

Review of the CAFN BUSINESS DEVELOPMENT PROGRAM

FINAL REPORT

Prepared for:

Economic Development Branch
Champagne and Aishihik First Nations
Haines Junction | Whitehorse, Yukon

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Introduction

The Entrepreneur Equity Fund (EEF) was launched by Champagne and Aishihik First Nations (CAFN) in 2009 to financially support CAFN citizens in pursuing business activities. By contributing to citizens' equity, the Fund was intended to help entrepreneurs lever additional financing from banks and other sources if required.

Following about three years of activity, the CAFN Economic Development Branch launched a review of the EEF as well as its business development services. A number of questions and issues had arisen during implementation of the program regarding scope of services, definitions, eligibility and authorities. In addition, program administrators wanted to set out clear procedures for reviewing applications and making decisions about dispensation of funds. Another factor was that CAFN anticipated receipt of additional funding for the EEF from a federal program, and a requirement of receiving this funding was preparation of clear program guidelines and procedures.

To March 2013, CAFN had received 28 applications under the EEF; 6 had been paid or approved; and 22 were still in process at the time of writing.

The main product of the review is the Operations Guide for the EEF that is presented in a separate file, and should be considered part of this final report.

The balance of this report consists of a discussion and description of the business development services that the Economic Development Branch (the Branch) aims to provide. While the EEF is the financial portion of the CAFN Business Development Program, a number of non-financial services are intended to assist and complement delivery of funding under the EEF.

The CAFN Business Development Program

The goal of this program is to support CAFN citizens in their pursuit of business ventures. In doing so, the program is intended to help citizens build personal wealth and increase self-reliance, thereby contributing to the CAFN vision.

The EEF is the funding initiative within the CAFN Business Development Program. While services are intended to support delivery of the EEF, they are available to all citizens whether EEF recipients or otherwise. When the EEF was launched three years ago, a number of services were anticipated and announced, primarily through an information brochure entitled "CAFN Business Services." Recent experience, however, indicates that some of the services outlined in this brochure are not being delivered for a variety of reasons:

- "Mentoring" has never been introduced and there seems to be little interest in such a service
- "Loan Application Assistance" has not yet been provided, mainly because there are very few business loan programs offered in the Yukon, and there has been limited to no demand from CAFN citizens
- "Access to Resources" suggests a business resource centre and/or work station; this has not been provided to date due to a lack of space in CAFN offices

These services or initiatives might be pursued in future but they are a low priority at the present time due to the perceived low demand by CAFN clientele. On the other hand, some services that should and could be offered are not mentioned; the most notable example is aftercare support for CAFN citizens who are developing or actively operating business ventures. Aftercare is a new and important addition to the services delivered under the Business Development Program. It aims to help ensure that businesses owned by CAFN citizens operate effectively and profitably, particularly during the first two years of start-up when new businesses have a high failure rate.

Program Overview

Based on the findings of the review, as well as a planning workshop with Branch staff, the scope and focus of the program were clarified. Following is an overview of the functions and services to be encompassed in the Business Development Program:

Function	Activities/Services
Promotion	<ul style="list-style-type: none">• Promote entrepreneurship to CAFN citizens• Build awareness of all Yukon business services/assistance• Provide information about businesses operated by CAFN citizens• Maintain connections with the Yukon business community
Training	<ul style="list-style-type: none">• Analyses of (non-academic) business-related training needs• Counsel CAFN citizens re business training• Provide information about training resources and opportunities• Coordinate delivery of appropriate business training
Business Planning Assistance	<ul style="list-style-type: none">• Provide information/resources on business planning• Facilitate and guide the business planning process• Assist entrepreneurs to secure advisers/consultants
Business Funding	<ul style="list-style-type: none">• Delivery of the Entrepreneur Equity Fund• Facilitate application and due diligence processes• Monitor projects and maintain records
Business Aftercare	<ul style="list-style-type: none">• Monitor implementation of business ventures• Assist entrepreneurs with business set-up and operations• Advise operators about sources of assistance

Activities not included in the program scope will not be delivered, primarily because there is little need or demand for additional services at this time. Examples include a business mentorship initiative, loans program, resource centre, or major marketing support. These or other services may be considered in future should the situation change.

Program Staff and Functions

At the present time, Economic Development Branch contains two full-time positions: a Manager of Economic Development based in Whitehorse, and a Business Development Officer based in Haines Junction. The above program overview provides a basis for describing the job of the Business Development Officer (BDO), which is the position primarily engaged in implementing the program. The Manager supervises the BDO position and makes final decisions on most BDO recommendations. The BDO position was created in 2005 and the job description has not been updated, even after introduction of the EEF in 2009. A description of BDO functions and responsibilities – consistent with the updated program focus – is presented in **Appendix 1** and can be incorporated into an updated job description for this position.

Role of the BDO

The review addresses a fundamental issue in defining the role of the BDO. As described in the EEF Operations Guide, the role of the Business Development Officer is to facilitate and assist the business planning process, in part by providing guidance and information to proponents regarding business planning contents, methods and resources. The BDO's role should not include acting in any way as a business or planning advisor, and the BDO should not offer the applicant instructions or advice about such things as what the plan should say or how the business should be operated. Rather, the BDO should focus on providing relevant and helpful information to the proponent, and direction in terms of the mandatory issues that the plan must address.

The reason for this restrictive role is that the BDO will, upon receiving the completed business plan, need to review it and assess whether it meets program requirements. Hence, any BDO who offers advice to a proponent is in a conflict of interest in that the Officer is assessing his/her own advice. Furthermore, a proponent who receives and follows such advice might well have grounds for complaint or appeal if his/her application is turned down.

Another important factor is that the proponent needs to have a good understanding of the business s/he is planning to launch, i.e. a plan, not just an idea. If a proponent is incapable of explaining how the business will operate – and make a profit – then s/he will have little chance of making the business a success. In other words, if the proponent does not have a coherent plan, s/he is operating on guesswork.

Once the entrepreneur has received EEF funding, however, the potential conflict no longer exists. In monitoring and providing aftercare for the business, the BDO may offer advice and hands-on assistance if requested, or help arrange for a third party to provide such assistance.

This “facilitator” (as opposed to “consultant”) role of the BDO is an important foundation for operation of the CAFN Business Development Program.

Recommendations for Follow-up Action

During the course of this review, several issues arose that require follow-up action and/or clarification to ensure effective implementation of the Business Development Program. Due to the short timeframe provided for this review, there was insufficient time to resolve these issues prior to the report deadline.

1. *Coordinate training payments policies with Education Department.* At the present time, Education controls all training funds available for individual CAFN citizens, and Economic Development Branch is apparently not permitted to pay or assist with training costs of individual businesspeople. To help fulfill the BD Program mandate, it would seem preferable for BD Officer to take a lead role in matching CAFN entrepreneurs with appropriate non-academic individual or group training, and arranging payment. The BDO Workshop budget could be allocated to contract Yukon College “seats” for serious applicants.
2. *Clarify the “roll over” provision within the EEF.* The present policy is to provide \$40,000 per year for EEF, supplemented by salaries and program operating costs. It is unclear whether any unused amounts of the EEF “roll over” (i.e. remain in a designated account) or are returned to general revenue at year-end. As matching federal SEED funds of \$40,000 have been secured through CanNor for the 2013-14 budget, CAFN should clarify its policy regarding the status of its own EEF budget and provide for roll-over of any unused federal SEED funds.
3. *Consider appointing a Business Advisory Council to advise the BD Branch on EEF matters.* As specified in the Operations Guide, decisions about awards of EEF funding are in the hands of the Branch and Executive Director, and do not require Management Committee approval. To provide greater certainty around approval of EEF applications, the Branch may wish to appoint a small group of advisors to vet applications and business concepts during the due diligence process. This Council should operate as a low-profile body whose members advise the Branch on investigation of EEF applications and business ideas; the Council would have no authority to act and would not make final decisions. A suggested Terms of Reference for this Committee is presented in **Appendix 2**.

Implementation of the Amended Program

This review has produced a number of clarifications and adjustments to the CAFN Business Development Program. In particular, the new EEF guidelines provide greater clarity to both applicants and administrators regarding eligibility and procedures for managing the Fund. Furthermore, the new guidelines provide an opportunity to promote the EEF and entrepreneurship in general within CAFN. The following steps are intended to guide implementation of the amended program.

1. Pursue the recommendations noted above with the intention of resolving them within a few months, or prior to acceptance of the anticipated federal matching funds for EEF.
2. Make a formal announcement through the CAFN newsletter and other media about the amended program, with a focus on the two additional components (Crafts & Trades, and Business Studies). Ensure that copies of the new public information piece and application forms are readily available.
3. Update relevant portions of the CAFN website to include the new information and guidelines (the present website is dated and inaccurate regarding the EEF).
4. If the idea of a Business Advisory Council is accepted, confirm its Terms of Reference (**Appendix 2**) and appoint its members.
5. Make another announcement when the promised federal matching funds are approved for the program. Focus on the business funding and services offered under the Business Development Program.

Conclusion

The CAFN Business Development Program addresses a key consideration within the vision of citizens attaining self-sufficiency, and is apparently a unique initiative among Yukon First Nations. Entrepreneurship and business development are proven methods for increasing personal wealth, but the path to business success is filled with pitfalls, risks and challenges. The BD Program is intended to help entrepreneurs address the main challenges they will face.

This review has helped to define and enhance the BD Program with the intent of making it responsive to the needs of CAFN citizen-entrepreneurs. It has not required major changes to the program. Rather, the approach is to focus on a strategy of selected business supports, and set out clear guidelines for participation. While these elements are not a guarantee of success, they are a necessary pre-condition of success.

Appendix 1

Business Development Officer Job Responsibilities

The Business Development Officer is the employee within the Economic Development Branch with primary responsibility for delivery of the CAFN Business Development Program (BDP), which includes the Entrepreneur Equity Fund. The functions and duties of the BDO should include the following:

1. Promote entrepreneurship and available business services and supports among CAFN citizens by:
 - a. Producing and distributing BDP information materials
 - b. Discussing, encouraging and supporting business ideas and ventures
 - c. Making presentations and representations to target groups, individuals, schools, and so on
 - d. Represent CAFN as directed within various business organizations, forums or committees.
2. Facilitate business-related skills and other non-academic training for CAFN citizens by:
 - a. Compiling information related to training needs and carrying out training needs analyses
 - b. Gathering and distributing information about relevant training opportunities and resources
 - c. Counseling and matching citizens in need with available training opportunities
 - d. Securing courses for presentation to groups of citizens and/or coordinating delivery of training initiatives with training providers such as Yukon College
3. Assist citizens with the business planning process by:
 - a. Assembling and providing information and resources on business planning; and identifying information sources available to individual entrepreneurs
 - b. Facilitating and coaching entrepreneurs to carry out their planning
 - c. Identifying significant planning issues that entrepreneurs should address in their plans
 - d. Assisting entrepreneurs to locate and secure appropriate advisers and/or consultants
4. Deliver the Entrepreneur Equity Fund by:
 - a. Producing and providing information materials on the program, both online and other
 - b. Facilitating the application and due diligence processes; preparing project briefs
 - c. Assisting applicants with the business planning process
 - d. Making recommendations regarding approval/rejection and amounts of funding
 - e. Monitoring approved projects
 - f. Maintaining project files and records of program activities
5. Provide business aftercare services to CAFN clientele by:
 - a. Monitoring implementation of business ventures receiving EEf funds
 - b. Assisting business operators with start-up tasks such as setting up a bookkeeping system, dealing with regulations, marketing the business
 - c. Advising operators about other sources of assistance relevant to their business
6. Carry out other related duties associated with the position by:
 - a. Preparing reports of program activity and other matters
 - b. Serving on boards or committees as required
 - c. Attending meetings with clients and making representations to various business or government organizations when requested
 - d. Carrying out special projects and other related duties as directed.

Appendix 2

DRAFT Terms of Reference – Business Advisory Council

- Purpose** The role of the Business Advisory Council (BAC) is to advise the Business Development Branch with regard to applications under the Entrepreneur Equity Fund (EEF). Advice will be provided directly to the Branch and not to individual applicants. Input from the BAC is intended to assist the Branch in the conduct of its due diligence within the EEF application process.
- Membership***
- Membership will include at least three and up to five individuals.
 - The key requirement for members is that they have a sound understanding of business principles, combined with knowledge of the CAFN business environment.
 - At least two members will be CAFN elders. Other members may be appointed from within or outside the CAFN population.
 - Members will be appointed for a period of three years and may be re-appointed.
- Operating Guidelines**
- BAC members will upon request by the Branch review individual applications received under the EEF, and provide comment and feedback on the application(s).
 - Reviews will typically be carried out by means of electronic communication and will not usually involve a physical meeting.
 - At least two Members will be requested to provide reviews of each application.
 - The Council serves in an advisory capacity and has no authority to make final decisions or take action.
 - Members may be requested from time to time to advise on issues related to EEF policies and guidelines, or other related matters within the Branch.
- Confidentiality**
- All applications are considered confidential and Members will not reveal or discuss the contents of any application with anyone outside the Branch.
 - A Member will declare a conflict of interest if s/he or an immediate family member has a personal interest in the proposed business venture and in such a case will not see or review the application.
 - The names of Members will not be associated with reviews of individual applications.
- Remuneration** BAC Members may be paid an honorarium consistent with CAFN policy. The amount of any honorarium will consider the number of reviews completed by the Member in any given period of time.

**An alternative to appointing individual members is to enlist members from the CAFN Economic Development Corporation team to serve on the Council.*