

Successful American Indian Entrepreneurship on Reservations in North Dakota and South Dakota

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Northern Plains states are facing an urgent need to find economic development alternatives, particularly in high risk places such as Indian reservations. American Indians represent the largest minority group in the Northern Plains and account for more than 76,000 residents in the Dakotas alone, comprising nearly 6 percent of the population (Bureau of the Census, 1991a). However, they own less than 1 percent of the businesses in the two-state area (Bureau of the Census, 1991b).

The success of economic development projects on Indian reservations has been limited, but entrepreneurial activity may be one way to enhance employment opportunities. Entrepreneurship involves initiating or starting businesses (Timmons 1989). Page (1985) suggested that reservation employment could be increased by turning to small businesses for employment, rather than to large corporations. This approach would persuade individuals to build privately owned reservation enterprises, instead of relying on government-funded or make-work jobs.

Although minority entrepreneurship programs are not new, few have focused solely on rural American Indians (Zeller, 1981). Since entrepreneurial activity can have a significant impact on economic growth and development, we need to determine what can bring *successful* entrepreneurial activity to reservations (Wilkin, 1979). The Select Committee on Indian Affairs (1986) found that some of the ingredients common to success were (1) management systems that

provided for independence of action from political considerations, (2) effective marketing strategies, (3) adequate capitalization, and (4) an established reputation among the buyers and suppliers with whom the enterprise dealt.

Our report addresses the social and cultural context of reservation entrepreneurship and identifies factors associated with successful American Indian entrepreneurship. The study objectives were (1) to explore the entrepreneurial efforts on the reservations in North Dakota and South Dakota, (2) to examine factors associated with successful American Indian entrepreneurs who live on reservations, and (3) to determine what strategies have been most effective in fostering successful entrepreneurial activity.

Interview data were gathered in 1990 and 1991 from American Indian entrepreneurs who lived on reservations in North Dakota and South Dakota. Because each state has its own unique characteristics, independent studies were conducted in the two states; however, the work was coordinated to assure comparability.

In North Dakota, criteria used to define successful American Indian entrepreneurship included enterprise survival, employment contribution to the community, and profitability. A list of American Indian entrepreneurs was compiled from the Economic Development Commission, the Three Affiliated Tribes Council, the Bureau of Indian Affairs (BIA), and the entrepreneurs themselves. Of 100 entrepreneurs identified, 21 were selected for in-depth, structured interviews. In

South Dakota, criteria used to identify American Indian entrepreneurs included being enrolled in an American Indian tribe, being in business at least one year, creating at least one full-time job, and deriving at least one-half of one's income from the business. Tribal officials were contacted on each reservation in the state to obtain lists of individuals who met these criteria. Of 72 entrepreneurs identified, 68 were interviewed. A total of 89 interviews were conducted in the two states.

Interview guides that included questions about the respondents' personal and family backgrounds and business enterprises were used in both states. The interview guides were similar but not identical and focused on the respondents' entrepreneurial careers. Two American Indian graduate students gathered data in the respondents' places of business.¹

Of the 89 respondents, 58 percent were male and 42 percent were female. These percentages do not necessarily reflect the gender representation of all American Indian entrepreneurs since most operated their businesses with their spouses. The average age of the respondents was 39 years in North Dakota and 48 years in South Dakota. Over 80 percent of the respondents were married and had an average of five or six members in their families.

Characteristics of the Entrepreneurs' Businesses

The respondents represented a variety of business activities, including construction or excavation firms, gas stations and convenience stores, restaurants and lounges, sewing or quilting businesses, grocery stores, recreation or tourism services, an automobile parts store, electrical appliance stores, land abstract businesses, hair styling businesses, and trucking firms. The businesses were classified as service (38 percent), retail

(34 percent), recreation (11 percent), arts and crafts (9 percent), construction (6 percent), and transportation (2 percent).

The on-reservation employment potential is apparent in these small businesses. In North Dakota, over 70 percent of the businesses hired part-time employees, with an average of six workers. Over 65 percent hired full-time employees, with an average of 3.7 workers. In South Dakota, the 68 entrepreneurs employed 243 full-time and 138 part-time employees, for a total of 381 workers.

Family of Origin

The occupational backgrounds of the entrepreneurs' parents and grandparents resembled those typical of many rural communities. Men's predominant occupations included labor, construction, and farm and ranch work; females' included service and clerical occupations. From these backgrounds, the entrepreneurs were considered upwardly mobile.

The overwhelming majority of the respondents indicated their parents, particularly fathers, had influenced them most. Nearly one-half (43 percent) of the North Dakota respondents stated that one or both of their parents had been entrepreneurs. Parents taught work skills, money management, self-esteem, responsibility, and success orientation, and advocated education.

One respondent stated, "I think one that had the most influence on me was my mother. She was truly the business person in our family. Through her I learned my sense of fairness. I think that's the important thing she taught me, to be fair and I think that's the majority of my success..."

Grandparents were a second group who influenced the entrepreneurs' lives. They taught traditional values and responsibility and encouraged education. One store owner stated, "My grandfather influenced me the most with moral values. He used to say, 'Nobody likes you if you're not honest.'"

Family of Orientation

The respondents reported that family members, particularly spouses and children, work in the businesses. Over one-half of the respondents' families helped to operate the business. Other family members involved in the business were siblings, nephews, and nieces.

Some spouses were business partners. A store owner stated, "My wife is a partner in the business. She helped with planning the business. Both my wife and I took courses in small business." Spouses also worked as bookkeepers for the business and took care of bills and schedules.

Children were integral parts of some of the businesses. Younger children cleaned and dusted. They frequently did household chores when the parents were working at the business. Some adult children helped with accounting and paperwork.

Educational Background

The entrepreneurs described their educational histories and those of their parents. Nearly all of the respondents' educational level exceeded that of their parents. A rise in the level of education was found with each of the past three succeeding generations, the majority of whom attended BIA-operated schools.

The respondents in the two states were, themselves, well educated. In North Dakota, 85 percent of the respondents completed at least a high school degree, with an average of 13.9 years of school in North Dakota and 12.8 years of school in South Dakota.

Nearly one-half of the respondents stated that school had only a minimal influence on their entrepreneurship. Rather, work-related experience had a far greater impact on their entrepreneurship. The half who reported that school had affected their entrepreneurial activity discussed two topics. First, important coursework included vocational courses: English, shorthand, architectural drafting, accounting, hair styling, and fashion merchandising. Small business courses

¹We gratefully acknowledge the contributions of Kenneth Provost and Madonna Yawakie for helping to collect data.

were listed as particularly useful. Second, practical skills they had learned in school included an understanding of society, how to service equipment, people skills, legal terminology, task orientation, and "common sense."

Work Experience and Business Life History

Employment background was often related to the type of businesses about one-third of the respondents started. For example, a grocery store owner had worked in a grocery store for six years and as a tribal bookkeeper for 10 years before starting his own store.

Most of the respondents had extensive employment histories. Over one-half of the North Dakota respondents had worked in one job before starting their own businesses, and the remainder had worked in several jobs. In South Dakota, respondents had worked in an average of nearly three jobs before starting their own businesses.

Respondents stated three ways working for someone else had affected their entrepreneurial activity. First, respondents noted that working for others taught them to be *responsible in their work*, particularly if they were in occupations that cared for people. Second, working for someone else affected their *human relations skills*. Respondents learned to get along better with others, understand different kinds of people, be more assertive, defend themselves better, and be more sympathetic with other employees. Third, they *learned job skills* related to the particular occupations in which they had worked, such as ordering, business operations, bookkeeping, store management, and personnel management.

Reasons for Entrepreneurial Activity

Both the North Dakota and South Dakota respondents had five reasons for starting their own businesses. First, starting the business was based on their *interest in the field* or because *the business appeared to have financial potential*. For example, a pizza restaurant owner stated, "My family likes pizza. We used to go out of town for pizza, and we saw a lot of our own hometown people there in the restaurant. As a result, we thought a pizza restaurant would be a good investment."

Second, starting the business was based on *encouragement from friends and family*. Family members of some of the respondents had told them that they had abilities in sales and that they should consider business as an occupation. A restaurant owner stated, "My wife and I started selling Indian tacos at a stand we built. Local people encouraged us to sell hamburgers and chili. This led to the start of a cafe and convenience store. Then the local people suggested we sell milk, eggs, and gas. After this, we opened a bar since we already had a liquor license. We were only selling off-sale, but decided to listen to our customers once again, and built a dance hall."

Third, starting the business was based on *previous training or work experience*. Some of the work experience came from their parents' businesses or from other employers. For example, an auto parts store owner stated that his previous management experience in a hardware store helped him to shape his goals. He stated that he would have done things differently than did his employer when he worked at the hardware store.

Fourth, starting a business was based on their always *wanting to own and control their own businesses or to "be their own boss."* One said that he always wanted to "have the ability to say, 'Yes.' or 'No.'" They liked to get their own jobs and not have people telling them what to do. They wanted to see success that stemmed from their own work.

Fifth, starting their own business was based on their wanting to *help the community and other American Indian people*. Respondents often referred to their businesses as a service to the larger community. For example, a construction supplier stated that the business "seemed like a good way to help Indian people." Both she and her husband "were committed to set a good example for Indians to control their own destiny."

One group of entrepreneurs reported that their success had been viewed as an asset to the community and that the community expressed appreciation for their efforts. However, another group reported that the community had not supported their entrepreneurship, which was often viewed as a "White" activity. Instead, they were forced to direct their services and marketing toward non-Indian customers rather than toward American Indian customers.

Business Assistance

Respondents were asked how they financed the business startup. Over 40 percent of the respondents did not receive financial assistance when they started their businesses. They used their own *money and personal savings*. Half of those who received financial assistance had contributed a substantial part of their own personal savings to the business start.

One-third of the respondents obtained *loans* to start their businesses. While most of these were commercial bank loans, others had obtained loans from other sources, such as family members. A difficulty reservation businesses faced was securing loans from banks off the reservation.

Four respondents financed their businesses with *BIA and Small Business Administration loans and grants*. These loans often were used for business taxes, bookkeeping, accounting, financial consulting, abstract and title work, computerization, and land appraisals.

Nearly half of the respondents stated that they immediately earned enough income from the business to support themselves and their families, but 48 percent said that earning sufficient income to support themselves took time, and the remainder indicated that they have not yet reached this point.

Technical Assistance

The respondents' list of nonfinancial resources available to them as they started their businesses included *family members, tribal council members, and planners*. *Wholesalers* provided technical assistance. They received assistance from *professionals*, such as lawyers, business consultants, and bookkeepers. Technical support came from *public and private agencies*, such as the Small Business Administration, the Minority Contractors Association, other minority technical assistance providers, and the North Dakota Indian Affairs Commission. They attended various *workshops*.

Factors Associated with Entrepreneurial Success

Five definitions of successful entrepreneurship emerged. First was *earning enough income* to pay the bills, keep employees paid and happy, take care of the family, and provide for retirement. Second involved *independence* or a sense of freedom. Third was being able to *expand or improve the business*. Fourth involved *personal happiness*, feelings of self-worth, doing one's best, having peace of mind and heart, and keeping one's personal identity. Fifth was *making a contribution to the community*, particularly to the American Indian community. Those using the latter definition wanted to employ Indian people, create opportunities for them, and tap Indian resources. They wanted to return something to the community by reducing unemployment.

The respondents described six factors associated with achieving success in their businesses. First was *customer relations*. One store owner stated, "Success comes from customer service — treating customers with respect. Give them what they

want. Don't sell them something they don't want. The repeat business will pay you back." Second was to develop good *employee relations*. Third was *providing quality products*. A contractor stated, "When you do a good job, people will let others know — good work and cheap. Then you won't have to advertise because the public will do it for you." Fourth was *business experience*. This included making the right contacts, being flexible, reinvesting profits back into the business, and doing a good job with bookkeeping. Fifth pertained to the amount of *personal work and commitment* the entrepreneur is willing to devote to the business, including honesty, willingness to get work done in a timely manner, and making the commitment of time the business required. Sixth was *family and community support*. Nearly one-third of the North Dakota respondents pointed out that support is needed from other people if the business is to be successful.

Three factors pertained to failure of the business: collecting bills, breakdowns, and lack of business viability.

Talents of Successful Entrepreneurs

The respondents cited four special talents that helped to make their businesses successful and that differentiated successful entrepreneurs from unsuccessful ones. First was *personal knowledge and experience*, which was developed through formal training and from working for other people. Knowledge of business management skills was an important component of a successful business owner. The respondents stated that the successful entrepreneur must be able to manage the bookkeeping and finances, maintain a budget, advertise, and must have organizational and planning skills.

Second was *a strong work ethic*. Associated with hard work was devotion to the business, determination, diligence, and drive. Respondents discussed the need to be at the job every day and stated that nothing seemed to go right if they were not available every day. One contractor noted that "successful people have

to work very hard and be willing to work 24 hours a day at the start of the business." A fashion designer observed that "when first starting out, you need to put all your time in the business and be willing to give up other things to get it done." She had not had a vacation since starting the business. Another woman quipped, "If it doesn't kill you, it will make you stronger!"

Third was *aggressiveness*. A respondent stated, "I couldn't wait for business to come; I had to bring in business. Some travel may be necessary to generate business."

Fourth was special *human relations* talents that are key entrepreneurial assets. These include an ability to communicate, an interest in culture, and an ability to delegate work. The respondents observed that successful entrepreneurs treated people well. They believed that if people are treated with honesty, they will be good customers. They evaluated their customers in a positive light. A restaurant owner stated, "I seem to get along well with others. I have a good personality, and am able to talk with people. I make friends easily. I feel that if they don't like you, they probably won't patronize your business." A construction business owner described his attempts to be especially generous with people. Farmers give him manure and rocks at no cost. Nevertheless, he writes a check and slips it into the farmer's pocket to maintain good relations.

Implications and Recommendations

The study was conducted on a selected group of entrepreneurs, and thus may not be generalizable to all American Indian entrepreneurs. However, several implications may be derived from the study:

- (1) American Indian enterprises on reservations provide employment and financial benefits to the entrepreneurs and to their communities. Thus, entrepreneurship should be part of a reservation's community development plan. Given their

employment potential, tribal and federal agencies should encourage the establishment of small businesses like those operated by these entrepreneurs. Smaller businesses may be more successful, in part, because they are culturally consistent with the kin group orientation of American Indians.

- (2) The public school system, tribal colleges, BIA and the Extension Service should emphasize entrepreneurial education. Entrepreneurial education should be culturally sensitive and should include components such as management and employee relations, customer relations, business and financial skills, marketing principles, advertising, and creating new enterprises. Entrepreneurs should be used as guest speakers, and ways to include family members in the business should be explored. Internships should be established in business settings, particularly in new business starts, to provide students entrepreneurial experience. Prior work and business experiences helped to prepare the entrepreneurs for businesses of their own. Business internships and apprenticeships could provide the kind of experiences necessary to contextualize business coursework and to provide knowledge about specific types of business.
- (3) Successful American Indian entrepreneurship must appreciate the value of diversification in small businesses and respond to recognized community needs. In many cases, these entrepreneurs saw where needs in their communities were not being met. They responded, often on a small scale, and then expanded to include more services or products. They did not perceive themselves in highly competitive situations. Few were providing the same sets of services or products. If demand for one service or product fell off, they were sufficiently diversified to fall back on others to maintain the business. Strategies such as these,

which these entrepreneurs seem to have stumbled upon through trial and error, should be explored in business seminars with other American Indian business managers.

- (4) Steps should be taken to assure collective, cooperative, or family ownership of businesses (Snipp and Summers, 1991). Many of the businesses employed a large number of family members. This is consistent with the traditional orientation to family as the primary economic unit for American Indians. A majority of the businesses were service or retail trade, consistent with the people's cultural orientation. Stable family relationships with either parents or grandparents were important for the positive growth of potential entrepreneurs.
- (5) The tribal governments should develop strategies to encourage entrepreneurial activity (Presidential Commission on Indian Reservation Economics 1984). Some of their functions could include promoting entrepreneurship on the reservation, promoting and advertising goods and services, and searching for new sources of materials, new markets, and networks.
- (6) The entrepreneurs in this study had modest initial investments and faced difficulties securing financial assistance for their enterprises. Funding agencies should explore the feasibility of loans to alternative business structures such as family and collective enterprises. Alternative funding strategies, such as tribal banks or cooperative group funding, should be considered. One alternative approach open to new businesses could be a "business incubator" program. Incubators could reduce the initial overhead for businesses, provide technical assistance, help to write business plans, determine market strategies, offer financial and tax advice, and help to secure financing.

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