The Business Development Team of Ulnooweg

A Review

Abstract

The focus of this review is Ulnooweg's Business Development Team (BDT). The BDT was established under the Atlantic Integrated Commercial Fisheries Initiative (AICFI) and operates through a partnership relationship between the Atlantic Policy Congress of First Nations Chiefs and Ulnooweg Development Group. For those familiar with its context, the BDT is widely regarded as an innovative and successful service provider. Its clients are First Nation communities who are attempting to establish sustainable enterprises in the Atlantic commercial fishery. This review examines features of the BDT that help to explain its uniqueness and help to account for its success.

Harvey Johnstone, Ph.D.

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INTRODUCTION:

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The BDT has its origins in the First Nations struggle to gain access to the Atlantic Fishery. In 1999, that struggle gave rise to a Supreme Court of Canada ruling referred to as the Marshall Decision. That decision affirmed the treaty right of Mi'kmaq and Maliseet First Nations (MMFNs) in Nova Scotia, New Brunswick, Prince Edward Island, and the Gaspé region of Quebec to hunt, fish and gather in pursuit of a moderate livelihood. The decision affected thirty-four MMFNs. Some of the implications of the Marshall Decision have prompted responses from the federal Department of Fisheries and Oceans (DFO). Among the earliest of these is the Marshall Response Initiative (MRI). This and other DFO initiatives that followed the MRI are discussed and provide a context for the BDT.

The Atlantic Fishery itself is an industry that has undergone dramatic changes over its long history; however, particularly over the last fifty years changes to the fishery have been exceptionally numerous and transformative. A brief review of some of these industry changes is included to provide the reader with some sense of the dynamic nature of the current fishery. The review also alerts readers to the growing complexity and continuing turbulence of this modern industry. Certainly the modern fishery is now global. One effective way to understand a global industry is to view it in terms of its value chains. Fishery value chains trace activity along a series of stages including: production (either wild capture, or aquaculture), primary processing, secondary processing, and distribution. Today, within any given fishery's value chain, individual

stages may occur in different countries; i.e., the value chain may be multinational and many are. So the fishery is global, competitive, dynamic and very complex. Furthermore, over time, much as other mature industries have done, the fishery has developed barriers to entry. Industry barriers are of great relevance in the present context because they impact prospective entrants. First Nations Communities (FNCs) hoping to establish themselves in the fishery must recognize and overcome these barriers if they are to succeed. Overcoming each barrier is a necessary, but not a sufficient, condition of success in the fishery. These are complex challenges. It is not enough to recognize and understand these barriers; entrants must develop tools that will also allow them to effectively overcome each hurdle. Designing those tools requires considerable thought, insight, resources and commitment. Furthermore, the development phase also requires a realistic assessment of the prospective entrants' strengths and weaknesses. These ideas are developed in this report and help to shape the BDT.

The review provides a description of some of the methods used by the BDT to engage FNCs. The challenges faced by the BDT include:

1. Finding effective ways to build trust with their FNC clients. Part of this is structural in nature[1] but human interaction is also critical.
2. Finding systematic ways of building each FNC's capacity to recognize opportunities and develop plans to pursue them. The BDT must also encourage the propensity of its clients to do both.
3. Coincident with these challenges is the need to ensure that effective systems of management are in place. This in turn implies the need for human resources that can implement management systems and assume responsibility for their continued use. The BDT is expected to provide support for this.
4. A management system is made more effective when it includes measurable goals and a data collection system that is used to monitor progress towards those stated goals. The BDT encourages and supports adoption of both. Again, in addition to

[1] Here 'structural' refers to organizational hierarchies and reporting lines.

these features, the propensity to use these tools needs to be encouraged and supported.

To address these challenges the BDT is equipped with two kinds of expertise: industry expertise and expertise in the processes of community (place-based) development. Although quite autonomous, the BDT is part of a larger framework of support provided through the Atlantic Integrated Commercial Fisheries Initiative. In fact the BDT depends on this larger system to provide access to resources and a clear framework of support for initiatives undertaken by First Nation Communities as they seek to establish themselves in the Atlantic fishery.

The review concludes with a reflection on the lessons learned from the BDT initiative. It is hoped that these innovations[2], as well as the benefits of good design, may be transferrable to other contexts with good effect. So let us begin by considering the fishery and its evolution.

AN ANCIENT PRACTICE

Seafood harvesting and consumption are ancient practices dating back tens of thousands of years. Shell middens[3] and cave paintings provide evidence that our early ancestors, who were hunter-gathers and on the move, consumed significant quantities of seafood. The first examples of more permanent settlements also provide evidence of our continued reliance on seafood.

As societies developed and advanced, new tools for harvesting, new techniques for preserving, and new methods of distributing seafood were introduced. With these advances larger quantities could be harvested and an industry was born. Even these commercial developments are thousands of years old[4]. Centuries later as this industry continued to spread; the waters of Atlantic Canada became multinational fishing grounds for fleets largely of European origin. Those

[2] The BDT and other components of the AICFI are referred to as innovations in the 2010 Evaluation of the Atlantic Integrated Commercial Fisheries Initiative

[3] Although shell middens are found around the world, the Canadian Museum of Civilisation is involved in the E'se'get Archaeology Project which has identified shell middens associated with the Mi'Kmaq, in Port Joli Nova Scotia. E'se'get is a Mi'Kmaw word meaning "to dig for clams".

[4] Fresh and dried fish were staple foods for much of the Egyptian population. Egyptian implements and methods for fishing are illustrated in tomb scenes, drawings, and papyrus documents.

adventurers exerted a profound influence on the Atlantic region as we know it today. However, as the Atlantic fishery matured the pace of change within it has quickened.

CHANGES SHAPING THE ATLANTIC FISHERY

Particularly over the last fifty years the Atlantic fishery has seen changes along a wide range of fronts including:

a. **A tendency for greater regulation accompanied by recognition of the need for relevant data and scientific studies**;

> "In the Atlantic Canadian fisheries, limited entry was first introduced in 1967, for the inshore lobster fishery. Four years later, in 1971 it was extended to offshore lobster and scallop fisheries as well as to herring purse seiners. In the Atlantic ground fish fishery movement toward limited entry began in 1973 when the Minister of Fisheries announced a new fishing fleet development policy for Canada's Atlantic coast aiming to match fleet size to fish stocks by instituting a more selective subsidy program for vessel construction and establishing a new license control program. In accordance with this program a freeze was introduced on off-shore trawl licences from 1973-74. From then on new vessels were only allowed as replacements of existing vessels. In the inshore sector, barriers to entry were gradually raised starting in 1976. …. ***By 1982 all Atlantic fisheries had been placed under limited entry.*****"** (Apostle, 1998, p. 93)

b. **Ongoing technological advances in vessels and gear with concomitant concerns about sustainability of fish stocks and impacts on fish processing.**

> In 1983, the Kirby Task Force released its report, *Navigating Troubled Waters, A New Policy for the Atlantic Fisheries,* to the public. The Task Force recommended changes to the organization of companies harvesting the resource and to other companies involved in processing the resource. These changes led to improvements in the deep sea fishery and concomitant declines in the coastal fishery. In fact the

importance of government policies in shaping this industry would be difficult to overstate.

Reporting in 2003 on fish processing in Newfoundland, Commissioner Eric Dunne had this to say: "The major processing operations are now less labour-intensive and utilize the latest technology to compete in today's global marketplace. Employment levels in processing facilities are now only 58 percent of what they were in 1990." (Dunne, 2003, p. 1) It should be noted that in addition to automation, the collapse of the ground fishery was another major factor contributing to this drop in employment.

c. **Concentrations of commercial activity and subsequent reconfigurations of these corporations**.

High Liner Foods illustrates the extent of change necessary for survival in a highly competitive multinational industry. "High Liner, a leading producer of value-added frozen seafood products in North America, is headquartered in Lunenburg where it also operates a processing plant. Once an enormous fishing company that caught and processed 300 million pounds of fish a year, High Liner saw Atlantic fishing quotas fall to 5% of what they were in the early 1990s. This prompted them to explore the possibility of sourcing raw materials internationally. The cost savings and complexity of managing these international procurement activities were so great that they decided to sell off their struggling fishing assets and focus on becoming the North American leader in value-added frozen seafood. Today, High Liner procures 30 species of fish from 20 different countries. Primary processing is done in China, but High Liner maintains four secondary processing plants in North America which handle the more complex processing and packaging tasks. These facilities, located close to their final markets, allow for closer attention to quality and a buffer against supply disruptions." (Atlantic Provinces Economic Council, 2011, p. 50)

d. Changes in the locations and methods of fish processing[5].

Fish processing has felt the full impact of restructuring within the Atlantic fishery. For example, by the mid 1980's there was significant over capacity in fish processing (Parsons, 1993). More recently, a study undertaken by Gardiner Pinfold identified two major trends that have dominated seafood markets over the past decade: first, the internationalization of trade and the resulting shift in production to low cost nations in the Far East, and second, the growing significance of aquaculture. "Major fish processing companies in North America and Europe face an increasing challenge in competing for raw material as low cost producers have entered the market and bid up prices with the knowledge that raw material costs will be more than offset by substantially lower wage and production costs. These same processing companies then face the equally difficult challenge of competing with these low cost products in their own traditional North American and European markets. Most have found the challenge impossible to meet so are responding by shifting production to these same low cost producing nations. In Atlantic Canada, we have seen examples of this with ground fish and crab. To understand the overall magnitude of the trend, we only need to look in the frozen fish section in any supermarket to note that virtually every package, no matter which brand, is labeled product of China, Viet Nam or Thailand." (Gardiner Pinfold; Rogers Consulting, 2007, p. 26)

e. Continued growth in consumer demand for seafood along with occasional shifts in consumer preferences.

World demand for seafood continues to be strong; in fact, consumption has been growing at a rate of 3.6% per year since 1961 (FAO, 2012). This can be partly explained by having more mouths to feed, but growth in demand is even greater than the rate of population increase. World per capita consumption (round weight)

[5] For example, in the mid 1980's there was significant over capacity in fish processing, see (Parsons, 1993).

is expected to increase 8 percent over the decade, from 19 kg to 20.6 kg per person (OECD, 2013). Globally, fish provides about 3.0 billion people with almost 20 percent of their intake of animal protein, and 4.3 billion people with about 15 percent of such protein (FAO, 2012).

f. The inclusion of new species in the harvest[6] as well as significant and ongoing increases in the importance of aquaculture.

Offshore clams are an example of a newer harvest, while growth in the relative importance of shell fish such as lobster and crab has helped to offset the diminishing importance of ground fish to the Atlantic Fishery. For instance, in Eastern Canada, Shellfish accounted for 72% of the $1.4 billion landed value in 2009; this distribution has remained stable for several years (Economic Analysis and Statistics Department of Fisheries and Oceans, 2011). At the same time rapid advances in the share of world production coming from aquaculture are expected to continue. This trend combined with dominant role of Asia as a source of aquaculture production (see Figure 2) will continue to shift global supply.

Today's Atlantic fishery, forged in part by these changes (a-f), has become a sophisticated, competitive, dynamic and highly complex industry. Among other things these changes have contributed to a series of *barriers to entry* to the fishery that now form part of its character.

Harvard professor, Michael Porter identifies seven different barriers to entry that are common among mature industries. Included in Porter's list are three barriers of particular relevance to the Atlantic fishery: 1. **Restrictive government policies**, 2. **Capital costs**, and 3. **Incumbency advantages** (Porter, 2008).

For any group aspiring to become part of the current Atlantic fishery, success will hinge critically on their ability to recognize and to effectively overcome each of these three barriers. Overcoming each barrier is a necessary, but not a sufficient condition of success. Part of the significance of the Marshall Decision, and in particular, the *ongoing relevance* of the Business

[6] Offshore clams are an example of new harvest, while growth in the relative importance of shell fish such as lobster and crab has helped to offset the diminishing importance of ground fish.

Development Team can be understood by examining each in relation to these three barriers to entry.

OVERCOMING INDUSTRY BARRIERS

BARRIER 1, RESTRICTIVE GOVERNMENT POLICIES: THE FISHERY, FIRST NATIONS COMMUNITIES[7] AND THE SIGNIFICANCE OF THE MARSHALL DECISION

In 1993 Donald Marshall Jr. was charged with fishing eels out of season, fishing without a license, and fishing with an illegal net. Six years later, the Supreme Court of Canada rendered the Marshall Decision,[8] which gave[9] Mi'kmaq and Maliseet First Nations in Nova Scotia, New Brunswick, Prince Edward Island, and the Gaspé region of Quebec the right to fish commercially for "a moderate living". Rights to fish for food and for ceremonial reasons – had already been guaranteed by the Sparrow decision[10]. As we saw earlier, "By 1982 all Atlantic fisheries had been placed under limited entry." (Apostle, 1998, p. 93) By providing access (in principle) to the Atlantic fishery, the Marshall Decision had overcome a formidable barrier to entry associated with this industry. But there were practical barriers to overcome as well. The decision placed the Department of Fisheries and Oceans under considerable pressure to respond in order to ensure timely access. "The Supreme Court made it clear that its judgment should be implemented with speed – and that's what happened, on both the Mi'kmaq and Maliseet First Nations and the DFO sides. For their part, the Mi'kmaq and Maliseet First Nations began fishing commercially right away, and indicated they would fish in the 2000 spring fishery whether or not they had licences from DFO. DFO, however, was still legislatively and administratively responsible for management and regulation of the fishery. Tensions quickly escalated at dockside and on the water, as DFO scrambled to

[7] In Atlantic Canada there are 34 First Nations Communities, with a combined population of approximately 61,000 people, either living on or off reserves.

Source (http://www.aadnc-aandc.gc.ca/eng/1100100016942/1100100016946)

[8] See R v Marshall, Supreme Court Judgements, September 17, 1999, case 26014.

[9] Some of those who are close to these issues would consider this characterization to be an over simplification, that ignores legal and political nuances, which are beyond the scope of this review.

[10] See R v Sparrow, Supreme Court Judgements, May 31, 1990, case 20311.

negotiate Contribution Agreements with the Mi'kmaq and Maliseet First Nations, so licences and money could flow to them. The government allocated $159.6 million in the initial phase of the Marshall Response Initiative, and within a month of the decision had appointed a Chief Federal Representative to oversee the process of negotiating Interim Fisheries Agreements to give Mi'kmaq and Maliseet First Nations immediate access." (Thayer-Scott, 2012, p. 3)

At the time of the Marshall decision all available fishing licences were already issued. To overcome this barrier part of the funding allocated by government for the Marshall Response Initiative was used to buy back licences and equipment from current fishers who were interested in retiring. The repurchased licences could then be reissued without increasing the total number of licences outstanding, thereby providing First Nations with access to the fishery. By these means a significant *barrier to entry (Restrictive Government Policies)* into the Atlantic Fishery had been overcome.

BARRIER 2, CAPITAL COSTS: THE FISHERY, FIRST NATIONS COMMUNITIES AND THE SIGNIFICANCE OF THE MARSHALL RESPONSE INITIATIVE

According to Porter the need to invest large financial resources in order to compete, can deter new entrants into an industry. In industries with high capital cost barriers, funds may be needed not only to acquire fixed assets but to provide working capital as well (Porter, 2008). Capital barriers to entry associated with the Atlantic fishery are significant. They include the necessity of acquiring specialized equipment (especially vessels, traps and gear); these assets are expensive to purchase and costly to maintain. Between 1999 and 2007, a total of $589.8 million dollars was invested through the Marshall Response Initiative (phases 1 & 2); part of this money was used to purchase 295 new and used vessels (Thayer-Scott, 2012).

The Marshall Response Initiative provided approximately 1,400 licences and 300 vessels to groups, through fisheries agreements negotiated with 32 of the 34 eligible First Nations groups. Since then, the quantity and value of landings associated with FNCs have increased significantly; by 2011 the landed value had reached $75 million (Business Development Team, Ulnooweg Development Group Inc., March 2013). Here again a significant barrier to entry (*Capital Costs*) into the Atlantic fishery had been overcome.

BARRIER 3, INCUMBENCY ADVANTAGES: THE FISHERY, FIRST NATIONS COMMUNITIES AND THE SIGNIFICANCE OF THE ATLANTIC INTEGRATED COMMERCIAL FISHERIES INITIATIVE

Porter argues, no matter what their size, incumbents may have cost or quality advantages not available to new entrants. These advantages may stem from such sources as proprietary technology, preferential access to the best raw material sources, pre-emption of the best geographic locations, established brand identities, or cumulative experience that has allowed incumbents to learn how to produce more efficiently (Porter, 2008). Whatever their origin, these **Incumbency Advantages** are a significant barrier to new entrants – and represent a threat to their survival.

Threats of this nature are that much greater when prospective entrants are inexperienced. Certainly that would be the case for First Nations hoping to enter and succeed in the Atlantic Fishery. Speaking about the early days of the Marshall Response Initiative Jacquelyn Scott has this to say about their preparedness. "The Mi'kmaq and Maliseet First Nations never having been in this business before, for the most part didn't have the training or skill sets in the early years to assess and manage equipment. Similarly, Mi'kmaq and Maliseet First Nations fishers needed skills in a hurry, and through much of the succeeding decade have had to hire non-native captains and first mates (and, sometimes, their boats) for their higher end marine skills. There were no administrative or human resource (HR) systems in place for hiring and managing the new Commercial Fishing Enterprises (CFEs) and governance issues and policies at the Mi'kmaq and Maliseet First Nations level had to be put in place – which would be a long term investment in people and systems" (Thayer-Scott, 2012, p. 6).

Furthermore, the disadvantage of inexperience is amplified because the Atlantic fishery is a sophisticated, competitive, dynamic and highly complex industry. Clearly, further program support would be needed to address these issues and to nurture the significant investments already made during the Marshall Response Initiative. But the challenges here go well beyond providing additional funding. In addition to financial resources, innovative policy and program design are needed; these non-financial responses represent the greatest challenge to overcoming the barrier of **incumbency advantage**.

That new policy and program approach was the **Atlantic Integrated Commercial Fisheries Initiative** (AICFI). Introduced in 2007, AICFI represented a new response incorporating a number of lessons learned from the Marshall Response Initiative. Among other things the AICFI would undertake to:

- build capacity to improve corporate governance of the commercial fishing enterprises;
- improve performance in the commercial sector;
- focus on growth support that would create high levels of technical expertise for the Mi'kmaq and Maliseet First Nations and their Commercial Fishing Enterprises;
- recognize that a focus on business management strategies is critical (Thayer-Scott, 2012).

Commenting on the significance of this policy initiative, Jacquelyn Thayer Scott has this to say: "AICFI represents a distinctive and positive case in major policy change and, more particularly, in its program implementation, conception, and delivery. Its lessons have high potential applicability in FN issues at a range of social and economic levels. Its lessons also reach farther afield and offer promise for improved policy and practice in a large country with widely differing inter-and intra-provincial differences and characteristics." (Thayer-Scott, 2012, p. II)

Compared to the other industry barriers (**restrictive government policies** and **capital costs)**, **Incumbency Advantage** is not so easily delineated. Nevertheless, it poses a genuine threat to the survival of new entrants and must be dealt with effectively. Overcoming this particular barrier requires a deep understanding of the way the fishery is organized and its current best practices. That is, industry expertise and industry experience are needed. There are no substitutes. Furthermore, in this particular context there are additional challenges. First, a mechanism must be developed that effectively *shares* this expert knowledge with First Nation clients who ultimately are the decision makers. Second, the mechanism must also help those clients to identify and execute appropriate courses of action given their choices and given the competitive forces at play. Within the design of the AICFI these challenges have been assigned to the **Business Development Team**. That is, the Business Development Team is a front line unit providing critical support to First Nation entrants. The primary goal of the team is to provide business facilitating support that

will help FNCs enhance the operation and the long term sustainability of their commercial fisheries enterprises (Business Development Team, Ulnooweg Development Group Inc., March 2013).

The challenges faced by the BDT include:

1. Finding effective ways to build trust with their FN clients. Part of this is structural in nature[11] but human interaction is also critical.
2. Ensuring that each FNC has a system of governance in place to formalize decisions taken in relation to the fishery.
3. Finding systematic ways of building each FNC's capacity to recognize opportunities and develop plans to pursue them. The BDT must also encourage the propensity of its clients to do both.
4. Coincident with these challenges is the need to ensure that effective systems of management are in place. This in turn implies the need for human resources with the capacity to implement these systems and assume responsibility for their continued use. The BDT is expected to provide support for this.
5. A management system is made more effective when it includes measurable goals and a data collection system that is used to monitor progress towards those stated goals. Again in addition to these features, the propensity to use these tools needs to be encouraged and supported.

To address these challenges the BDT has been equipped with two kinds of expertise: industry expertise and expertise in the processes of community (place-based) development.

Personnel for the BDT were recruited by an executive search firm. The firm knew the fishing industry and could identify people with the appropriate expertise. The search firm also provided independent assessments of candidates and advised on appropriate salary ranges. The first three individuals hired included an accountant, a former Director of Fisheries for a First Nation community in Québec, and a former fish marketing manager who had also managed an offshore fishing fleet for a large seafood company. They worked for the BDT from their home communities across the Maritimes, each handling about nine communities. Their team leader, David Simms,

[11] Here 'structural' refers to organizational hierarchies and reporting lines.

came to that position with 25-30 years of fisheries and community economic development experience (Thayer-Scott, 2012). Within the BDT the team leader is the 'glue'; Simms uses weekly reports and 'virtual' meetings to keep a geographically separated staff informed of each other's activities.

In 2010, a new support framework, the Atlantic Commercial Fisheries Diversification Initiative (ACFDI) was launched and with it, the role of the BDT was broadened. Since 2010 the BDT also helps FNCs to undertake business development activities that lead to the realization of new fisheries-related diversification opportunities (Business Development Team, Ulnooweg Development Group Inc., March 2013). Two additional advisers were added to the BDT through the ACFDI, one is a specialist with experience in fish processing and marketing, and the other is a specialist in aquaculture. Their roles are to advise those MMFNs now starting to branch into vertical supply chain businesses (such as ice making, fish processing, and retail sales), or to diversify horizontally into aquaculture. Although the ACFDI wound down in March 2013, the BDT has been able to maintain and even expand its capacity to support aquaculture. The BDT now has two aquaculture adviser positions, which are supported under the Aboriginal Aquaculture in Canada Initiative (AACI). The Business Development Team has expertise and depth of experience – they know what they were talking about and have a broad mandate. Now widely believed to be one of the 'jewels in the crown' of AICFI (Thayer-Scott, 2012), the Business Development Team has the ability to *add value* to commercial fishery enterprises at the conceptual development stage, through the financing stage, and all the way through execution and roll-out.

Just as important as their expertise, is a shared understanding among the team members of their role. Accurate perceptions and trust are essential. This is where David Simms expertise comes into play. Simms is a perceptive communicator with a wealth of experience in community engagement. He knows when to talk and when to listen. He also understands organizational structure and is able to recognize the possibilities created by innovative structures. For example, the organizational chart of AICFI shows that BDT has a reporting relationship to Ulnooweg, the Atlantic capital corporation for the MMFNs (Thayer-Scott, 2012, p. 12). Ulnooweg is well known to First Nation communities; the corporation has dealt with those communities for 26 years. This is recognized as a key source of credibility for the BDT. From the beginning, Simms has

emphasized to the First Nation communities (BDT's clients) that he and his team are not employees of the Department of Fisheries and Oceans, nor are they employees of the Atlantic Policy Congress, they are employees of Ulnooweg. Furthermore, because of its reporting lines, the BDT is able to maintain client confidentiality. This is another key feature of the BDT that enables its staff to cultivate relationships with First Nation Communities that are based on trust. One indicator that the BDT has been accepted as a trusted and reliable advisor is the degree to which it has been engaged by its clients. By 2013, 30 of 34 MMFNs had joined the AIFCI. Because they are mandated to *share* their expertise, BDT members have also worked with the Nova Scotia Community College in designing a *Fisheries Enterprise Management training program,* which is aimed at MMFN fishery managers. Over the longer term it is expected that First Nation advisers will develop and will assume BDT roles. Given the high value placed on industry experience, this will take some time.

Structurally, the operation of the BDT has been carried out under the direction of the AICFI Management Committee. This committee meets regularly with representation from DFO, APC and Ulnooweg. The primary responsibility of the Management Committee is to direct and to guide the BDT in assisting the communities to make the best use of the AICFI program and, where appropriate, other sources of support (Business Development Team, Ulnooweg Development Group Inc., March 2013).

As we have characterized it here, the work of the BDT *supports* First Nation Communities in their ongoing efforts to enter into and to remain competitive in a mature industry – the Atlantic fishery. That is, the BDT helps them to overcome a barrier to entry. This is what the BDT does. In the next section we will try to get clearer on *how* this is done.

BARRIERS TO ENTRY - THE BDT AND THE LINK TO VALUE CHAINS

To be effective, the BDT must be seen to *'add value'* to the decision making processes engaged in by First Nation Communities (their clients). The decision process is 'structured' because each community and its Commercial Fishing Enterprise must produce a business development plan. The business development plan is the basic document from which all funding proceeds, and against which all outcomes are measured. So it is a crucial document and communities are motivated to

produce one. As those communities explore possibilities and plan their Commercial Fisheries Enterprises, the BDT members 'add value' by providing their clients with value chain analysis of the fishery.

Value chains describe the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. (Kaplinsky, Morris, & Redmon, 2002). Value chain *analysis* seeks to characterize how chain activities are performed and to explain how value is created and shared among chain participants (Kaplinsky, Morris, & Redmon, 2002).

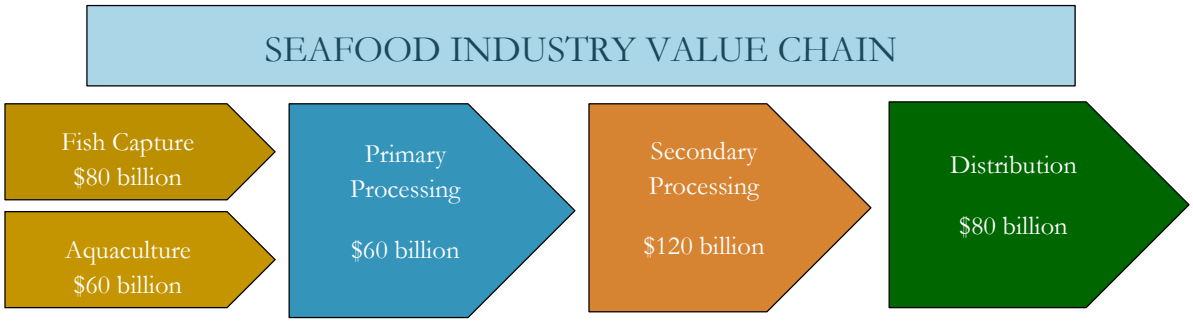
A recent study reports the growing importance to Atlantic Canada of *global* value chains where parts of the production process for a good or service are located in different countries. These arrangements take advantage of lower costs, local expertise or proximity to markets or key suppliers. Firms within global value chains increasingly focus on what they do best and outsource the provision of other inputs to specialized suppliers operating in their home country or overseas (Atlantic Provinces Economic Council, 2011).

We have seen that the Atlantic fishery is part of a global commercial system that is subject to forces of competition from around the world. Furthermore, the complex cacophony of changes (a-f) occurring over the past fifty years is premised on a single unalterable fact - the waters of Atlantic Canada hold a resource of immense value. One of the keys, therefore, to understanding the current Atlantic fishery and its best practices, lies in knowing and being able to analyze its value chains. Value chain analysis is thought to be particularly useful for new producers entering both domestic and global markets. It ensures sustainable income growth, based on an understanding of the value chain, from the time the fish is caught, till it reaches the final customer (Russell & Hanoomanjee, 2012, p. 6). One of the unique qualities of the Ulnooweg's Business Development Team is that BDT members have been recruited from fishery value chains and know how they operate.

On a global scale, today's fishery is of great importance to the economies of many countries; it represents a significant source of GDP[12], employment[13], and also provides a critical source of food[14] to much of the world. But it is also dynamic. Fish has become among the most highly traded food commodities with nearly 40 percent of all production now exported (FAO, 2012). And the future is bright. World demand for seafood continues to be strong. A broad brush representation of the global seafood value chain is provided below in Figure 1. Each activity along the chain contributes to the overall value of the industry, which was estimated to be worth $400 billion in 2007.

In terms of supplying this growing demand, world production comes from two sources: wild capture and aquaculture. In 2010 wild capture production was estimated to provide about 90 million tons with an additional 64 million tons produced through aquaculture. Not only is aquaculture an important part of current world production (accounting for about 40%) it is also growing at a rate of 7% per year (FAO, 2010). In contrast, production through wild capture is a

Figure 1



Source: (Davidsson, 2007)

mature part of the industry. At present, the overall maximum potential of wild capture fisheries from the world's oceans appears to have been nearly reached. Economists expect continuing strong

[12] The estimated value of world fishery activity in 2007 was $400 billion dollars

[13] There are nearly 55 million people employed in the worldwide fishery.

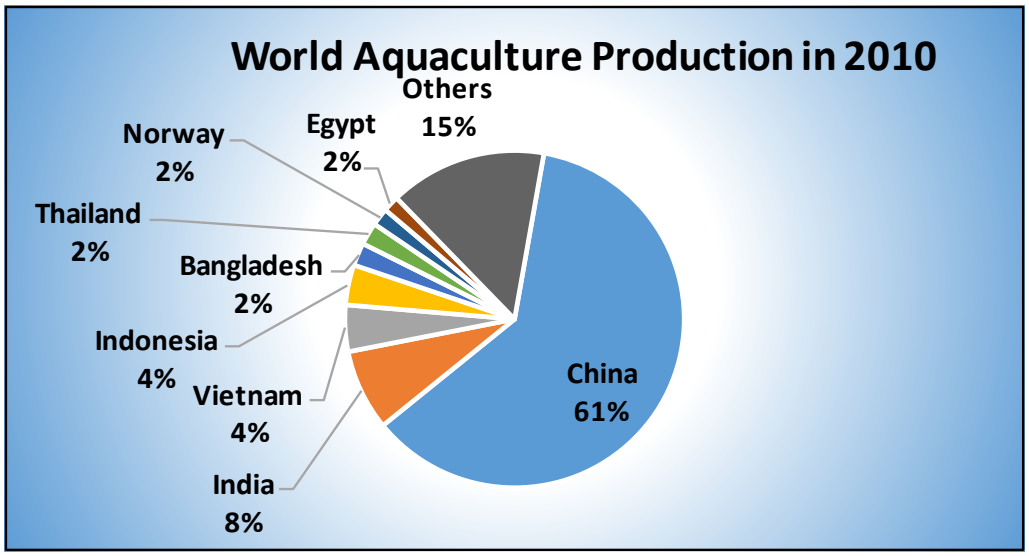
[14] Not only do fisheries generate employment for millions, but fish provides vital nutrition to billions and is often essential to the diet of the poor (World Bank, 2010).

growth in fisheries; but capture fisheries' output is projected to rise by only 5 percent by 2022 while aquaculture should increase by 35 percent. World fisheries production is projected to reach 181 million metric tons by 2022. Based on these projections, aquaculture will surpass capture fisheries as the main source for human consumption by 2015 (OECD, 2013). The convergence of these factors had led Peter Drucker, a Nobel Laureate and Management author, to suggest that - aquaculture, not the internet, represents the most promising investment opportunity of the 21st century (Drucker, 1999). Of course these changes will alter the underlying value chains of the fishery. In fact in a dynamic industry value chains are constantly evolving.

Value chains can be used as a way of highlighting the impacts of globalization on industries like fishing. They also can be used to provide a means of identifying areas of opportunity. As countries like China enter world markets, primary economic returns within the value chain are shifting and are increasingly found in areas outside of production, such as design, branding and marketing (Kaplinsky, Morris, & Redmon, 2002).

Figure 2 shows the astonishing importance of China (61%) and of Asia (81%) as current sources of aquaculture production. "Value chain analysis provides not just a method of

Figure 2



Source: (FAO, 2012, p. 28)

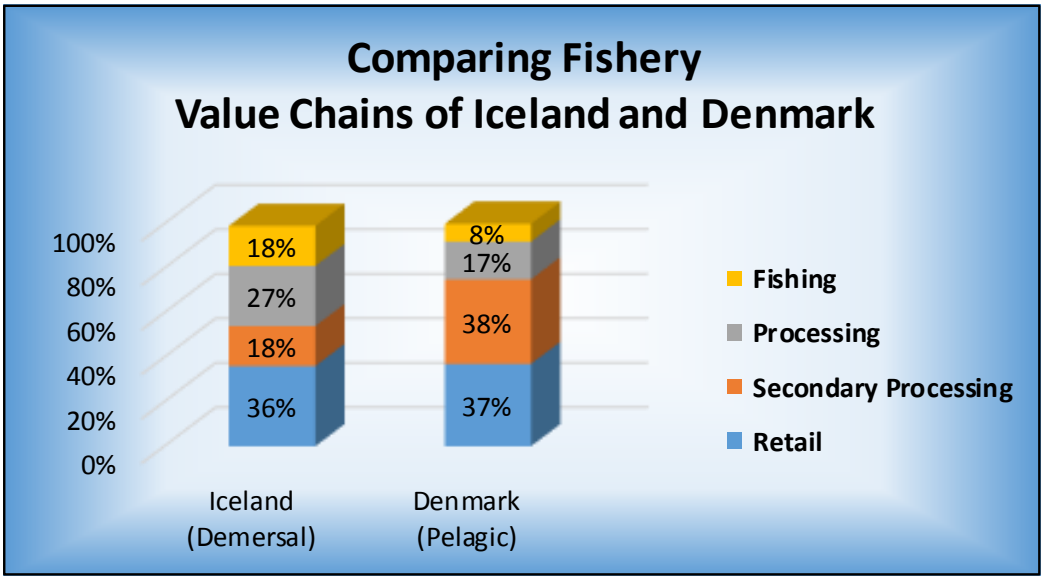
understanding these developments, but also a way of identifying key challenges in the promotion of upgrading." (Kaplinsky, Morris, & Redmon, 2002, p. 4) Global value chain (GVC) analysis has emerged since the early 1990s as a preferred methodological tool for understanding the dynamics of economic globalization and international trade. The GVC approach is based on the analysis of discrete 'value chains' where input supply, production, trade and consumption or disposal are explicitly and (at least to some extent) coherently linked. Much GVC discussion has revolved around two analytical issues:

- how GVCs are governed (in the context of a larger institutional framework);
- how upgrading or downgrading takes place along GVCs?

These discussions have been carried out with an interest in how power and rewards are embodied and distributed along GVCs, what entry barriers characterise GVCs, and how unequal distributions of rewards can be challenged in favour of labour and/or developing countries (Ponte, 2008). Governance can have a profound effect on profitability.

Comparisons of value chains among countries engaged in the fishery show that the same

Figure 3



Source: (Gudmundsson, Asche, & and Nielsen, 2006)

industry looks quite different from one country to another. In an FAO study that deals with "revenue distribution through the seafood value chain", value chains were compared. The objective of this study was to demonstrate how the revenues from seafood trade are distributed over the entire seafood value chain. Figure 3 compares Denmark with Iceland. We can see that the results are quite different.

A Different Kind of Barrier: The concept of 'governance' is central to the global value chain approach. Governance refers to the inter-firm relationships and institutional mechanisms through which non-market coordination of activities in the chain takes place. *This coordination is achieved through the setting and enforcement of product and process parameters to be met by actors in the chain*. In global value chains in which developing country producers typically operate, buyers play an important role in setting and enforcing these parameters. They set these parameters because of the (perceived) risk of producer failure. Product and process parameters may also be set by government agencies and international organisations concerned with quality standards or labour and environmental standards (Humphrey & Schmitz, 2001, p. 1). The BDT adds value because its highly specialized staff understand fishery value chains and the threats and opportunities that lie along them. There are no substitutes for this kind of knowledge and its availability makes the Business Development Team unique and indispensable. The types of services provided by the BDT are illustrated by this list:

1. Assisting in the preparation of business plans and harvesting/operational plans
2. Providing advisory and hands on analysis to help determine the feasibility of new project ideas
3. Assisting in the evaluation of proposals and reports pertaining to business planning studies and assessments
4. Assisting with adopting best management practices and strategies for improving the communities' commercial fisheries operations and business enterprises
5. Assisting in preparation of proposals to secure funds for new project development initiatives from sources other than AICFI and ACFDI
6. Assisting with implementation of Project Management Action Plans for more effective project management

7. Assisting with establishing a Project Management Action Team structure to help monitor progress of projects and to provide measurable aftercare (Business Development Team, Ulnooweg Development Group Inc., March 2013).

In part, the success of the BDT is explained by the supporting policy framework within which it operates. The original framework, the AICFI, was initially funded for five years from 2007-2012; it was extended to March 2014 and recently was renewed until March 2016. The AICFI provides an architecture of due diligence but has other innovative features as well. The program is entirely voluntary: MMFNs are not obliged to participate. However, those who do participate must agree to comprehensive project transparency and accountability. The program requires the development and implementation of band approved business plans, undertaking training, and other capacity building activities. These are areas where the BDT provides significant support to the FNCs. Bands are also making financial contributions to projects from their own resources. The program also has bottom-line accountability: if there is no satisfactory performance, then there is no funding. Finally, the program has transparent, objective project assessment criteria that ensure detailed information is obtained for program evaluation purposes (Cook, 2013). One key feature of the AICFI is that its delivery is undertaken through the Atlantic Policy Congress of First Nations Chiefs. Before approval, AICFI supported projects undergo an independent third party evaluation and are also assessed by an Application Review Board. Given these expectations, the kind of support the BDT provides is highly relevant to FNCs engaged in the AICFI.

The results of these efforts have been significant. Looking at the earliest stage of the Atlantic Fishery value chain (production), FNCs have managed to establish a presence. Between 2008 and 2011 FNCs registered significant increases in the value of their landings of lobster, crab, shrimp and scallops[15]; in addition to these achievements the BDT has contributed importantly both to diversification *and* to capacity building among its FNC clients. The BDT has helped to identify the shortfalls and weaknesses of existing governance systems, particularly as they relate to new projects, and has worked with each community in strengthening those systems before project proposals are prepared. The BDT has discussed and advised on the importance of enterprise governance and project management. For example, processes have been developed whereby

[15] During the same interval, the value of FNC ground fish landings dropped.

financial management of fisheries projects has been separated from the Band's finances to ensure more effective project delivery. To this end, the BDT helped to introduce a new model for project management comprised of an Excel based matrix that captures all necessary information to track project progress on a weekly basis. To strengthen the value of the matrix, the management model is complemented with the implementation of a Project Management Action Team and a Project Management Action Plan.

As we have seen, for those who are able to recognize them, the fishery provides numerous opportunities along its value chain. In terms of diversification FNC initiatives involving BDT support, now include spin-off businesses in fish processing, marine supply, tourist vessel charters, seafood marketing, fish transportation and aquaculture. Since 2010, the BDT has assisted with the start-up or expansion of 27 fisheries diversification businesses accounting for 250 new jobs (Business Development Team, Ulnooweg Development Group Inc., March 2013). Major advances in aquaculture participation and growth have been made with the ACFDI supporting 8 development initiatives (Atlantic Congress Policy of First Nations Chiefs Secretariat, 2012).

The BDT provided an invaluable level of service to help address certain identified shortfalls within the communities that wished to undertake fisheries diversification activities. This includes BDT assistance to access outside expert advice and other relevant resources, and assistance for accessing project funds. Overall, the ongoing support activities of the BDT have been critically important to help facilitate fisheries diversification business planning and development processes and to assist with successful business implementation.

All of these initiatives are positive, adding value and stability; however, the activities in aquaculture are particularly interesting because they mirror an established trend that is evident within the wider industry; namely, the increasing importance of aquaculture as a source of fish production. Given the worldwide significance of this transformative change, it is reassuring that FNCs are part of it. Some of the opportunities associated with ACFDI and the roles played by the BDT in relation to these, are described here.

1. When the ACFDI was put in place, the communities interested in aquaculture saw a unique opportunity. For the first time, a program offered the necessary elements through a dedicated BDT to get their aquaculture initiatives on the way to sustainability.

2. The ACFDI and the BDT provided the vital pieces for a solid foundation in the form of technical expertise, professional advice, business plan development, and project funding.

3. The ACFDI and the BDT have been instrumental in helping First Nations communities increase their participation and growth in the aquaculture industry.

4. In the aquaculture sector alone, the ACFDI has supported the development of 8 new or expansionary initiatives by contributing some $2 million to leverage over $6.5 million from other funding sources.

5. The aquaculture development initiatives have included mussel, oyster, trout, salmon and Arctic char farming activities and they have generated or maintained around 30 jobs for First Nations communities, and the potential exists to generate many more jobs as the operations grow.

6. The BDT provided the necessary assistance to adopt innovative technologies, sound project and business management practices and continuous aftercare to help the communities achieve total sustainability in their aquaculture operations.

7. Unlike other industries, the products in aquaculture are living organisms (as in agriculture) and the risks associated with a production failure are high. The BDT support has been crucial to assist in minimizing the risk and obtaining the positive results expected.

8. Success in aquaculture comes with time and any program whose objective is to support aquaculture development needs to be implemented over a number of years. The three year timeframe for ACFDI has been critically important for sustaining the capital and operational investment and in providing the tools for building capacity within the communities that have chosen to pursue aquaculture.

9. The ACFDI and the BDT have been instrumental in giving some communities the option to invest in aquaculture whether for improving the performance of existing operations or to create new business ventures (Business Development Team, Ulnooweg Development Group Inc., March 2013, p. 18).

The importance of aquaculture as a stable source of opportunities within the fishery is recognized by the BDT, which has, with the ongoing support of the AACI, strengthened its own capacity to support aquaculture initiatives by FNCs. Also of considerable importance, are other contributions the BDT has made to *capacity building*. Along these lines the BDT has worked with the Nova Scotia Community College to develop a series of specific Fisheries Enterprise Management

Training Courses addressing topics such as: 1. Informed Decision Making using the fisheries management system {20, 28}; 2. Introduction to Financial Management for Fisheries Managers {17, 20}; 3. Fisheries Operational Management {21, 23}; 4. Strategic Business Planning {10, 11}; 5. Project Management for Fisheries Managers {13, 17}; and 6. Human Resource Management {11, 13}. The figures in brackets indicate respectively the number of communities and management personnel participating over the period from 2010-2013.

On a related front the BDT has been instrumental in promoting the adoption of an automated fisheries management system (FMS), which has been made available to FNCs at no cost. As a software management tool, FMS helps fisheries managers to track and monitor operational results of their fisheries enterprises and make comparisons to historical data. A fully utilized system can contribute significantly to improving management efficiencies, better strategic and operational planning, and overall increased profitability. The BDT has *also* worked with the communities to help ensure that FMS reporting is reconciled with financial accounting systems. The FMS system can be used to complement fisheries financial accounting data as the FMS reporting system generally offers a greater depth of analysis compared to basic financial accounting. As an example, with the assistance of FMS, vessel by vessel performance comparisons can be made within fishing areas and within specified periods of operation. Also, the crew, vessel, fishing licences, and quota tracking capabilities of FMS are unique and are not generally found within financial accounting. (Business Development Team, Ulnooweg Development Group Inc., March 2013). These enriched forms of integrated information help to build management capacity for FNCs.

Clearly, if perceived relevance is measured by participation, from the perspective of FNCs, the BDT is relevant. In 2012-1013, 29 FNCs submitted applications under AICFI component 2.3 (Thayer-Scott, 2012, p. 35) and 27 submitted applications/business cases under AICFI component 4 (Thayer-Scott, 2012, p. 35).

LESSONS LEARNED:

While the BDT is importantly different, it is certainly not the first service provider dedicated to assisting clients who aspire to start and grow commercial ventures. Therefore, we should expect that in many ways the BDT will (and should) resemble other conventional service providers. There is no need for every aspect of BDT to be unique. But there *are* differences between the BDT and most service providers. Here are some.

In many situations where demand conditions are weak, a service provider may require government support. Often, in cases where services are supported by government departments, staff expertise may be 'program related' and clients are primarily advised about the 'fit' of their proposed projects with the program guidelines. The BDT does not fit this profile. BDT members have been recruited from the commercial fishery value chain. Team expertise is therefore rooted in industrial experience and *tacit knowledge* of the fishery. Tacit knowledge includes scientific expertise, operational know-how, insights about industry, business judgement and technological expertise (Hansen, Norhia, & Tierney, 1999). This kind of knowledge is critical; "… a firm's ability to produce, access and control *tacit knowledge* is most important to its competitive success." (Gertler, 2001, p. 9)

Composition of the team is a *key issue* and the choices made at the outset account for much of the uniqueness of the BDT. Furthermore, the strategy adopted by the BDT relies heavily on *interpersonal communication*; each BDT expert deals directly with members of the FNCs. The appropriateness of this methodology is supported by research, which suggests that when people use *tacit knowledge* to solve problems most often a person–to-person approach works best; established consulting firms such as Bain, Boston Consulting Group and McKinsey have used these methods successfully (Hansen, Norhia, & Tierney, 1999).

Because of their backgrounds, team members understand the nature of contracts that represent linkages along the fishery value chain; they know who the actors are and what those actors expect. BDT members also know what costs should be and the margins required to operate along various stages of the value chain. It is unusual to provide such services to third party clients in the fishery –most people who need them - couldn't afford them. As a result the market for such services is weak. Therefore, the BDT is not replicating an existing private sector service. This

implies that the BDT is *innovative* because it is doing what would otherwise not be done. Typically, people who have this kind of knowledge work *in* the industry - not outside it. In larger commercial fishing operations for instance, this knowledge is available 'in house' in the form of experienced personnel who 'add value' and contribute significantly to the competitiveness of those large firms. In part, the BDT is unique because some of the information it *shares* with its clients, who are new entrants, is *tacit knowledge* about the fishery; this uniquely assists the clients of BDT in their efforts to overcome industry barriers like ***Incumbency Advantage***. BDT 'adds value' because it undertakes the difficult task of *tacit knowledge transfer* (Gertler, 2001, p. 14).

Another unique feature of the BDT is its arm's length relationship with government departments like DFO. The BDT reports to, and is accountable to Ulnooweg. BDT team members are employees of Ulnooweg. This organizational structure allows the BDT to maintain a confidential relationship with each of its First Nation clients. Furthermore, in the long run, the BDT and its clients' Commercial Fishery Enterprises are assessed on the same outcome – sustainable commercial success in the fishery. So there is a common interest between client and provider. This along with BDTs relationship to Ulnooweg builds trust. The BDT's ability to build trust complements its industry expertise because trust is essential for effective tacit knowledge transfer.

The BDT is recognized as a vital source of support that is not easily replaced; praise for it has come from several quarters. A review of the AICFI, completed in May of 2010, recognized, among other things, the value added by the BDT and recommended that more resources be directed to it. In light of the ongoing challenges FNCs face, the BDT remains an effective and relevant form of support.

ABOUT THE AUTHOR:

Harvey Johnstone is a Professor with the Shannon School of Business of Cape Breton University (CBU). He has been associated with the Master of Business in Community Development program at CBU since its inception and has developed and delivers the Venture Analysis course (MBAC6118) for the program. He also teaches in the BBA program as part of the Accounting faculty. Currently he is Director of the SME Institute and is a former Director of the Tompkins Institute for Human Values and Technology at CBU. Between 2005 and 2010, he served as Dean of Research and Academic Institutes for the University.

Dr. Johnstone's research and interest in, place-based community and regional economic initiatives, along with his related work in the study of small and medium sized enterprises, are recognized nationally and internationally. He was part of a national team of researchers, headed by David Wolfe of the University of Toronto, which explored Innovation Systems operating throughout the Canadian Economy. He was also principal investigator on an SSHRC funded research project exploring the theme of community development and the knowledge-based economy. Most recently, he has been invited to join a national team of researchers associated with the Global Entrepreneurship Monitor (GEM). Initiated in 1999 as a partnership between London Business School and Babson College, GEM is the largest ongoing study of entrepreneurial dynamics in the world**.**

He has served on several boards including those of the Canadian Council for Small Business and Economics, Junior Achievement, New Dawn Enterprises Ltd., the Atlantic Aboriginal Economic Development Integrated Research Program {AAEDIRP}, BCA Management Services, and the Board of Governors of Cape Breton University.

Dr. Johnstone holds a Ph.D. from Durham University, a Masters of Arts (Philosophy) from Dalhousie University and a Masters of Business Administration from St. Mary's University as well as Bachelor Degrees in Science and in Education from St. Francis Xavier University. He is also a Chartered Professional Accountant.

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