

## How Bad People Rip Off First Nations

By Andrew Leach, MBA

Some First Nations are still getting ripped off by bad people. They may be bad business partners, bad lawyers, bad consultants sometimes even our own leaders.

Having worked for over 150 First Nations, I recognize a pattern in the way some Bands get ripped off. In this article, I will describe three common mistakes Bands make, and offer suggestions for avoiding them.

### Mistake #1: Negotiating Bad Deals

Some First Nations are still selling their resources for beads and trinkets. The classic example is a resource company coming to your traditional territory and offering a few short-term, entry-level jobs. In exchange, they get access to millions.

The worst deal is when the Band puts up all the risk (i.e. capital) and hires an outside "managing partner" to handle its day-to-day operations. Whether your business succeeds or fails, the managing partner still gets his fees. Where is his incentive to cut costs, work extra hours, etc. to make your business succeed?

Structure your business deals so your partners have a real, vested interest in the success of your venture. And in writing up these deals, be assertive to add/frame the appropriate agreement terms. Often, companies have their own self-serving template agreements ready for you to sign. Don't let them drive the terms by controlling the drafting of agreements.

In summary, remember the adage, "You don't get what you deserve, you get what you negotiate."

### Mistake #2: Not Managing Your Contractors

Lawyers, consultants, engineers make sure you effectively manage these "big three" contractors. If you don't, you may get ripped off.

Some Bands spend a disproportionate amount of scarce resources on legal bills. No doubt some legal bills are unavoidable. For example, if you have a tough labour case in the office, get a good labour lawyer. If you are starting a new company, get a good corporate lawyer.



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Some lawyers come in for one reason and seem to find a hundred other reasons to stick around. At \$250/hour, make sure you really need them!

As well, many Bands seem to have a pack of consultants prowling around. A few are good. I especially like those who are too busy to stay very long. They complete what needs doing and then they're off. However, many consultants have a vested interest in making more work for themselves. They turn over rocks and say, "Oh here's another problem ... I can help you with that." Don't wait for your consultant to say, "I think it's time for me to go." You will probably wait an eternity.

Finally, engineers are indispensable in certain cases, especially those who are skilled with stick handling AANDC funding processes. However, some engineers evolve into policy writers, business advisors and, before you know it, are doing much more than getting your water lines and roads built.

To manage your contractors effectively, first and foremost, control the information flow. As a rule, anything contractors produce on your dime is your product. So get it, store it and organize it. The more you control your own information, the less likely contractors will be wagging the dog.

Finally, don't be scared to question estimates or invoices. Some contractors test their limits and if you don't question them, it will lead to higher costs.

### **Mistake #3: Not Keeping Your Leaders Accountable**

Most First Nation leaders have limited power and authority within their communities. More often than not, our members keep our leaders in check with seemingly endless criticism. Being a First Nation leader often means having to wear a bull's eye target 24/7!

How can it be, then, that a few communities end up with highly centralized leadership which, by the way, can be just a short hop away from corruption? In reality, bad community leadership doesn't happen overnight. Rather, it occurs when community members forego their responsibility to set up effective checks and balances.

Show me a corrupt community leader and I will show you a community with weak financial and accounting systems, limited management capacity, and a poor ability to resolve community conflicts. Deal with these issues and you will tackle your leadership accountability issue.



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