Accordingly, state policies on Native economic development and entrepreneurship vary significantly. Some states have programs that explicitly support Native small business development; others actively include Native Americans in their statewide small business or minority business programs; while others have no formal liaison between tribal governments and the state government and no specific programs or outreach to Native entrepreneurs.

Minnesota is unique in having a business program, The Indian Loan Program, that is exclusively for Native American entrepreneurs. In place since 1981, the fund was established with money from a state mineral tax and is administered through the Indian Affairs Council. Each reservation has access to a portion of this fund to lend to entrepreneurs. As of 2003, four loans were in process and 114 loans had been made amounting to \$3,415,000.⁷⁰ This program is part of Minnesota’s greater overall supportive environment for small businesses, including Native businesses.

Montana, for the past several years, has been striving to support entrepreneurship on reservations. At a 1997 summit of the state and tribes in Billings, a major theme was “the key to economic success is individually owned Indian businesses. Tribal, state, and federal governments should gear their policies

toward the goal of assisting individual Indian entrepreneurs.”⁷¹ From 1992 to 1998, Microbusiness Finance Programs, operated through contracts with the Montana Department of Commerce, loaned a total of \$327,647 to 31 Indian entrepreneurs.⁷² In 1999, legislation established a State-Tribal Economic Development Commission under the governor’s office to address tribal economic issues, including entrepreneurship. Further, the 2001 Montana Office of Economic Opportunity’s strategic plan explicitly included Native Americans and broadly discussed goals of supporting the start-up and expansion of business.⁷³

Oregon actively promotes Native American-owned businesses. In the mid-80s, the state established the Office of Women, Minority, and Emerging Small Businesses under its Department of Consumer and Business Services. It was mandated to serve Native American businesses as part of its minority focus. The office, along with the Oregon Department of Transportation, trains Native business owners to become certified as minority owned businesses, which helps them better access state, federal, and private contracts. In all, the state has certified 72 Native-owned businesses, half of which gross over \$250,000 per year. Since 2000, the connection between this office and Native communities has grown stronger through collaboration with a representative from the Legislative Commission on Indian Services. Additionally, in 2001 a state statute was created to promote government-to-government relations between tribes and the state of Oregon. Under this statute, every state agency must take Indians into consideration when developing and implementing programs.⁷⁴

Washington actively includes Native American businesses in its programs. Through the Office of Minority and Women’s Business Enterprise, the state certifies minority businesses to better



La India Bonita Restaurant, Pine Ridge Indian Reservation, SD.

access federal, state, and private contracts. In addition, the Washington Department of Transportation provides Disadvantaged Business Enterprise support services and actively reaches out to Native businesses. For example, in September 2003, the Department hosted a state-tribal transportation conference to train and educate tribes on how to take advantage of its Disadvantaged Business Enterprise program.⁷⁵

South Dakota has no business development programs targeted specifically to Native Americans. It does, however, have a number of business development programs under the Governor’s Office of Economic Development that Native Americans can access. These include a microloan program, a revolving economic development initiative fund, an agriculture processing and export loan program, a value-added fund, and a workforce development program. To date, four Native American businesses have taken advantage of these programs. There has been little outreach to reservations to access these programs, although the Director of Tribal-Government Relations is initiating more active outreach.⁷⁶

Idaho has no agency or council dedicated to Indian issues. Within its Department of Commerce's Economic Development Division, a position is partially responsible for connecting the state's five reservations to its economic development services. The state has business technical assistance programs and a Rural Development Fund that are available to anyone in the state, though neither have effectively reached Native individually owned businesses yet. Although, the department has no concerted outreach, staff of the Economic Development Division have noted a slowly growing interest in private, individual businesses among four of the state's five tribes.⁷⁷

Iowa has no agency or council dedicated to Indian issues and no initiative focused on connecting Native American entrepreneurs to available state business development supports.⁷⁸

North Dakota has neither programs geared specifically to Native American business development nor outreach to reservations within its existing programs. No distinction is made between serving reservations or other rural communities of North Dakota. Its Department of Commerce has worked on economic development issues with tribes and reservations, but that effort has not been sustained or institutionalized. The state-owned bank has a Beginning Entrepreneur Loan Fund, but does not lend on reservations because of concern over sovereignty issues. The North Dakota Department of Commerce's strategy is to entice and support businesses that bring new wealth to the state through tax incentives that do not apply to reservations.⁷⁹

Clearly state policies can make a significant difference in the growth of Native American entrepreneurship. Strong relationships between the state government and tribes are necessary for entrepreneurs to cross geographic, knowledge, and cultural divides to reap the benefits of their



Paul's Smoked Salmon, Yurok Reservation, CA.

programs. To foster economic development through entrepreneurship on reservations, states should consider working explicitly with Native tribes to develop mutually beneficial entrepreneurship strategies and programs.

TRIBAL POLICIES

Though times are changing, many tribal governments continue to concentrate on starting and growing tribally owned businesses and are not as focused on strategies to promote individual entrepreneurship. There is also very little research to date on the interaction and intersection of tribal and individual Native entrepreneurship. As a result, individual entrepreneurship is rarely discussed in the tribal political arena and many tribes lack commercial codes, real estate for individual businesses, and independent judiciaries that deal with commercial concerns.⁸⁰ A recent survey conducted by the National Congress of American Indians (NCAI) found that "less than one-third of tribes operated loan funds or provided advisory services for start-ups."⁸¹

To help improve the infrastructural and political challenges facing individual Native entrepreneurs, many tribes across the country have developed specific policies to facilitate entrepreneurship.⁸² But while proactive tribal policies



Community leaders discuss entrepreneurship policy and research at a community meeting of the Cheyenne River Sioux tribal community.

are critical in promoting individual entrepreneurship development, research shows that reducing political or governmental interference in the strategic direction or management of a tribal or individual businesses is one of the most important factors in profitability.⁸³ In short, businesses succeed when the government stays out of the direct management.

Increasingly tribal policymakers and tribal business managers are exploring ways to form mutually beneficial relationships between tribal and individually owned businesses.

The National Indian Gaming Association (NIGA) has adopted a new policy that promotes greater cooperation among tribes, individually owned Native businesses, and tribally owned businesses. NIGA created the American Indian Business Network, which is designed to assist small businesses in promoting their products and services to tribal gaming operations, hotels, and ancillary businesses and to help smaller businesses become involved in the tribal gaming industry. Ernie Stevens, Chairman of NIGA, notes, "Now is the time to come together and provide a helping hand to the smaller businesses, not only to include

them into the success [of tribal gaming] but also to truly create a national tribal economy."⁸⁴

According to a 2000 survey of 70 tribal and individual Native American businesses conducted by the Harvard Project on American Indian Economic Development, the following tribal policies promote entrepreneurship:

Independent means of resolving disputes.

Tribes that have created procedures that ensure judicial decisions can be made without political influence have higher economic outcomes than tribes who don't have independent judiciaries.

Separation of politics and business development. Businesses with their boards and management insulated from elected bodies show rates of profitability four times those of businesses with strategic direction or operations influenced by tribal policymakers.

Development of tribal commercial codes.

Tribal commercial codes are considered by many Native and non-Native business leaders to be the most important vehicle for promoting commerce in Indian country.⁸⁵ Some tribes have chosen to adopt the Uniform Commercial Code, a set of standardized laws drafted by the National Conference of Commissioners on State Laws. This governs most aspects of commercial transactions and is the primary means by which risk is allocated among parties in commercial dealings across jurisdictional boundaries in the United States. Some tribes, however, have chosen to develop their own commercial laws that address the specific land, legal, and tax issues important to tribes and tribal members. These laws include transaction codes, land use and planning codes, zoning codes, and other laws that regulate corporate and business activity. Others have modeled their codes after the Model Tribal Secured Transaction Code developed by the Indian Law

LINKING TRIBAL ENTERPRISES AND ENTREPRENEURS

One example of a tribal enterprise helping individual entrepreneurs is Ho-Chunk, Inc., the Nebraska Winnebago Corporation overseeing the Ho-Chunk tribe's non-gaming businesses. In 2002, the corporation's revenues topped \$100 million, with diverse companies including home manufacturing, construction, a chain of retail stores, an e-business website, AllNative.com, and an Internet news site.⁸⁶

Ho-Chunk, Inc., found that local entrepreneurs could meet a need by serving as contractors to its construction company, HCI Construction. In addition, AllNative.com office products has spurred the development of an entrepreneurial print shop at the local college where students develop designs and logos.

As well as providing start-up capital to Ho-Chunk Community Development Corporation (CDC), which provides low-interest loans and training to local Native entrepreneurs, Ho-Chunk, Inc. management provides mentoring and technical assistance to local entrepreneurs. Together, Ho-Chunk, Inc. and Ho-Chunk CDC are constructing a mini-mall which will offer subsidized rent to Native retail and service businesses.⁸⁷

Clinic of the University of Montana to offer an adaptable commercial code that recognizes the sovereign aspects of tribal government while facilitating economic development. A more comprehensive code is currently being developed through a Native American Liaison Committee linked to an enactment guide.⁸⁸

Other efforts to promote individual Native American entrepreneurship development include policies that:

- Allocate resources to public information campaigns promoting entrepreneurship.
- Allocate resources toward physical infrastructure, such as roads, utilities, and real estate development.
- Allocate resources toward skills infrastructure like schools and worker-training programs.
- Streamline business permitting and licensing processes.
- Utilize Tribal Employment Rights Offices to encourage and negotiate with tribes, tribal enterprises, and other employers to provide first preference to Native small businesses for contracts.⁸⁹
- Sponsor production of business information materials and promote technical assistance through tribal economic development departments.
- Invest in strategies, such as the development of Native CDFIs, to increase access to affordable capital by Native entrepreneurs.

Entrepreneurship Education

“WHEN TRIBES CONSIDER HOW TO PROMOTE ECONOMIC DEVELOPMENT ON THE RESERVATION, ENTREPRENEURSHIP EDUCATION AND THE ROLE OF K-12 ARE OFTEN OVERLOOKED. CONSEQUENTLY, NATIVE AMERICAN STUDENTS DON’T SEE THE BENEFIT OF ENTREPRENEURSHIP TO THE RESERVATION COMMUNITY. IT’S NOT SOMETHING THAT IS ENCOURAGED BY TRIBAL LEADERS, TEACHERS, FRIENDS, OR FAMILY.”

—JERRY LAMB, FORMER EXECUTIVE DIRECTOR, AMERICAN INDIAN BUSINESS LEADERS

The aim of entrepreneurship education is to create a large and diverse pool of people across a spectrum of entrepreneurial motivations, out of which there will flow a steady stream of high achievers with an interest in creating businesses, jobs, and wealth in their communities. This education may take place within the mainstream educational curricula, in extra-curricular activities, or with special initiatives implanted in the mainstream education system.

Recent findings on the impact of entrepreneurship education at the university level conclude that entrepreneurship graduates are:

- Three times more likely to start new businesses or be self-employed.
- Have annual incomes that are 27% higher and own 62% more assets than their counterparts.
- Are more satisfied with their jobs.⁹⁰

Native American communities that lack entrepreneurial traditions and recent experiences typically do not provide the support that entrepreneurs need to thrive. Consequently,

experiential entrepreneurship education needs to be embedded into school curricula and after-school and other community activities. This would allow students to learn the essential elements of entrepreneurship from a young age and encourage them to apply these elements throughout life.

At the first National Native American Financial Education Forum in 2003, tribal and Native American economic development leaders emphasized the importance of integrating financial literacy and entrepreneurship education into the K-16 educational systems and other programs that serve Native American youth.⁹¹ And since recent studies show that only 54% of Native American youth graduate from high school, after school and non-traditional forms of youth education are particularly important for Native American entrepreneurship education initiatives.⁹²

While efforts to promote entrepreneurship education are only recently emerging in Native communities and are generally not linked to mainstream initiatives, an increasing number of programs (both in school and after school) are

providing entrepreneurship education to Native American youth. Efforts currently underway to promote youth entrepreneurship education in the tribal school system are primarily concentrated at the community college and university level. In the last decade, tribal colleges have increasingly diversified their programming and have embraced entrepreneurship education as a vehicle for promoting local economic development. Schools in the eight-state region examined for this report have some of the most innovative youth entrepreneurship education programs and serve as potential national models.

Current initiatives include the following:

American Indian Business Leaders (AIBL).

Headquartered in Montana, AIBL is a 10-year-old youth leadership and entrepreneurship development organization designed to foster support systems and resources for Native American students interested in starting their own businesses. AIBL promotes entrepreneurship education and resources, career counseling, networking forums, business competitions, and

professional resource bureaus for aspiring young Native American entrepreneurs. AIBL has a current membership of over 500 students and has established 52 chapters across the United States with 21 at the university level, 15 at the tribal college level, 10 high school chapters, and four K-8 student chapters. Ten of AIBL's student chapters have established businesses on local reservations.

Since 2001, AIBL, in partnership with the Kauffman Foundation, has trained approximately 150 teachers to implement a culturally relevant version of Kauffman's Mini-Society entrepreneurship curriculum into tribal schools nationwide. Eighty percent of the training graduates have implemented or are in the process of implementing the Mini-Society curriculum into local elementary schools that serve Native American youth.⁹³ The Mini-Society program offers experiential entrepreneurship education targeted to grades three through seven. The accompanying curricula is matched to state standards and designed for integration directly into the core classroom instruction. AIBL also trains high school



Cheyenne River Sioux Youth.

teachers nationwide to integrate culturally relevant financial literacy education into their classroom curricula.⁹⁴

Rural Entrepreneurship through Action Learning (REAL). REAL began in 1985 and became a program of CFED in 2004. It was initially designed to help rural high school students, but now serves people of all ages and communities of all sizes. While REAL offers a full range of entrepreneurship development products and teacher training services across the country, it is the only national program specifically developed for and targeted to rural target markets. REAL currently has active affiliates in 10 states: Alabama, Georgia, Mississippi, New York, North Carolina, Upper Peninsula Michigan, Vermont, Virginia, Washington and West Virginia. Its curriculum also is offered in more than 20 additional states nationwide. In 2003, with support from the Theodore R. and Vivian M. Johnson Scholarship Foundation, the Lakota Fund, REAL, and Native entrepreneurship educator Lisa Little Chief Bryan partnered to develop a culturally relevant entrepreneurship education training for Native youth educators in South Dakota.⁹⁵

Tribal colleges and extension programs. Tribal colleges and universities promote entrepreneurship education in many ways, including associate and four-year degree programs in business administration, specialized entrepreneurship certificate courses, and entrepreneurship education targeted to community members through the college's community extension programs.⁹⁶ Twenty-one of the existing 36 tribal colleges and universities offer for-credit business or entrepreneurship courses or degree programs as part of their core curriculums. In addition, efforts are currently underway at AIBL and between the University of South Dakota and Sitting Bull College to develop Native American entrepreneurship curricula targeted to Native American high school and college students.

Tribal Colleges with entrepreneurship education extension programs as well as business or entrepreneurship certificate programs include Little Big Horn College, Fort Peck Community College, Salish Kootenai College, Fort Belknap College, and Chief Dull Knife in Montana and Si Tanka College in Eagle Butte, South Dakota. The Theodore R. and Vivian M. Johnson Scholarship Foundation sponsors awards to participating tribal colleges for students with financial need who are pursuing entrepreneurship education. In 2001-02, 22 tribal colleges received awards totaling approximately \$750,000. The Johnson Foundation also funded Gonzaga University in Spokane, Washington to develop the first masters program in business administration with a focus on American Indian entrepreneurship.

Boys and Girls Clubs. Boys and Girls Clubs promote community leadership and character building for youth through a variety of programming. Increasingly, Boys and Girls Clubs are forming on Native American reservations and have grown from one in 1992 to 145 in 2003. Some of these clubs run small businesses and entrepreneurship programs for tribal youth. Examples of effective reservation-based Boys and Girls Club entrepreneurship development models include programs on the Tulalip Reservation in Washington, Lac Courte Oreilles Reservation in Wisconsin, and the Northern Cheyenne River Reservation in Montana.⁹⁷

Udall Center for American Indian Studies. The Udall Center operates a Native American Youth Entrepreneur Camp at the University of Arizona campus.⁹⁸

A multitude of mainstream organizations and initiatives that focus on entrepreneurship education are also available to Native Americans, but do not specifically target that population:



ONABEN entrepreneurship training course, Oregon.

State-funded vocational education tracks. The majority of entrepreneurship development efforts within mainstream public school systems have traditionally been closely linked to career and technical education. Technical education tracks and their corresponding associations in the school system such as the Distributive Education Clubs of America (an association of marketing students), Future Farmers of America, Business Professionals of America, Future Business Leaders of America, and Family, Career, and Community Leaders of America all promote entrepreneurship as a career opportunity for students who may not go on to college. According to the National Indian School Board Association, the extent to which entrepreneurship education is available through career and technical courses at tribal schools is unclear.⁹⁹

K-12 curriculum initiatives. The majority of K-12 entrepreneurship or economics education initiatives, such as Economics America, Junior Achievement, and National Foundation for Teaching Entrepreneurship, do not track their outreach to Native American students or have any specific Native American-oriented curricula or outreach strategy. They are, however, developing distance-learning courses particularly targeted to rural constituencies, which would be accessible by reservation-based youth.¹⁰⁰

The Consortium for Entrepreneurship Education (CEE). CEE is an association of entrepreneurship educators and advocates that has developed an online guide that highlights model entrepreneurship education initiatives and provides a clearinghouse of information on entrepreneurship education resources.¹⁰¹ In



Raphael's, Umatilla Tribe, Pendleton, OR.

November 2004, CEE sponsored the 22nd annual Entrepreneurship Education Forum that brought together hundreds of leaders in entrepreneurship education. To date, CEE has made no effort to track interest or activities in Native American communities.

The National Association for Community College Entrepreneurship (NACCE). NACCE was founded in 2002 to promote entrepreneurship and incubation education at the community college level nationwide. The consortium intends to be the “major channel of distribution for best practices in entrepreneurship education.” NACCE held its first national conference focused on effective practices in October 2003.¹⁰²

U.S. Department of Agriculture (USDA) Regional Rural Development Centers. USDA centers are currently implementing a Rural Community College Initiative, designed to incorporate entrepreneurship training as part of the core missions of rural community colleges in low-income communities across the country.

The Kauffman Foundation. The Kauffman Foundation funds a program titled Lifelong Learning for Entrepreneurship Professionals, a national teaching clinic for professors from any discipline interested in teaching entrepreneurship. The foundation also is providing grants ranging from \$12,000-\$50,000 to 51 colleges and universities currently engaged in varying levels of entrepreneurship activity including awareness, faculty development, curriculum development, experiential learning and peer learning. Although many of these grants have gone to colleges in rural areas, to date there has been no intentional effort to specifically target students from rural or tribal communities.

The Kauffman Foundation also manages the Kauffman Collegiate Entrepreneurship Network of 120 Colleges and Universities with an interest in advancing entrepreneurship. The strategy is designed to support the development of more and better entrepreneurship teaching, research, and services through peer learning and to assist institutions of higher learning in weaving entrepreneurship into their “permanent fabric.” To date, the only tribal university involved in this network is Haskell University in Lawrence, Kansas.

Business Training and Technical Assistance

“THE AIM OF ANY ENTREPRENEURSHIP DEVELOPMENT INITIATIVE SHOULD BE TO CREATE AN EFFECTIVE SYSTEM OF ENTREPRENEURSHIP SUPPORTS.”

In order to flourish, aspiring and existing entrepreneurs need access to high-quality entrepreneurial support programs—including basic financial education, business development training, technical assistance, and financing. According to industry leaders, there is and should be a strong interplay between entrepreneurship training, technical assistance, and financing for all types of entrepreneurs. For the entrepreneur or small business owner, complicated or fractured business services can be frustrating, time consuming, and potentially damaging. The aim of any entrepreneurship development initiative should be to create an effective system of entrepreneurship supports that either offers “one-stop-shop” services or a seamless referral process managed by a single point of contact.

First Nations Development Institute’s (FNDI) *Native American Entrepreneurship Project Report* found that limited business expertise, specifically knowledge about marketing, business plan development, loan applications, and general business practices, is a significant barrier for Native entrepreneurs. The report found that many prospective Native entrepreneurs often lack the necessary business knowledge and management skills to successfully start and grow businesses. There is, therefore, an issue of readiness both in being able to access capital as well as in understanding how to build and manage successful businesses. The research

concludes that “non-financial support needs to be provided throughout the [business development] process—from the development of the business plan through its implementation—in order to improve the chances for the entrepreneurs’ success.”¹⁰³ According to the Aspen Institute, “training and technical assistance are arguably the most important components of microenterprise development services in the United States, particularly when those services are aimed at low-income clients.”¹⁰⁴

Traditional supports for small business development in the United States have been geared to the needs of the businesses rather than the entrepreneurs. These supports, as a result, have often been uncoordinated and inappropriate to the varying needs of entrepreneurs given their



Beads & Things Store, Tanana Chiefs Conference, Doyon Region, Interior Athabaskan, Fairbanks, AK.



education, skills, experience, and business growth goals. Recent research and national demonstrations have shown that entrepreneurship development is more effective when organizations work together to offer comprehensive services that are entrepreneur-centered.¹⁰⁵ Effective entrepreneur-centered programs work collaboratively rather than remain focused on their own “turf” and program survival. Because no one program “can do it all,” by working together in a system, entrepreneurship support organizations can focus on their area of expertise, while at the same time, work in partnership to offer a range of programs and products that serve the diverse needs of the entrepreneurs in their region. Additionally, when entrepreneurship support organizations work together to create a transparent system that is comprehensive and customized, entrepreneurs can find

or be referred to the right type of support at any point of entry into the system. Successful entrepreneurship development systems offer services that help the entrepreneur to build long term skills while also supporting his/her business by offering products and services that respond to the real time financing, marketing and product development needs of the business. This approach is based on the philosophy that an entrepreneur support agency is not in competition with its peer organizations for the same finite pool of entrepreneurs, but rather considers itself a partner in expanding the pipeline of entrepreneurs in the region.

Many studies have highlighted the gaps in business development support services available to Native entrepreneurs, particularly on reservations. Findings from a Harvard 2000 study of 70 Native American firms revealed that many

Native American-owned businesses have technical assistance needs and that a “critical shortage” of technical assistance may be having a direct negative impact on business success.¹⁰⁶

Nearly 80% of tribal respondents to the CDFI Fund’s *Native American Lending Study* ranked entrepreneurship training and technical assistance services as “highly insufficient” on reservations.¹⁰⁷ The *Native American Entrepreneurship Project Report* found that available entrepreneurship programs face critical sustainability issues, such as the high cost of providing training and technical assistance services to clients who are unfamiliar with the business development process and face multiple personal and geographic barriers. Additional challenges for these programs include inadequate cash flow and loan pool capitalization and heavy reliance on federal sources of funding for their operations. On average, 43% of total operating expenses are spent on training and technical assistance.¹⁰⁸

The programs and institutions that currently provide financial education or entrepreneurship development training and technical assistance to Native Americans generally offer training in business plan development, financial management, marketing, and procurement, as well as technical assistance services such as one-on-one counseling, mentoring, business visits, referrals, and loan packaging. Native organizations and programs that provide some or all of these services include the following:

Tribal Business Information Centers (TBIC) offer locally based business training and technical assistance services as well as in-house business development resource libraries. While this program is no longer funded through the Small Business Administration, the majority of the original 17 TBICs, some of which are located within tribal colleges and universities, continue to operate using other sources of funds.

Native American Business Development Centers (NBDCs) are regionally based business development centers that provide Native American entrepreneurs with training, customized technical assistance, and marketing services. Technical assistance offered includes financial and loan packaging, business plan preparation, procurement assistance, and minority and 8(a) certification. There are seven NBDCs that operate through regional centers that serve primarily Native American entrepreneurs who are not reservation-based.¹⁰⁹

Tribal economic development departments offer tribal credit programs, which are often linked to training and technical assistance services for business development. While the federal government supports 32 tribal credit programs through its Indian business development program, many tribes sponsor their own tribally run business development credit and technical assistance programs. To date, there is no comprehensive inventory of tribally sponsored business development programs.

Native CDFIs are institutions that have community development as their primary mission and offer affordable financial products and development services in distressed communities. The four types of CDFIs include: Community Development Loan Funds, Community Development Venture Capital Funds, Community Development Credit Unions, and Community Development Banks. Alongside their financial products and services, they provide extensive business development training and technical assistance. As of August 2003, there were approximately 70 Native CDFIs available to serve 562 tribes. Twenty-eight of these institutions were certified by the CDFI Fund as of July 2004.¹¹⁰ The vast majority of Native CDFIs are either in their planning phases or in their first year of operation.



Sweet Street Cafe, Klamath, Yurok Reservation, CA.

Native community/economic development nonprofit organizations such as microenterprise or small business development programs do not offer financial services or run their own loan funds. Rather, they focus on providing entrepreneurship training and technical assistance services. Many of these programs are housed within larger nonprofit networks, community development, or social service organizations. Native nonprofit business development centers operated through the Oregon Native American Business Entrepreneurial Network exemplify this type of training-led organizational model.

Native business incubators help fledging businesses grow during the start-up period, when businesses are at their most vulnerable. According to the National Business Incubation Association, 31% of the 950 incubators in North America serve rural entrepreneurs. However, the number of Native American businesses involved in this network and the number of Native American-specific business incubators has not been assessed.¹¹¹ Examples of Native incubators include the American Indian Neighborhood Development Corporation in Minneapolis, Minnesota, whose Native small business incubator is linked to an arts market and retail shop that houses Native American entrepreneurs. Of note as well is the Ho-Chunk Community

Development Corporation's business incubator in Thurston County, Nebraska. It houses both private and nonprofit Native organizations.

Native sector-specific programs such as FNDI's Native Agriculture and Food Systems Initiative (NAFSI) is a national sector-specific technical assistance network targeted to Native Americans. NAFSI is designed to increase the effectiveness and number of reservation- and Native community-based businesses that focus on food services. As part of this initiative, FNDI is working to develop a national network of Native entrepreneurs who offer food services and other Native producers. FNDI will support the network through peer learning opportunities, targeted funding, technical assistance, training, and model practices dissemination.

Current mainstream entrepreneurship training and technical assistance organizations and initiatives that are available, but do not specifically target Native Americans include:

Small Business Development Centers (SBDC) constitute a network of federally funded business development centers generally housed in universities and community colleges. They are the most widely available training and technical assistance resource for emerging and existing entrepreneurs and primarily provide business plan development assistance and entrepreneurship training through curricula such as FastTrac and NxLevel. Across the report's eight focus states, there are approximately six centers in Idaho, 13 in Iowa, 10 in Montana, nine in Minnesota, nine in North Dakota, 20 in Oregon, six in South Dakota, and 28 in Washington. Currently, there is no coordinated effort nationally or through state SBDC networks to work with Native entrepreneurs.¹¹²

Resource Conservation and Development Councils (RC&Ds) are designed to assist communities in developing sustainable community economic development strategies, including

entrepreneurship development programs. RC&Ds in Montana, particularly the Beartooth RC&D, are noted as promoting innovative economic and entrepreneurship development strategies in partnership with the Crow Tribe.¹¹³

Regional Development Organizations (RDOs) include economic development districts, local development districts, rural development districts, and tribal development districts. Sixty percent of RDOs are engaged in entrepreneurship development and are often the only institutionalized vehicles for promoting business development in rural communities. Primary products include small business and microloan funds as well as entrepreneurship development training and technical assistance. The West River Business Service Center in Rapid City, South Dakota has extended its service area to include reservations in South Dakota as priority targets. West River staff serve as “circuit riders” to reservations, providing tribes and individuals with assistance in developing business plans and projecting and obtaining financing.¹¹⁴

Sector-specific technical assistance programs are offered in many states through statewide networks of technical assistance providers. Some are sector specific, such as the Manufacturing Extension Program that advises small manufacturing firms on how to increase sales, cut costs, and improve processes.



Former Ho-Chunk CDC Commercial Manager Kenn Mallory and Dannt Pretends Eagle of Ho-Chunk Pride Pest Control

Other mainstream business development organizations are attempting to increase their services to Native entrepreneurs.¹¹⁵ Examples of these organizations include the Northeast South Dakota Economic Development Corporation, which has worked with tribal businesses for more than 20 years and the Northeast Entrepreneurship Fund in Virginia, Minnesota.

National mentoring programs like the Americorps’ MBA Entrepreneurship Mentors and SBA’s Service Corps of Retired Executives are linking those with more sophisticated business knowledge to those who are just beginning and building their businesses. While these are national programs, they may not be available everywhere, especially rural areas and Native American reservations.

Access to Capital

“THERE’S NOTHING WORSE THAN HAVING ONLY ONE BANK ON THE RESERVATION AND HAVE THAT BANK CLOSE OFF CREDIT TO YOU.”

—HOWARD VALANDRA, TRIBAL LAND ENTERPRISE, ROSEBUD, SOUTH DAKOTA

National research and interviews with industry leaders, local practitioners, and entrepreneurs confirm a severe lack of access to capital, credit, and other financial services in Native communities for small and micro business development. They also note significant differences in the amount and types of financial services available to Native communities as compared to the rest of the U.S. population.¹¹⁶ While the traditional sources of capital for most emerging entrepreneurs are families and friends, credit cards, and home mortgage financing, all three of these vehicles are generally not available to Native entrepreneurs on reservations. Reasons for inadequate access to both debt and equity capital for business development include:¹¹⁷

Lack of access to mainstream financial institutions. According to the *Native American Lending Study*, only 14% of Native American land in the United States has a financial institution in the community and 15% of Native Americans must travel more than 100 miles to reach a bank. According to tribal respondents to the study, 66% of non-tribally affiliated financial institutions do not offer start-up business loans on or near Indian reservations, 74% do not offer micro business loans, 71% do not offer small business loans, and 80% do not offer larger business loans.¹¹⁸

Prompted by an increasing number of bank mergers, First Nations Development Institute

(FNDI) in 1998 conducted regional-specific studies on access to commercial financing by Native tribes in proximity to Wells Fargo and Norwest Bank Branches in Nevada, Oregon, Minnesota, Montana, North Dakota, South Dakota and Wyoming. Surveys revealed the second most commonly expressed need of tribes in this region (after home mortgages) was access to credit and financing for both tribal and individual businesses.¹¹⁹ According to the resulting report, “the absence of [affordable] capital discourages entrepreneurs and limits the development of new businesses or expansion of existing community-based enterprise.” The findings note, “Many Native people in the Plains states are hostage to a single-lender market that is absent of competitive interest rates. Individuals are often forced to turn to loan sharks or travel many miles to distant banks that charge very high interest rates for loans and limited banking services. Many respondents from the Dakotas and Montana complained of being charged higher bank fees for a lower level of service and high fees for simple transactions. More often than not, many say that banks refuse to make loans at all.”¹²⁰

Limited use of trust land as collateral. Despite the fact that many reservation-based entrepreneurs technically own their land, it is held in trust by the federal government. This land (tribally owned or individually allotted) cannot be used by tribes or members for such transac-

tions as business leases or mortgages without the approval of the Secretary of the Interior. According to tribal respondents to the CDFI Fund's *Native American Lending Study*, "the slow pace of government decision-making, excessive requirements and paperwork and programs with overly restrictive entry guidelines," frustrate outside capital investments.¹²¹ Financial institutions, in turn, are hesitant to use federal programs and refuse to offer collateral-based lending products to reservation-based borrowers altogether because they perceive the risk to be too high. As a result, many Native Americans cannot obtain home mortgages—the most common vehicle for small business financing. In short, although trust status has successfully protected Indian land from leaving Native control, it has complicated the process for Native people to use their land as collateral for small business financing.

Lack of alternative financial institutions.

Alternative financial institutions, such as CDFIs, not only provide training and technical assistance to Native entrepreneurs but also fill critical capital needs not met through mainstream financial institutions. Over the last 20 years, the mainstream CDFI industry has grown to include between 800 and 1,000 organizations that serve communities across the United States.

Research conducted in 2001 by CFED and FDNI subsidiary First Nations Oweesta Corporations (FNOC) identified approximately 70 emerging or established Native CDFIs as of

August 2003. While the number of emerging and existing Native CDFIs has grown dramatically in recent years (from one in 1996 to approximately 70 in 2003), the vast majority of alternative financial institutions that serve Native Americans are still in the early stages of development, do not have staff capacity, and have not yet closed their first loans.¹²² As of

June 2004, 28 of these emerging/existing Native CDFIs were certified by the CDFI Fund; 12 are business or microenterprise loan funds. Currently, these institutions operate in only 11 states, and according to multiple reports and feedback from industry leaders, increasing the number of these institutions and building the capacity of existing ones is critical to improving access to capital for business development in Native communities nationwide.¹²³

Lack of equity resources.

Entrepreneurs who seek non-debt financing primarily rely on personal savings, retained business earnings, and support from friends and family. Given the high rates of poverty on reservations, savings and financial assistance from family and friends for business capitalization are generally not available. Of the estimated \$95 billion in the U.S. private equity market in 1999, only \$2 billion was managed by companies with a focus on supplying capital to new entrepreneurs from traditionally underserved markets. This scarcity of equity sources is particularly true for Native entrepreneurs, as industry leaders agree that equity resources targeted to Native businesses are nearly "non-existent."¹²⁴ Confirming these reports is research from a 10-year study of Small Business

“WHILE THE NUMBER OF NATIVE COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS HAS GROWN DRAMATICALLY IN RECENT YEARS, THE VAST MAJORITY OF ALTERNATIVE FINANCIAL INSTITUTIONS SERVING NATIVE AMERICANS ARE IN EARLY STAGES OF DEVELOPMENT.”

Investment Companies (SBIC)—privately managed investment firms licensed by the Small Business Administration to provide lending and venture capital to start up and established businesses in the range of \$300,000 to \$5 million—which found that of the total 428 SBIC investments, only four were to Native-owned firms.¹²⁵

The most comprehensive assessment to date on equity investments in Indian country is the CDFI Fund’s *Equity Investment Roundtable and Research Report on Equity Investment*, prepared by the Johnson Strategy Group Inc. and Complexity Management LLC. This report defined the equity investment landscape in Indian country and identified opportunities for promoting equity investments in Native American businesses.¹²⁶ The report estimated a \$10 billion equity investment gap in Indian country when compared to economies with similar demographics. When compared to the current equity capital investment in the United States overall, the Indian country equity investment gap rises to \$44 billion.¹²⁷ It is not surprising, therefore, that Native respondents to the *Native American Lending Study* rated equity financing for business development as one of the most difficult financial products to obtain.¹²⁸

Equity investments do not require physical assets as collateral, thereby overcoming the obstacles of trust land as security for loans. Instead investors select businesses with strong management and credible business plans that they expect will generate returns on their investments. External equity investments are particularly difficult to obtain for Native American entrepreneurs for a variety of reasons including:¹²⁹

- Investor perception of unreasonably high risk surrounding equity investments on Indian land.

- Almost no institutions that provide non-traditional venture capital or equity investments targeted to Native communities.
- No existing alternative financial institutions that offer equity products. (While some tribes have small loan funds, very few offer equity financing.)
- Investor perception of no equity-ready businesses in Native communities.
- Inadequate business support infrastructure.
- Little awareness and knowledge among Native entrepreneurs about how to apply for an equity investment or even locate equity investors.

Industry leaders note that equity investments ranging from \$50,000 to \$5 million in non-high technology companies represent the biggest financing need among Native American businesses. This void has retarded business growth and economic development on reservations.¹³⁰

Lack of adequate financial education. Financial education is also a critical component of Native entrepreneurship development. While the need for financial education is not unique to Native Americans, the lack of economic development or history of individually owned businesses on many reservations means many aspiring Native entrepreneurs have only limited experience with or understanding of personal financial management or business development strategies. A recent report by FNDI, CFED, and NCAI on behalf of the Native Financial Education Coalition, *Financial Education in Native Communities*, found that lower levels of financial expertise among Native Americans stem from various factors. These include a lack of positive interactions with mainstream financial institutions, as well as inexperience in managing credit among older generations (with a resulting lack of role modeling in the family), and inadequate

access to sources of information, such as financial education programs, television, libraries, and the Internet.¹³¹

Native Americans' lower levels of formal financial experience, along with limited access to financial training programs or mainstream financial institutions contribute to poor credit histories. This, more often than not, disqualifies many from prime rate business loans. The result is relatively high loan default rates, reinforcing the cycle of unmanageable debt; blemished credit; and insufficient capital for business development. Poor credit history and a lack of financial expertise are also primary reasons Native Americans enter into predatory lending relationships.¹³²

The prevalence of predatory lending in Native American communities is significant and results in capital or financial services that are unreasonably priced and are unsuitable to the needs and financial position of the borrower.¹³³ While there is no particular national or regional study that outlines the prevalence of predatory business lending to Native Americans, the National Community Reinvestment Coalition found that nationally, Native Americans are nearly twice as likely to receive sub-prime loans than whites.¹³⁴ A recent survey conducted by FNDI on predatory lending in six states (including Montana and North Dakota) found that over 80% of tribal respondents indicated that predatory lending is a problem in their communities.¹³⁵

Access to financing initiatives underway include:

Financial institution education. Increasingly, bank regulators have engaged in education

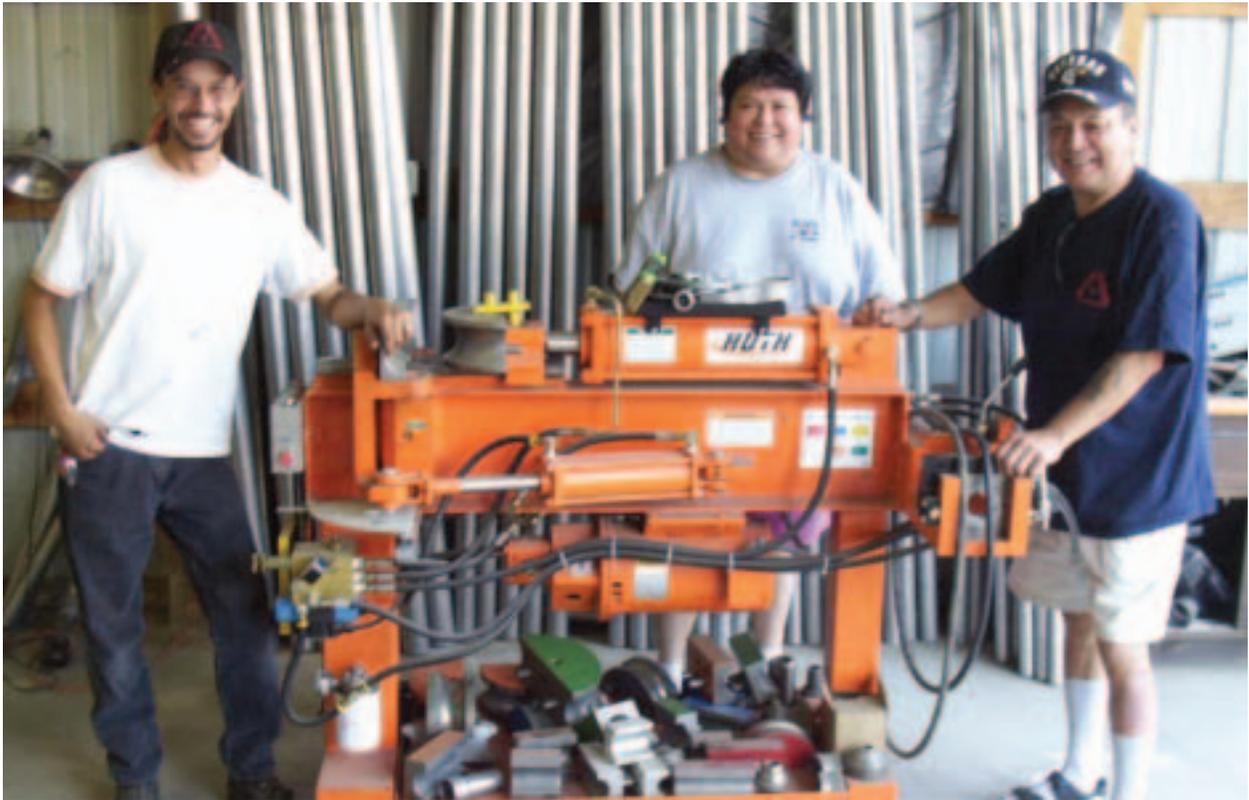
initiatives to encourage and provide guidance to banks on strategies to increase their provision of financial products and services to Native entrepreneurs. The Federal Reserve Banks of Minneapolis, San Francisco, Kansas City, and Chicago offer educational resources to banks to facilitate increased lending to Native communities. The Federal Reserve system also sponsors "Sovereign Lending" conferences targeted to

banks and tribes that focus specifically on expanding access to capital in Native communities. Likewise, the Office of the Comptroller of the Currency (OCC) hosts a Native American working group to study and share effective practices on how banks can effectively offer products and services to Native Americans. OCC also publishes a variety of guides on banking in Indian country

and maintains an online directory of Native American banking sources.¹³⁶ OCC's research notes that, "banks have made significant progress in recent years in increasing their services to Native American communities, but more can and should be done."¹³⁷

Tribal financial resources. Fifteen percent of tribal respondents to the *Native American Lending Study* said that their tribes sponsor, fund, partner with, or otherwise offer business lending.¹³⁸ The majority of these tribally controlled financing services are offered through tribal credit programs, managed by tribes' departments of economic development. These offer a variety of lending services including agriculture, consumer, housing, business, and short term emergency loans. Tribal credit programs began offering business development financing in the 1940s and receive funding from, or operate through, the Bureau of Indian

“NATIVE RESPONDENTS TO THE NATIVE AMERICAN LENDING STUDY RATED EQUITY FINANCING FOR BUSINESS DEVELOPMENT AS ONE OF THE MOST DIFFICULT FINANCIAL PRODUCTS TO OBTAIN.”



Rebecca Lake Engines and Rebecca Lake Exhaust and Fabrication, Colville Tribes, WA. From left to right are new employee Greg and owners Bev and Dexter Nicholson standing next to a new piece of equipment for exhaust fabrication.

Affairs (BIA). BIA area offices list 32 tribal credit programs. Further research is warranted to determine the effectiveness of tribal credit programs and how they can expand lending to Native entrepreneurs.

Guaranteed loans and tax credits from government. It is impossible to examine the impact of entrepreneurship policies in the United States without noting the key role of the SBA, which ranks as the largest lender to small business in the United States. In the last decade alone (1993–2003), SBA programs provided more than \$94.6 billion in loans, representing almost 10% of total small business lending.¹³⁹ While many government programs are in place to support Native American economic development activities, only the BIA directly provides loans or loan guarantees targeted to Native

American businesses. The BIA Loan Guaranty Program provides 30-year loan guarantees of up to 90% to private lenders who agree to finance Native American businesses. The BIA's Indian Economic Development Tribal Credit Program provides direct grants to tribal governments to operate tribal credit programs and other economic development initiatives.

Other federal agencies such as Department of Health and Human Services and the CDFI Fund indirectly support financial investments in Native American businesses by providing grants or loans to intermediary organizations that in turn lend to or invest in Native entrepreneurs.

Debt capital, primarily from banks and alternative financial institutions. Though Native American entrepreneurs face barriers accessing

debt capital from mainstream institutions, banks are still the primary source of business capital.¹⁴⁰ Although there is no available analysis on the amounts of debt capital lent to Native American entrepreneurs from non-Native banks, there are numerous examples and case studies of how banks are increasingly partnering with tribes (by developing commercial codes and providing financial education for example) to facilitate increased financial investments in Native American businesses.

An excellent (and often cited) example is in Montana where First Interstate BancSystem, after facing formal complaints about discriminatory lending practices toward Native Americans, expanded its lending programs, opened a new branch on a reservation, partnered with a Native CDFI to develop a micro loan program for small business owners, and offered internship programs, credit counseling, and business planning seminars to tribal members.¹⁴¹

As noted, Native alternative financial institutions, such as CDFIs, have grown significantly over the last five years to fill the credit gap left by mainstream institutions. Increasingly, Native entrepreneurs are utilizing these institutions rather than turning to more costly services offered through banks, finance companies, or payday lenders. Although the majority of these CDFIs are local, a few such as the Affiliated Tribes of Northwest Indians (ATNI) in Washington and Rural Development Finance Corporation Native American Initiative in Montana are regional.

Critical to the development of alternative financial institutions and entrepreneurship in Native communities are FNDI and FNOC. A national Native nonprofit CDFI, FNOC was formed in 1999 to facilitate the development of Native CDFIs across the country. FNOC provides financing, training, and technical assistance to develop and expand Native CDFIs. It has recently partnered with the National

Community Capital Association (NCCA) to develop a culturally relevant CDFI development training module and institute. Similar to the growth in Native CDFIs, increasingly tribes and Native individuals are forming Native-owned banks. As of May 2002, there were 17 Native-owned banks across the United States. Most are members of the North American Native Bankers Association.

Equity from external investors. Since the release of the CDFI Fund's report on equity in Indian country, efforts are growing to address the equity gap. There are now venture capital/equity investment institutions serving Native American businesses, including:¹⁴²

- Center of North America Capital Fund is an “angel” investor network and investment fund in North Dakota that links the Turtle Mountain Band of Chippewa and the Spirit Lake Sioux tribes with investors.
- Alaska Growth Capital Fund in Alaska provides lending and consulting services to businesses in the manufacturing, resource development, and service sectors that have the potential to capture business held by out-of-state companies. In addition to lending funds, it makes venture capital investments in new or rapidly growing companies.
- Southern Ute Growth Fund in California uses a partnership approach to co-invest with a variety of higher-growth Native American businesses.
- Select tribal enterprises, such as Ho-Chunk Inc. in Nebraska, provide peer-to-peer equity investments into other individual or tribal businesses in their regions.
- Native American Capital in Maryland is a traditional venture capital fund that targets high-growth Native businesses across the United States.

- Complexity Management LLC and the Johnson Strategy Group Inc. are currently designing a national equity capital fund and a conference on equity in Indian country.

Grants for business development. A number of grants from foundations and other sources exist to support Native entrepreneurship including:

- Eagle Staff Fund: While FNDI does not directly provide equity capital to individual businesses, its Eagle Staff Fund has provided 10 working capital grants totaling \$1.5 million to tribally owned businesses and has allocated approximately \$10 million in grants to Native nonprofits, some of which have developed for-profit subsidiaries. In addition, FNDI's Little Eagle Staff fund provides grants to local CDFIs that promote business development for loan loss reserves.
- Four Times Foundation: Founded in 1998 and headquartered in Mahanomen, Minnesota, the Four Times Foundation provides fellowships consisting of grants for business development, mentoring, training, and technical assistance to Native entrepreneurs on five reservations: Blackfeet Nation and Northern Cheyenne Nation in Montana, Rosebud Lakota Nation in South Dakota, White Earth Ojibwe Nation in Minnesota, and Pueblo of Zuni in New Mexico.
- First Peoples Fund: Founded in 1995, First Peoples Fund offers one-year fellowships to artist/entrepreneurs through its Artist in Business Leadership Program, which focuses on emerging artists in the Northern Plains region. It also provides funding through its Community Spirit Award and Cultural Capital programs, both of which operate nationwide. These fellowships provide Native artists with an annual stipend linked to one-on-one technical and business assistance, mentor support, technology resources, and access to markets.
- Native American Individual Development Account (IDA) programs: To date, fewer than 15 established Native IDA programs operate in eight states: Oregon, California, Montana, Hawaii, Oklahoma, Minnesota, South Dakota, and Arizona. IDAs are savings accounts designed to help low-income people build assets, primarily through small business development, higher education, or homeownership. IDA programs allow individuals to deposit money into accounts held by a financial institutions and receive matching funds for their deposits.
- Trickle Up: The Trickle Up program provides very small grants linked to technical assistance to emerging microentrepreneurs in rural communities nationwide and internationally. Recently, Trickle Up began to work with Native American communities domestically and currently sponsors a program at the Tribal Business Information Center on the Cheyenne River Sioux reservation in Eagle Butte, South Dakota.

The Native American Financial Education Coalition, facilitated by FNOC, is a coalition of local, regional, and national organizations and federal government agencies working together to promote financial education in Native communities. Originally formed in 2000 through the U.S. Department of the Treasury, the now independent Coalition's mission is to:

- Increase awareness in Native communities of the need for adequate personal finance skills,
- Build the capacity of tribes and tribal organizations to provide financial skills training,
- And support efforts to promote financial management skills through information sharing and collaboration.

Through broad collaborations, the Coalition guides and facilitates efforts to promote financial education in Native communities across the

country. The Coalition-commissioned report, *Financial Education in Native Communities*, outlines current efforts underway to advance financial education in Native communities nationwide. The report includes efforts in adult financial education, youth education, housing counseling, consumer protection, and entrepreneurship development. The report noted that, although these efforts are promising and important, they are relatively new and “barely scratch

the surface” of the need for financial education resources for Native youth and adults.¹⁴³ In general, these efforts include:

- School-based financial education, savings, and teacher training initiatives;
- Community-based IDA programs that offer matched savings accounts and financial education training to Native youth and adults;

MARLENE AND MAYNARD WHITE OWL LAVADOUR



If you are familiar with the bead workers’ world, then you probably know the names Marlene and Maynard White Owl Lavadour. As a couple they are well-known beadworkers who sell their fine jewelry in some of the best Indian markets and events. As individual artists they have achieved high honors. Maynard, Cayuse/Nez Perce, is nationally recognized and has his work in permanent collections in major museums across the country. Marlene, Navajo, is well known in the region for her fine jewelry designs and bead patterns.

For the last decade or so Marlene and Maynard have managed to make a living from their art. It hasn’t been easy and it hasn’t been lucrative but they have managed to keep a home on the Umatilla Reservation near Pendleton, Oregon, a retail shop in downtown Pendleton, travel to places they love, and raise two children (now 12 and 14).

Something else: Marlene and Maynard are both life and business partners. Now talk about tough—to keep a marriage and business together is quite a mystery and a bit of a miracle by today’s standards.

Marlene and Maynard have also figured out a lot of puzzles about the market for fine beadwork. They have learned how to adapt to the market. They have realized that they must continually develop new products at every price level to meet their customer’s needs. They have expanded the reach of their sales by selling retail at their shop and at major markets, and by selling wholesale to museum gift stores and other fine craft outlets. Plus they sell fine art pieces on commission to major collectors and museums.

Sharing their knowledge with others is now an important element of their practice as artists. They teach beadwork classes in their shop and lecture on Native culture and art at schools, museums, and universities.

Their children are involved in the business, too. Each one is experienced in the craft and can produce many of the jewelry items for their spending money. As the demands of the family grow, so do the demands on their finances. Beadwork may not necessarily support the family in their next stage—like sending two kids to college—so Marlene is considering devoting less time to what she loves and getting a job for extra income.

Life, like a business in beads, may require Marlene and Maynard to develop some new patterns. If the past is any guide, they will have the patience and the perseverance to complete the work.



Graduate from an ONABEN entrepreneur training course.

- National “train the trainer” workshops designed to build the capacity of Native instructors to teach *Building Native Communities: Financial Skills for Families*—a culturally relevant financial education program developed by FNDI and the Fannie Mae Foundation;
- Financial education curricula integrated into tribal colleges and universities and select extension programs;
- Initiatives to prevent predatory lending in Native communities, particularly around homeownership financing;
- And select efforts to promote Native American entrepreneurship development through tribal colleges, economic development departments, and nonprofit organizations.

The Coalition also sponsored the first national policy forum on financial education in Native communities and developed a national action plan and coalition work plan that included

- Expanding national “train the trainer” sessions,
- Designing a project to evaluate the impact of financial education training in Native communities,
- Engaging in a national outreach strategy to promote financial education in tribal communities,
- Launching a youth and tribal college initiative,
- Promoting financial education through financial institutions,
- Promoting financial education to foster entrepreneurship, and
- Promoting consumer protection efforts.¹⁴⁴

Networks and Access to Markets

“IT WOULD BE REALLY GOOD IF SOMEHOW WE HAD A NETWORK WHERE WE COULD BUY FROM OTHER INDIAN PROVIDERS, EVEN ON OTHER RESERVATIONS, AND SUPPORT OTHER BUSINESSES THAT WAY.”

—NATIVE AMERICAN BUSINESS OWNER¹⁴⁵

Networks are essential to a supportive environment for entrepreneurs. Networks fill a crucial need for peer-to-peer learning, allowing entrepreneurs to share experiences, knowledge, and, often, to do business together. Entrepreneurs learn about sources of support, markets, and solutions to common problems from each other. Linking entrepreneurs to customers, suppliers, service providers, and policymakers is also a component of networking. Native American networks can be especially important, as entrepreneurs on reservations face many barriers to successful business.

Recent research shows that despite the benefits of networks, they are not necessarily easy to begin or maintain. Government funds may spark and minimally support an organization, but the entrepreneurs should be the driving force behind the development of a network. Some basic organizing materials exist, among them a guide to building entrepreneurial networks published by the National Commission on Entrepreneurship.¹⁴⁶

Three national organizations make up the major networking infrastructure for Native American entrepreneurs. The organizations differ significantly, but all have a networking component:

The National Indian Business Association (NIBA) has an annual networking conference with more than 400 Native-owned and other

major corporations. NIBA also maintains a directory of 5,000 Native-owned businesses. NIBA is distinguished by its policy expertise and is the only advocacy group in Washington focused on Native businesses. NIBA has been involved on a national level with the Small Business Administration and Small Business Development Act legislation.¹⁴⁷

The National Center for Indian Enterprise Development (NCIED) also enables networking through conferences and an online database of Native-owned businesses. It is distinct because it is the only organization that provides training and technical assistance directly to businesses with funding from the Department of Defense and Department of Commerce. NCIED has about 1,000 clients consistently, though it tends to focus on helping Native small businesses obtain government contracts.¹⁴⁸

The Native American Business Alliance (NABA) has relationships with many Fortune 500 corporations. These relationships allow NABA to encourage corporations to tap into Native-owned businesses to fulfill their requirements to contract with minority businesses. NABA runs a national and several regional conferences that promote Native-Native, Native-corporate, and Native-government business networking. In addition, it maintains a databank of 11,000 businesses, which facilitates



Aspiring Native entrepreneurs network at an entrepreneur training course offered by Ho-Chunk CDC, Omaha, NE.

networking among corporations and Native businesses.¹⁴⁹

At the state and local levels, the 15 American Indian Chambers of Commerce across the country are the primary conduits for networking. Their basic function is to link member businesses to each other, to information and resources, and to potential contracts from corporate America.¹⁵⁰ Based on CFED's initial research, 14 Chambers are organized on a state level and one on a tribal level, Pine Ridge (South Dakota). Though most have sprung up only in the past few years and some are run only by ambitious volunteers, they have made great contributions to building the local networks and supportive environments that are most critical to small or emerging businesses. Since early 2002, advocates have been mobilizing around the creation of a National American Indian Chamber of Commerce.

The national networks are most beneficial to established businesses and heavily emphasize Native-corporate and Native-government networking. While this type of networking has its role, small or emerging businesses often have different networking needs, such as opportuni-

ties to connect with business people in their localities.

Oregon Native American Business and Entrepreneurial Network (ONABEN) is a unique organization that addresses that need. ONABEN operates under the principal that an entrepreneur should network in “concentric circles,” starting with people closest to them—whether in geographic space, culture, or business affinity—and then move outward once a base of support is established. ONABEN's networking services has expanded to the surrounding states of Washington, Idaho, and northern California tribes, but maintains that its most important networking services and other business assistance is done with local entrepreneurs. ONABEN has not focused on corporate or government contract procurement, but has worked to connect Native, tribal, and other entrepreneurs through an annual “Trading at the River” conference.¹⁵¹

Business expos, shows, and craft fairs also offer business owners the chance to connect with consumers and vendors. In addition to providing financing and technical support, First Peoples Fund actively opens doors for emerging

and existing artist entrepreneurs by connecting them to direct market outlets such as business expos and tourism related markets at local, regional, and national levels. The Native American Business Expo, hosted by Turtle Mountain Community College in North Dakota is another effort underway to assist Native American entrepreneurs to network and bring their wares to the local and regional market. Other examples like the Montana Tribal Tourism Alliance have united all of the reservations in Montana together to network.

Gaining access to networks and markets is a significant problem for many reservation-based Native entrepreneurs living in remote rural areas and is reinforced by the fact that Native communities have little or no access to Internet services and bandwidth connectivity. Randy Ross, Program Officer for First Peoples Fund, remarks, "I think infrastructure and access are still looming issues for Indian people...it is moving toward a civil rights issue in my view as these are vital precursors to any notion of success in Indian country... [This is particularly true for] federal reservation large land base areas where deployment of advanced services and ultra-wide band wireless or even cell phone services have been red-lined and delayed because of lack of profitability or lack of subsidies or both."¹⁵²

To address this barrier, there is a growing effort to increase access to technology in remote rural Native communities, as well as develop e-commerce (e-commerce uses Internet technology to conduct business transactions that include selling directly to consumers, marketing, purchasing, electronic conversions and transmission of data, and business-related research) and online networking forums for Native American entrepreneurs that promote both information exchange and access to markets. These forums range from web-based listings of Native American businesses nation-

wide, such as the Native American Business and Services Directory, to customized training and technical assistance programs that guide Native American businesses through e-commerce and online marketing.

An example of the latter is the Tribal Virtual Network—a consortium of tribal museums, culture centers, and education programs in New Mexico that have entered into a partnership to develop and implement Access Grid technology to promote long distance education, training, and communication and exchange programs. Another example is Four Bands Community Fund, a local Native CDFI operating on the Cheyenne River Sioux reservation in South Dakota, which has developed an online e-commerce site, "MadeontheRez.com," showcasing the work of local artist entrepreneurs to a national market.

In even more remote areas such as the Northwest coast of Washington, with support of the Economic Development Corporation of the Affiliated Tribes of Northwest Indians, the Makah Tribe has created a wireless network designed to create jobs and stimulate Internet-based businesses. More well known is the national e-commerce website developed by Ho-Chunk Inc., "AllNative.com," with products varying from traditional Native American goods to modern consumer products.

A recent report on Native American business participation in e-commerce provides research and recommendations for developing a culturally appropriate technical assistance and training program to help disadvantaged Native American business owners increase access to markets and develop successful individual enterprises through e-commerce.¹⁵³ Findings reveal that financial capital, built capital (telecommunications infrastructure) and social, cultural and human capital are all important components to any Native American e-commerce initiative.

Conclusion: Fostering Entrepreneurship in Native Communities

“THE MORAL SEEMS CLEAR: WHERE THE COMMITMENT IS STRONG ENOUGH, THE RESOURCES EXIST TO DO THE JOB. THE KEY INGREDIENT IS PEOPLE WHO WANT TO MAKE THINGS HAPPEN IN INDIAN COUNTRY.”

—JOHN D. HAWKE, COMPTROLLER OF THE CURRENCY

A strong case exists for incorporating entrepreneurship development as a component to any economic development and poverty alleviation strategy for Native American communities, especially in rural regions, for a number of reasons:

- There is a strong correlation between national economic growth and entrepreneurship. It is likely that a similar correlation would exist for reservation economies.
 - There is evidence that low-income individuals who receive support in starting small businesses can significantly reduce their reliance on government assistance and experience gains in household incomes and assets that can raise them above the poverty line.
 - The number of Native American entrepreneurs has grown significantly in recent years and there is a strong need for increased technical and financial business development services.
 - In many Native communities, there are very few other sources of employment. The informal business economy plays a significant role in these communities.
 - Entrepreneurship fosters economic and political sovereignty in Native American communities, but it must include a culturally relevant strategy.
- Currently, Native entrepreneurs face several barriers that make starting and growing successful businesses particularly challenging:
- Inadequate physical and legal infrastructure and a lack of control of tribal assets on reservations inhibit potential economic opportunities for Native entrepreneurs.
 - Small population size and low density, remoteness from markets and key infrastructure, and limited local demand make it difficult for many reservation-based Native entrepreneurs to achieve economies of scale, network, or access needed goods and services.
 - Few federal, state, or tribal policies promote individual Native American entrepreneurship, resulting in a vacuum of attention and resources paid to this issue.
 - Lack of entrepreneurship education in the K-12 system and in youth programs inhibits understanding of or interest in entrepreneurship among Native youth.

- Lower levels of general financial literacy and business management skills among aspiring Native American entrepreneurs, combined with very few role models represent a challenge to the development of lucrative businesses.
- Inadequate business development training and technical assistance resources do not generally meet the business development needs of Native American entrepreneurs on and off reservations.
- Severe lack of access to appropriate financing for Native American businesses, particularly on Indian trust land areas, inhibits the development and growth of Native American businesses.

In order to address the range of barriers facing Native entrepreneurs, the newest evolution in entrepreneurship development calls for an approach that integrates the full range of financial and development services available to Native entrepreneurs into a comprehensive system. Inherent in this “systems” approach is a set of principles and components for ensuring that a community has the right climate or culture in which entrepreneurs and entrepreneurship can flourish.¹⁵⁴ These principles state that entrepreneurship needs to be community-driven, comprehensive and entrepreneur-focused, and regionally oriented. Additionally, entrepreneurship development efforts need to be led by anchor organizations and supported by public policy and an effective information system.

In the context of Native American entrepreneurship, these principles have a number of implications:

Community-driven. The Native community or reservation provides the immediate environment that determines whether entrepreneurship will succeed or fail. Given the considerable

economic and social challenges that many tribes face, combined with concerns about sovereignty and cultural appropriateness, the environment often may not be conducive to entrepreneurship. Tribes need the tools and resources to identify and build upon their assets and resources; to make choices that appropriately balance their economic, social, environmental, and cultural imperatives; to learn from the experience of other tribes and communities; and to be open to experimentation and innovation around entrepreneurship strategies.

Comprehensive and entrepreneur-focused. Entrepreneurship development programs and initiatives that are uncoordinated and not tailored to the differing needs of entrepreneurs at various stages of business development are generally ineffective. Currently, relatively few programs are directed specifically to Native entrepreneurs. There is limited outreach by mainstream programs to the reservation and a lack of resources for sustainable supports. The goal must be to introduce a systems approach to entrepreneurship development that requires service providers to align themselves as parts of regional systems rather than independent fiefdoms with turf and resources to protect—and the reservations and Native American entrepreneurs need to be an integral part of those systems. An effective entrepreneurship development system coordinates a plethora of programs and tailors products to the diverse needs of entrepreneurs. An effective system is flexible, culturally sensitive, integrated, and incorporates all of the elements of support for a comprehensive strategy including youth entrepreneurship education, effective training and technical assistance, ready access to appropriate capital, entrepreneur networks, and a supportive policy and cultural environment.

Regionally oriented. There may be potential for tension between what makes best sense for

Native American entrepreneurs and the realities of politics and prejudice. Political and tribal jurisdictions, more often than not, make little sense in economic terms, and the resources available on reservations and in neighboring counties are usually inadequate to match the scale of the need. The only ways that communities can gain access to sufficient resources and expertise is through forging cooperation across multiple jurisdictions—directly challenging longstanding parochialism—and through supporting regional institutions. The challenge is to look for ways in which neighboring counties, and rural and urban interests, have common problems that are amenable to joint solutions. Moreover, entrepreneurs that restrict themselves to serving local markets will rarely become the economic drivers in their communities; they have to look to regional if not national or global markets.

Anchor institutions. Experience from rural areas across the country shows that the presence of nonprofit institutions that can articulate a vision and/or advocate for change, build partnerships, and attract and mobilize resources is critical to successful entrepreneurship and local development. These could be universities, community colleges, CDFIs, community development corporations, or other well-resourced anchor institutions. If these were able to engage directly with local communities and tribes, operate at a regional scale—perhaps working with several tribes or a mix of Native and non-Native populations—and foster collaboration among service providers, then they could be very effective in stimulating business and economic development on or near reservations.

Supportive public policy. In the absence of national policies that effectively promote and support entrepreneurship, rural development, or tribal empowerment and economic opportunity, there is a vacuum of leadership. In the face

of state policies that reflect ambivalence toward Native Americans, there is neither a framework nor reliable funding sources to foster entrepreneurship. At the level of the tribe, the mixing of politics and business development, and the absence of tribal commercial codes, are deterrents to entrepreneurship. There are many positive signs that some tribal leaders are taking these issues seriously and that some states regard reservation economic revitalization as a priority. Indeed, well-publicized Native American economic success stories are attracting national attention. What is now needed are energized networks of organizations and institutions across Indian Country to generate public and private resources for entrepreneurship development.

Information infrastructure. Efforts to measure the extent of entrepreneurial activity and performance across rural America, and particularly in Native communities, are still in their early stages. The absence of useful and reliable data about new business starts, churning rates, and the success of local businesses at the county and reservation levels makes it very hard to demonstrate the importance of entrepreneurship to reservation, county, and state economies. There is also a need to conduct statewide and reservation-based case studies to collect effective practices on strategies currently underway to promote Native entrepreneurship. Finally, there is a pressing need for rigorous evaluation of the effectiveness of entrepreneurship strategies and programs across all categories of support and the returns on investment that can be expected. Without these, it is an uphill battle to convince policymakers at national and state levels, as well as foundation and private investors, that entrepreneurship is a viable alternative to more conventional business recruitment and resource extraction ventures.

OPPORTUNITIES FOR ACTION

With these guiding principles in mind, a comprehensive strategy should include:

Closing the information gap about the state of Native entrepreneurship. There is currently very little quantitative data and corresponding analyses about the state of the private economy on Native reservations and the numbers and characteristics of Native entrepreneurs and their businesses in both rural and urban areas. Not only is there insufficient data, but there is also no centralized, comprehensive resource that provides information on the array of entrepreneurship development services currently available to Native Americans. There is still significant research that needs to take place to effectively “make the case” for the importance of entrepreneurship for Native communities.

Addressing barriers to successful business launch and growth. Nationally, the number of Native individual entrepreneurs has grown significantly in recent years, but in many states, Native individuals still own businesses at a much lower rate per capita than other groups and currently earn less revenue than their non-Native counterparts. Native entrepreneurs face a variety of barriers to successful business launch and growth. While some of these barriers apply to other minority and rural populations, research shows that the barriers such as limited basic infrastructure, remoteness from markets, a lack of an economic base, inexperience with financial and business management, and insufficient business development and financing resources are particularly severe in Native communities. Characterized by some as “America’s domestic emerging market,” the increased success of some Native businesses, combined with a high demand for financing, training and technical assistance, presents significant opportunities for both investors and service providers alike to meet the needs of this emerging market niche.

Implementing culturally appropriate strategies. While there is some debate about the cultural relevance of individual entrepreneurship as an appropriate economic development strategy for Native communities, available research and interviews confirm that tribal leaders and Native economic development officials see individual entrepreneurship as compatible with Native culture (past and present) and as a vehicle for tribal economic sovereignty. Underlying this general agreement however is the acknowledgement that Native entrepreneurship development strategies will not succeed without taking into account the differences between Native and non-Native cultures.¹⁵⁵

Building on effective practices currently underway. The numbers of creative public-private partnerships and Native not-for-profit organizations have increased over the last decade to address the barriers facing Native entrepreneurs and to facilitate community entrepreneurship development strategies. While these are still in their early stages of development and generally not linked to mainstream initiatives, an increasing number of institutions and programs are working to enhance supports for Native entrepreneurs through policy development, education, training and technical assistance, financing, and networking initiatives. These efforts, some of which are documented in this report, can serve as models and resources for tribes and Native organizations nationwide interested in implementing entrepreneurship development strategies in their local communities.

Providing entrepreneur-focused services that are comprehensive and coordinated. This report identifies a set of principles for ensuring that a community has the right climate or culture in which Native entrepreneurs and entrepreneurship can flourish including culturally relevant, entrepreneur-focused, community-driven strategies. An effective entrepreneurship

OPPORTUNITIES FOR ACTION

- ★ CLOSING THE INFORMATION GAP ABOUT THE STATE OF NATIVE ENTREPRENEURSHIP
- ★ ADDRESSING BARRIERS TO SUCCESSFUL BUSINESS LAUNCH AND GROWTH
- ★ IMPLEMENTING CULTURALLY APPROPRIATE STRATEGIES
- ★ BUILDING ON EFFECTIVE PRACTICES CURRENTLY UNDERWAY
- ★ PROVIDING ENTREPRENEUR-FOCUSED SERVICES THAT ARE COMPREHENSIVE AND COORDINATED

development system coordinates a plethora of programs and tailors products to the diverse needs of entrepreneurs, incorporating all of the elements of support for a comprehensive strategy including youth entrepreneurship education, effective training and technical assistance, ready access to appropriate capital, entrepreneur networks, and a supportive policy and cultural environment. Anchor institutions, a supportive public policy, and an information infrastructure are also all essential components of a comprehensive system.

KEY NEXT STEPS

Based on this strategy, the following key next steps in the areas of policy development, entrepreneurship education, training and technical assistance, access to capital and networking should be seriously considered:

POLICY DEVELOPMENT

- Place Native entrepreneurship on the federal Policy Agenda.

- Facilitate the development of a national Native American Entrepreneurship Working Group whose mission is to promote entrepreneurship development in Native American communities nationwide through broad collaboration.
- Promote federal agency partnerships such as the Native American Interagency Working Group and incorporate entrepreneurship development as an explicit issue of interest into national Native and mainstream policy forums.
- Give greater funding priority to federal programs that specifically support Native American entrepreneurship such as SBA's Office of Native American Affairs.
- Implement a Native American entrepreneurship data collection initiative that is operated through a partnership among the Census bureau, the Bureau of Indian Affairs, National Congress of American Indians, and local tribes.
- Encourage dialogue between state governments and tribal leaders on how to promote Native American entrepreneurship development.
 - Develop a guide for states on how to implement an appropriate Native American entrepreneurship development strategy.
 - Support the development and expansion of practitioner networks and state level entrepreneurship institutions to build the capacity of local entrepreneurship programs serving Native American communities.
- Promote tribal policies.

- Support knowledge sharing around entrepreneurship development for tribal policymakers and economic development officials that specifically guides communities on how to identify entrepreneurs and set up effective local/regional entrepreneurship systems and policies.
- Foster productive linkages between urban and rural Native American communities and provide incentives for these areas to plan together to promote entrepreneurship development.
- Identify investors/funders who are willing to support community entrepreneurship development demonstration projects and fund “effective practices” research at a broad and deep level.
- Support and expand efforts to develop tribal commercial codes.

ENTREPRENEURSHIP EDUCATION

- Support current efforts to develop culturally appropriate youth entrepreneurship curricula. Link this effort to the initiatives currently underway to promote youth financial literacy through the Native Financial Education Coalition.
- Expand existing efforts to develop culturally appropriate business administration and Native American economic development courses and departments at community colleges and universities.
- Support efforts to link entrepreneurship education at the K-12 level into community colleges and university programming. This will create a more seamless system of support and fully develop programs from ad-hoc efforts to comprehensive curricula.
- Educate tribal leaders and teachers about the importance of entrepreneurship education

and provide them with the training and resources to guide implementation of entrepreneurship education curricula/youth programs.

- Encourage mainstream entrepreneurship education organizations to partner with Native organizations (such as the partnership between Kauffman Mini-Society and AIBL) to do specific outreach to schools (K-12, college, and university) and programs (4-H, Boys and Girls Clubs, etc.) serving large percentages of Native American youth.
- Document the best practices in Native American entrepreneurship education and provide resources to the larger field.
- Encourage non-Native educational institutions offering business or entrepreneurship education to offer specific courses on “how to do business in Indian country” to teach non-Native students about the unique opportunities and challenges of Native American business development.

TRAINING AND TECHNICAL ASSISTANCE

- Facilitate the creation of culturally relevant Native American entrepreneurship development training curricula.
- Invest in the creation and expansion of Native CDFIs and other local entrepreneurship development organizations who can in turn deliver high-quality culturally relevant business development training and technical assistance.
- Invest in the development of national or regional intermediaries designed to provide capacity building services to local entrepreneurship development organizations.
- Support training and technical assistance models that require collaboration and networking among service providers and all sectors of the local and regional community.

- Invest in institutions that provide sophisticated marketing and product development services for Native American entrepreneurs.
- Identify the specific training and technical assistance needs of Native American entrepreneurs and incorporate a Native outreach component to existing “mainstream” systems of training and technical support.

ACCESS TO CAPITAL

- Promote federal and state legislation that spurs equity investments in Native American businesses.
- Support initiatives to help develop effective equity and debt financing for Native American entrepreneurs and innovative product and institutional models.
- Develop new and support existing alternative financial institutions and other networks providing equity capital to Native American businesses (CDVCFs, IDAs, angel networks).
- Increase the sophistication of customized training and technical assistance to Native entrepreneurs seeking equity investment capital.

NETWORKING

- Support the development of local, state, and national American Indian Chambers of Commerce.
- Invest in institutions and initiatives that deliver culturally relevant e-commerce training and technical assistance programs promoting business development, access to markets, and networking.

CONCLUSION

Overall, the primary conclusion to be drawn from the information gathered during this research is that entrepreneurship development has the potential to contribute positively to wealth creation, economic development, and poverty alleviation and can be compatible with Native traditional cultures. However, there are many barriers in Native communities—political, attitudinal, financial, legal, and informational—that add to the normal challenges of trying to foster successful entrepreneurship in the rest of rural America.

Despite the clear need for increased investments in entrepreneurship development for Native communities, a woefully inadequate network of support exists for Native businesses, particularly those located on reservations. Mainstream economic development programs or nonprofit organizations largely overlook opportunities to strategically support Native entrepreneurs yet there are creative public-private partnerships that are emerging to better support them. Tribal elders, Native and non-Native policymakers, economic development practitioners, and researchers interviewed for this study agreed that culturally appropriate entrepreneurship is not only compatible with Native culture (past and present), but can and should serve as a vehicle for expanding tribal economic sovereignty and reducing poverty among Native peoples.

Appendix A

DEFINITIONS

For the purposes of this report, the following definitions have been used:

Employer firms: Defined as non-farm businesses with employees. Employer firms make up the majority of receipts and payroll nationally.

Non-employer firms: Defined as a business that has no paid employees, has annual business receipts of \$1,000 or more and is subject to federal income taxes. Non-employer firms are far more numerous than employer firms.

Enterprises: The U.S. Small Business Administration (SBA) is the source of the most commonly accepted definitions of small and medium-sized enterprise in the country. The definitions reflect the fact that the small business economy is composed of a spectrum of small and medium enterprises. These fall into three broad categories according to business size and practice:

- **Small businesses:** Independent, incorporated businesses having fewer than 500 employees (when noted, there is data in this report that is focused on small businesses with less than 20 employees).¹⁵⁶
- **Microenterprises:** Businesses with five or fewer employees, which require \$35,000 or less in startup capital, and lack access to the traditional commercial banking sector.¹⁵⁷
- **Informal enterprises:** Enterprises and self-employed individuals engaged in legal but unregulated activities, driven by cash or barter as the medium of exchange.¹⁵⁸

Entrepreneurial communities: Entrepreneurial communities are those where there is significant economic and social entrepreneurial activity and where there is an effective system of entrepreneurship development.

Entrepreneurs: Entrepreneurs are people who create and grow enterprises. This definition is deliberately widely drawn to encompass aspiring entrepreneurs (those who are attracted to the idea of creating an enterprise, including young people), survival entrepreneurs (those who resort to enterprise creation to supplement their incomes), lifestyle entrepreneurs (those who create enterprises in order to pursue a certain lifestyle or live in a particular community), growth entrepreneurs (those who are motivated to develop and expand their businesses to create jobs and wealth), serial entrepreneurs (those who go on to create several growth businesses) and social entrepreneurs (people who create and grow enterprises or institutions that are primarily for public and community purposes).

Entrepreneurship: Entrepreneurship is the process through which entrepreneurs create and grow enterprises.

Entrepreneurship development: Entrepreneurship development refers to the infrastructure of public and private supports that facilitate entrepreneurship.

Firm: Firm is defined as the aggregation of all establishments owned by a parent company (within a geographic location and/or industry) that have some annual payroll. A firm may be located in one or more places. Excludes farms and businesses without employees.

Indian country: The term “Indian Tribe jurisdiction” means Indian country, as defined in 18 U.S.C. 1151, and any other lands, title to which is either held by the United States in trust for the benefit of any Indian Tribe or individual or held by any Tribe or individual subject to the restriction by the United States against any alienation, and any land held by Alaska Native groups, regional corporations, and village corporations, as defined in or established under the Alaska Native Claims Settlement Act, or Hawaiian homelands—whether restricted or held in trust by the U.S. and the State of Hawaii, public domain Indian allotments, and former Indian reservations in the State of Oklahoma. The term reservation is included under the Indian Tribe jurisdiction definition.

Native American: Native American means a person of a land-based population whether on formal or informal reservations, traditional Indian lands, Indian allotments, Alaska Native villages, or Hawaiian homelands—whether restricted or held in trust by the U.S. and the State of Hawaii.

Native communities: Native communities are defined broadly to include an Indian Tribe, band, pueblo, nation, or other organized group or community, including any Alaska Native village or

regional or village corporation, as defined in or established pursuant to the Alaska Native Claims Settlement Act, or any group of persons having origins in the original peoples of Hawaii, which is recognized as eligible for the special programs and services the United States provides to Indians because of their status as Indians. For the purpose of this report, Native communities also include “near reservation” rural counties in which a majority of Native American residents reside. This report presents information on rural Native communities and does not include information about urban areas.

Private sector: Is defined as that part of the economy that is under private ownership and control. The private sector includes all privately owned corporations, small businesses, farms, professional firms and non-commercial organizations such as unions, non-profit agencies and churches.

Rural: Rural is used to refer to geographical areas outside statistical metropolitan areas and thus includes over 80% of the U.S. land mass and its wide array of economic, physical, cultural, and demographic characteristics.

Appendix B

DATA CONSIDERATIONS

The limitations of the rural entrepreneurship analysis are that it makes no distinction between types of entrepreneurial activity—that is, whether they are survival, lifestyle, or growth businesses.

County refers to non-metropolitan county.

Non-employer firms are firms with no paid employees, annual business receipts of \$1,000 or more, and subject to federal income taxes. The data is the number of such firms by county and used as a proxy for self-employment. The source is the Census Bureau 2000.

Small companies are firms employing 20 employees or fewer. The data, taken from Census Bureau's County Business Patterns 2000, is the number of such companies by county.

Jobs refers to the number of private, non-farm jobs by county, from the Bureau of Economic Analysis, 2000.

The methodological challenges increase when trying to look specifically at Native American entrepreneurship. The following are some of the more obvious:

- The firm data comes from the 1997 Economic Census and the population from the 2000 Census.
- There are reported to be doubts about the accuracy of Census data among Native Americans generally and particular on the reservations, with a strong possibility of significant under-counting of both firms and population.
- The standard error for the number of firms by county can be very large where the recorded numbers are low, and the Census Bureau warns that in such counties the data has to be treated with some caution.
- The data on employer firms makes no distinction among size of companies. Thus, a firm with one employee counts the same as one with 20 or another with 1,000 employees. Therefore, it may be more useful for this exercise to focus on non-employer firms.
- The data represents a point in time and does not show the change in number of firms within a county over time. It therefore, does not provide any insight into firm survival or failure rates.
- The maps refer only to non-metropolitan counties and therefore exclude a large number of Native American businesses located within metropolitan areas. We chose to focus primarily on non-metropolitan counties to gain a better understanding of the state of entrepreneurship for Native Americans living on or near reservations and in rural areas.
- References to tribes/reservations relate only to those that are federally recognized.

Appendix C

PLACES EXAMINED FOR NATIVE ENTREPRENEURSHIP INFORMATION

1. United State Census Bureau, American FactFinder

- a. <http://factfinder.census.gov/servlet/BasicFactsServlet>
- b. Profile of Selected Economic Characteristics 2000, from Summary File 3, by reservation

2. Bureau of Indian Affairs, National Office

- a. www.doi.gov/bureau-indian-affairs.html
- b. Offline due to Cobell Litigation

3. Bureau of Indian Affairs, Regional Offices

- a. http://www.dhs.state.or.us/policy/childwelfare/icwa/bia_offices.htm

4. Native American Business and Service Directory

- a. <http://nabsdirectory.com/>

5. National Indian Business Association

- a. <http://www.nibanetwork.org/>

6. Native American Research Association

- a. <http://www.Nativeresearch.com>

7. Tribal Data Resources Online

- a. <http://tdronline.com/>

8. National Congress of American Indians

- a. <http://www.ncai.org/>

9. National Center for American Indian Enterprise Development

- a. <http://www.ncaied.org/>

10. United States Economic Census

- a. <http://www.census.gov/epcd/www/econ97.html>

11. United Indian Development Association

- a. <http://www.uida.org>

12. Dun and Bradstreet

- a. <http://www.dnb.com/us/>

13. Tribal Business Information Centers Directory

- a. <http://www.sbaonline.sba.gov/starting/tbiclocations.html>

14. American Indian and Alaska Native Populations

- a. <http://www.census.gov/population/www/socdemo/race/indian.html>

15. SBA Office of Native American Affairs

- a. <http://www.sba.gov/naa/>

16. Native Web

- a. <http://www.Nativeweb.org/>

17. Native American Business Alliance

- a. <http://www.Native-american-bus.org/>

18. Enterprise Foundation

- a. <http://www.enterprisefoundation.org>
- b. Page listing Existing Intermediary Services Available to Indian Country
 - i. <http://www.enterprisefoundation.org/resources/ERD/>
- c. Page listing Resources for Community Development in Indian Country
 - i. <http://www.enterprisefoundation.org/resources>

Appendix D

SELECTED NATIVE ENTREPRENEURSHIP CURRICULA RESOURCES

American Indian Entrepreneurs: Case Studies Flathead Reservation by Michele Landsdowne, Salish Kootenai College; Pine Ridge and Rosebud Reservation Case Studies by Lisa Little Chief Bryan, Sinte Gleska College. Offers eight business development topic modules linked to real world case studies of Native entrepreneurs. Each module is associated with traditional Native values and discusses various strengths of and obstacles facing the Native entrepreneur. Topics include:

- Business Opportunity and Recognition: Bravery/Courage
- Business Planning: Timeless Vision
- Individual, Family, Community: Respect for Others
- Network, Alliances, Support: Respect for Earth/Spirituality
- Marketing: Respect/Trust
- Financing, Managing Assets: Wisdom/Honesty
- Management Operations: Cooperation/Generosity
- Nurturance, Harvest: Fortitude/Commitment

Materials mainly developed for use at the community college or University level. Contact: Salish Kootenai College, TBIC, PO Box 117 Pablo, Montana 59855

The Indian Business Owners Guide by Suzanne M. Burcell

- To Developing a Marketing Plan
- To Performing a Preliminary Feasibility Study
- To Preparing a Business Plan
- To Securing Financing

The guide also includes a number of exercises and worksheets to assist the entrepreneur in developing marketing strategies, determining start up and operating costs and predicting the financial performance of the business. The guide also offers exercises on personal values, Native specific business examples to illustrate concepts as well as a sample business plan.

Designed as a handbook for the entrepreneur, this guide is designed to facilitate self-paced movement through four phases of business planning. Contact: Suzanne Burcell, Humboldt State University.

Building Native Communities: Financial Skills for Families, Trainers Guide, Participant Workbook, and Resource Guide by First Nations Development Institute and Fannie Mae Foundation. A general financial literacy-training program designed specifically for a Native audience. Modules include:

- Building a healthy economy
- Developing a spending plan
- Working with checking and savings accounts
- Understanding credit and your credit report
- Accessing credit

Materials mainly developed for adults. Contact: First Nations Development Institute
www.firstnations.org 540.371.5615

Approaching American Indian Economic Development for the Seventh Generation A

Joint Project of the Cheyenne River Community College, Bureau of Indian Affairs, Office of Economic Development and Office of Indian Education Programs.

The project focus is on Indian economic development including topics such as current economic conditions and opportunities, economic development concepts and terms, History of Economic Development between the American Indian and the Federal Government, Values and tribal Economic Development, Strategies for tribes, Strategies for Students, Seventh Generation in Action and Resources.

Materials were mainly developed for use with high school students but can be adapted for middle school students. Contact: Cheyenne River Community College, PO Box 220, Eagle Butte, SD 57625, 605.964.6044

SELECT NATIONAL NATIVE ENTREPRENEURSHIP INITIATIVES

American Indian Business Leaders has trained approximately 150 teachers to implement a culturally relevant version of Kauffman's Mini-Society entrepreneurship curriculum into tribal elementary schools nationwide. AIBL promotes entrepreneurship education and resources, career counseling, networking forums, business competitions and professional resource bureaus for aspiring young Native entrepreneurs K-16.

Southwestern Indian Polytechnic Institute, with funding from the SBA Office of Native American Affairs, has developed a basic entrepreneurship training curricula targeted to Native entrepreneurs and is delivering this training to more than 100 reservations nationwide.

REAL offers hands-on experiential entrepreneurship curriculum and training for K-16 and community educators targeted to rural youth and adults interested in starting or expanding a business. In partnership with the Theodore and Vivian Johnson Scholarship Foundation, the Lakota Fund, Lisa Little Chief Bryan and Deborah McCoy, REAL adapted and piloted a culturally relevant entrepreneurship education "train the trainers" program for teachers in South Dakota tribal high schools.

Tribal colleges and universities promote entrepreneurship in a variety of ways including associate and four-year degree programs in business administration, specialized entrepreneurship certificate courses, and entrepreneurship education targeted to community members through the college's community extension programs. Select tribal colleges have developed Native-specific entrepreneurship curricula. Gonzaga University in Spokane, Washington has developed the first Masters Program in Business Administration with a focus on American Indian entrepreneurship.

Native entrepreneurship support organizations and CDFIs across the country have also pioneered the development of culturally relevant entrepreneurship education training modules and curricula currently being implemented at the local and regional levels.

Endnotes

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