

First Nations Shouldn't Run Mom & Pop Businesses

By Andrew Leach, MBA

As a management consultant, I have seen too many First Nations lose money trying to run mom and pop businesses. In this article, I will present some key ideas for Bands to develop and execute a viable economic development strategy. And the process starts with this: stop running those mom and pop businesses!

Mom and pop businesses are typically owned and operated by an individual or couple. Their main features are:

- Small revenue base, usually less than \$200,000/year
- Small staff, usually less than four employees
- Long hours required to develop and sustain

Small convenience stores, retail outlets and small motels are classic mom and pop businesses.

Bands should not run mom and pop businesses. For starters, why waste your time on small returns when opportunities to make serious money are available in your area?

As well, you'll have to pay whoever you hire to manage your mom and pop business the 14-18 hours a day needed to establish and grow the business. Moreover, mom and pop managers will not treat the business like their own, because it isn't. For instance, purchasing and human resource decisions can be very costly. And if the business isn't yours, what motivates you make the best decision?

Thus, Bands owning mom and pops contradict the small business model of owners working long, unpaid hours and acting in their own best interest. First Nations often pay lots of wages for the mom and pop businesses they own. Look at the financial statements for yours. Where are all the expenses? Are they controllable?

I have seen too many Bands lose their shirts sinking money into fledging moms and pops. Sometimes they end up using their AANDC operating dollars to fund the operations. It's not long afterwards that remedial management kicks in.

Another interesting phenomenon is the emotional attachment some Bands have to their mom and pop businesses. Even when it becomes clear the business is running them into the ground, some leaders are



Andrew Leach is from the St'at'imc Nation (Lillooet, BC) and has a Master's degree in Business Administration (MBA). He also operates a successful management consulting business, and welcomes feedback to his articles.

andrew@andrewleach.com | 604.868.4004
www.andrewleach.com

Suite 200-100 Park Royal,
West Vancouver, BC, Canada V7T 1A2

reluctant to let go. I hear comments like, "It provides us with employment." "We are counting on things to turn around." But that's denial. The writing is on the wall and we often do not want to read it.

There has to be a better way.

For starters, First Nations need to develop a sound business strategy that matches its strengths and weaknesses with the regional economy's strengths and weaknesses. In addition, Bands should go after only those businesses that can justify hiring a full-time manager and still have enough left over for some profit to the Band.

As a rule, if your Band business has less than \$300,000 total investment, it may be too small to run effectively as a Band-controlled entity. You should probably turn these smaller businesses over to Band members. Let them run these businesses for themselves. Like the way they should beas moms and pops.

Instead, focus your energies on bigger, profitable projects.

Band-based tourist projects can do well, but be careful: a lot of tourist projects should be run as moms and pops. I have worked with many First Nations that have done quite well in the resource sectors, and some construction projects can be profitable too.



Andrew Leach is from the St'at'imc Nation (Lillooet, BC) and has a Master's degree in Business Administration (MBA). He also operates a successful management consulting business, and welcomes feedback to his articles.

andrew@andrewleach.com | 604.868.4004
www.andrewleach.com

Suite 200-100 Park Royal,
West Vancouver, BC, Canada V7T 1A2