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Eyes Wide Open

Tribal Economic Development for Those Who Would Rather Be Safe Than Sorry

BY DERRIL JORDAN AND DR. DON ZILLIOUX

tribal sovereignty is an expensive proposition! Police departments, tribal courts, social service programs and other governmental programs designed to protect and promote public welfare cost money. Because most tribes lack substantial tax bases, they have to think and act like entrepreneurs in order to create jobs for their people, fund

government operations, and make tribal sovereignty a reality and not an empty promise. Tribes face many obstacles in achieving economic self-sufficiency, including isolation, a lack of natural resources, a shortage of capital, chronic unemployment, and a lack of entrepreneurial experience and expertise.

There are many pitfalls on the

journey to economic stability, and it is easy for tribes to find themselves on the road to destruction instead of the road to prosperity. There is no simple, one-size-fits-all recipe for success, but there are some steps that tribes can take to ensure that the economic development process starts off – and stays – on the right path. These include:

Photos by Brandt Jensen and John Cowie



“FAILING TO PREPARE IS PREPARING TO FAIL.”

BENJAMIN FRANKLIN

> Using effective strategy planning, operational design and goal-setting processes that will guide the tribe in selecting the economic development projects that should be pursued.

> Creating the necessary legal infrastructure for success.

> Identifying what makes the tribe a good investment for potential business partners.

> Conducting the due diligence necessary to properly evaluate a project.

The underlying theme of these steps is preparation because, as Benjamin Franklin said, “Failing to prepare is preparing to fail,” which is costly at many levels. A financial loss when capital is limited is difficult enough, but in many tribal communities, such a failure can also create fear and reinforce doubt and pessimism. In short, failure must be avoided; that is best accomplished by having your eyes open at every turn in the process.

We refer to these as “steps,” and there is a logical order to them, but some steps can be accomplished simultaneously. Each step is, in its own right, an ongoing process. Obviously, planning and goal-setting is a logical first step, but plans and goals can change as you learn and gain experience, so it is always a good idea to keep an open mind about “what,” “how,” “when” and “why.”

Moreover, many “opportunities” will present themselves once a tribe embarks on the economic development journey, and planning and goal-setting establishes the criteria the tribe will use in deciding which of these ventures should be the subject of additional due diligence. For example, if job creation is a high priority (as it often is), investments in off-reservation projects are easily eliminated because they are unlikely to create on-reservation jobs.

Creating a legal infrastructure is a good second step, and it might even be accomplished while the planning process is underway. It is also an ongoing process that will be refined as specific laws are put in place to provide the legal basis for

certain ventures. As a tribe creates its new institutional/economic structure, a proper legal infrastructure will help to facilitate and manage growth and new opportunities.

Many tribes are trying to achieve economic stability, so potential investors and partners have many choices of tribes with which to do business. It is important to think about what makes your tribe special. If an investor has a choice between investing in your tribe and another tribe, how would you explain why your tribe presents a better investment opportunity? There are many things that may make your tribe an attractive environment for investment.

A stable political environment, a system of laws that create settled expectations, and business structures that provide for sound management practices and that separate business and political considerations can all contribute to your tribe being a favored or preferred business partner. But creating this attractive environment for investment does not just happen. It requires thoughtful and purposeful action.

Neglecting these types of concerns before you start courting investors is a perfect example of planning to fail by failing to plan. And, just like the other steps, it is an ongoing process, as your tribe will (hopefully) always be growing and becoming more successful and sophisticated, so you will want to keep updating your profile of success.

Finally, the conduct of due diligence will be repeated each time you consider a specific venture or potential partner or investor. While all these steps are important, the due diligence process is where the rubber meets the road and how you will determine where and how to invest your limited resources and with whom the tribe will entrust its economic future.

While this topic will be the subject of a future article, it is worth mentioning because its significance to successful economic development cannot be overstated. If there is one problem that more often than not derails tribal economic

development efforts, it is turning to the wrong outside investors and business partners. It is easy to make promises, so be wary of potential investors that offer the prospect of painless investments and huge rewards. (No one ever lost 20 pounds on a chocolate cake diet.)

If something sounds too good to be true, it probably is. The bottom line on due diligence is to ask questions, and don't take anything on faith. Ask potential investors for information such as business plans, market studies and references to other people who can attest to the investor's track record and ability to produce the results they claim are possible for your tribe. It is not impolite to ask hard questions, and reputable businesspeople will not take offense. To the contrary, your ability and willingness to conduct a rigorous due diligence process will convince a reputable business partner that your tribe is worth the risk.

To summarize, economic development provides great opportunities for tribes, but opportunity also means potential danger. The best way to ensure that opportunity becomes growth and prosperity and not despair is to be totally aware of, and to understand the true nature of, what you are doing, what your long-term strategy is, and what your specific objectives within that strategy are. Just like walking down the sidewalk, you must have your eyes wide open at all times. ♦

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