



THE HARVARD PROJECT ON AMERICAN INDIAN ECONOMIC DEVELOPMENT

John F. Kennedy School of Government • Harvard University

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Small Business Development Program Corporate Commission, Mille Lacs Band of Ojibwe Indians (Onamia, Minnesota)

Contact:

700 Grand Avenue

Onamia, MN 56359

Tel. (320) 532-8817 Fax (320) 532-8896

Website: <http://thecorporatecommission.com>

The Small Business Development Program promotes the Mille Lacs Band's private sector economy by providing technical assistance, training and low-interest loans to Band-member-owned businesses located in Minnesota or within 50 miles of the eastern Reservation community of Lake Lena. Since its inception in 1996, the Program has provided loans to more than 30 businesses, including agricultural, construction, service, retail and home-based enterprises.

Since the early 1990s, the Mille Lacs Band of Ojibwe has operated two of the most successful gaming enterprises in the State of Minnesota, and income from these ventures has helped the Band begin to address the difficult social and economic conditions in which many of its citizens live. For example, prior to the Band's entry into the gaming business, tribal unemployment was nearly 45 percent; after the development of gaming, unemployment has been in the single digits.

The Band's government was eager to see the Mille Lacs economy continue to support such positive change, but by the mid-1990s, several economic realities were of great concern. First, the Band's political leaders and economic experts were convinced that while gaming revenues had given their economy a necessary kick-start, reliance on this tribal government-managed industry would be imprudent. Instead, they felt that increased economic diversity was desirable along two dimensions – increased private business ownership and increased non-gaming business activity. Second, population statistics showed that 1,100 Band members were under the age of 18 and that significant numbers of adult Band members were moving back to the reservation. The reservation economy would have to be able to generate new jobs for this growing labor force. Third, with large numbers of Band members living near but not on tribal land, reservation-based business development alone was likely to be inadequate. Finally, while individual entrepreneurs would be key partners in the creation of a diverse, healthy regional economy, many of Mille Lacs' citizens lacked the finances and the skills necessary to make their business dreams a reality.

As a direct response to these concerns, the Band created the Small Business Development Program (SBDP) in 1996. The SBDP's mission is to provide technical assistance, training and low-interest loans to the Band's entrepreneurial members. Specifically, the Program provides technical assistance and training in market analysis, business plan development, accounting, management, marketing and financing. Similarly, the SBDP's loan options target several different entrepreneurial needs. The Program offers "micro" loans (up to \$5,000) to

serve as seed money for cottage industry/home-based business development, and “macro” loans (up to \$75,000) for more extensive start-ups and expansions. Loans are available to businesses that are actively managed and controlled by a Band member (businesses must be at least 60 percent Band-member owned) and that are located in Minnesota or within 50 miles of the eastern Reservation community of Lake Lena.

Organizationally, the SBDP is part of the Mille Lacs Band of Ojibwe Corporate Commission, a tribal corporation charged with the development and management of the Band’s economy. The Corporate Commission employs SBDP staff (a coordinator, accountant and a marketing specialist) and provides office space, operating resources and capital for the loan fund. In addition to these direct forms of support, the Corporate Commission has found other ways to promote the SBDP’s activities. For example, its research staff provides the Program with specialty assistance on a pro bono basis, and it has made retail space in the Band’s casinos available for SBDP participants to lease.

By the end of its first four years of operation, the SBDP had loaned nearly \$1.2 million to Mille Lacs Band entrepreneurs and aided in the start up of more than 30 new businesses (through 16 micro loans and 18 macro loans). Sixty percent of the funded businesses are still in operation (a figure that compares well with the non-Indian small business survival rate), and 18 percent of the loans have been repaid in full. In 1999, businesses that had received financial or technical support from the SBDP circulated over \$2 million in gross sales in the Mille Lacs Band economy. Yet statistics do not capture the full measure of the Program’s success. By funding both new businesses and business expansions, the Program has led to a substantial increase in the variety and vitality of Indian-owned businesses in the Mille Lacs community. And, through these businesses, it has reached out to a broad range of Band citizens. The Program improves all Band members’ employment opportunities, offers models of entrepreneurial success, and generates the economic, educational and social benefits of locally produced goods and services.

The reasons for the SBDP’s success are varied. For one, the Program has received consistent financial and operational support from the Mille Lacs Band’s leaders. The Band government understands that entrepreneurs are important players in the fulfillment of the Band’s long-term economic development goals. This strong tribal commitment sustains the Program, attracts competent and skilled staff members, and ensures the quality of Program services.

The SBDP’s success also can be attributed to the vigilance exercised in loan making and monitoring. All prospective loans undergo strict market and financial analysis in order to identify potential problems and to help determine the true feasibility of entrepreneurs’ business ideas. As desired, the SBDP’s low interest rates attract a larger pool of applicants than traditional programs, but the loan approval process has advanced only those business ideas with a reasonable chance of surviving the rigors of the market.

A final reason for the Program’s success is its ability to adapt administratively. The Program’s adjustment to early growing pains is an instructive example. The SBDP was originally staffed by only one person and, due to a higher-than-anticipated demand for Program services, it became difficult for him to administer and perform all SBDP activities. Loans fell into delinquency, and entrepreneurs were unable to obtain the technical assistance they needed and expected. After analyzing current and future demand, the SBDP and Corporate Commission together determined that two additional staff members were needed. The Corporate Commission committed the funds, and the new staff were recruited and hired. As a result, the Program has been able to return a large number of delinquent loans to repayment

status, increase its technical and administrative capabilities, and expand its service offerings.

Looking to the future, Program principals are considering yet another administrative challenge – they are analyzing the desirability of reorganizing as a nonprofit entity. It is possible that nonprofit status would allow the SBDP to leverage additional funds and, thus, expand the Program’s capabilities. With more capital, the Program could raise its maximum loan amount and work with businesses whose start-up and expansion needs exceed \$75,000. Additional funds would also support more extensive training and technical assistance services. Certainly, the willingness to watch for and analyze such opportunities is an important factor in the Program’s achievements.

The Mille Lacs Band Small Business Development Program was created because the Band government realized that its economy would continue to grow only if citizens had the resources, skills and tenacity to pursue business opportunities. The SBDP’s aim is to cultivate businesspeople who will both generate private sector growth and acquire the skills necessary to manage those enterprises. In sum, the Band, through the Corporate Commission, has brought its financial and technical capacities to bear on the vital problems of grassroots business development and entrepreneurship training.

Lessons:

- Gaming tribes that have the resources to promote a broad base of economic growth can do so by providing support for tribal citizen-driven private sector development.
- In building a private sector economy, it is important for tribal leadership, program staff and entrepreneurs to recognize that business endeavors must be feasible. New businesses must be marketable and financially self-sufficient.
- New entrepreneurs and businesses may need on-going assistance in order to develop successfully. Assistance might include market analysis, business feasibility analysis, business plan development, management and business skills training, and guidance in overcoming obstacles.

79 John F. Kennedy Street • Cambridge, Massachusetts 02138
telephone: (617) 495-1480 • facsimile: (617) 496-3900
website: www.hks.harvard.edu/hpaied