

CAMECO CORPORATION

Aboriginal Business Development Success Models

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I. INTRODUCTION

Cameco Corporation, headquartered in Saskatoon, Saskatchewan, is the world's largest low-cost uranium producer meeting almost 20 percent of the world's uranium demand. Cameco has designed its practices and procedures to ensure that its mine sites are environmentally safe and to contribute not only to the corporation, but also to the communities in Northern Saskatchewan where many of its mines are situated. Its McArthur River mine (co-owned with COGEMA), for instance, the largest high-grade uranium and most technically advanced uranium mine in the world, has for the past three years enjoyed the best safety record among Canadian metal mining companies. This case study profiles the Cameco Corporation, with a special emphasis on its initiatives related to Aboriginal business and community partnerships.¹

Saskatchewan is the uranium capital of the world. It is home to the largest and richest uranium mines in the world, supplying one-third of the world's uranium production of which 90 percent is sold outside Canada. Since 1980, the uranium industry has invested more than \$3.2 billion in Saskatchewan on exploration and capital. The uranium industry has earned a world-class reputation in the areas of environmental protection and worker health and safety. Each

year the industry pays more than \$160 million in direct salaries and benefits to more than 1,700 Saskatchewan people. In addition to the \$23 million paid by employees in provincial income tax in 2001, the industry contributed to the province an additional \$44 million in direct royalties and taxes. A further unique contribution is the uranium industry's record of success in working with Aboriginal people in Saskatchewan. Our goal is a simple one: to ensure that northern and Aboriginal people participate in and benefit from the economic opportunities that come with mine development in Saskatchewan's north. Today, more than 650 Aboriginal employees make our industry one of Canada's leading industrial employers of Aboriginal people.

Cameco specifically is the world's largest producer and supplier of uranium, and a large provider of conversion services. Cameco has a majority interest in two world-class uranium mines and mills in Saskatchewan, and fully owns uranium conversion facilities in Ontario. The company also mines gold and explores for uranium and gold in North America, Australia and Asia. Cameco's shares trade on the Toronto and New York stock exchanges.

Cameco's uranium is marketed to nuclear utilities which in turn produce electricity to the various grids throughout the world. World electricity demand is expected to grow by 2.8

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percent per year over the coming decade. Our mining and conversion facilities in North America help make us the largest fuel supplier to the western world's nuclear power plants. In 2000, Cameco's total sales of uranium into the US market, sourced from Canada and elsewhere, had the capacity to generate almost 10% of the total US electricity grid. One in ten homes in the US is essentially powered by uranium sold by Cameco.

Cameco has investments in a gold mine in Kyrgyzstan (Kyrgyz Republic), and our initiatives with Aboriginal peoples in northern Saskatchewan played a major role in winning the opportunity to enter into the joint venture operation in Kyrgyzstan. All of Cameco's uranium mining activity occurs in Northern Saskatchewan, a region covering 250,000 square kilometers with a total population of 38,000—75% of which is Aboriginal representing the Woodland Cree, Dene, and Métis Nations.

Although all of Cameco uranium sites are on Saskatchewan provincial crown land, it shows considerable sensitivity to the treaty, traditional and other Aboriginal rights. Concerned to maximize the social and economic benefits that flow from its operations to the people and communities most impacted, Cameco has developed specific initiatives to ensure the economic development of the Aboriginal and other communities surrounding its mine sites.

There have been many reasons behind Cameco's initiative towards Aboriginal partnerships. Over ten years ago, Cameco experienced a legislative requirement for employing and co-operating with northern Aboriginal communities. Five years after implementing this provincial policy, the company began to recognize the strategic advantages of actively co-operating with northern Aboriginal communities.

Today, Cameco is no longer entering into partnerships and relations with the Aboriginal communities solely because of legislative regulations, but, rather, it is entering into them because the company sees and values the strategic advantage and benefits that the Aboriginal communities offer for both the company and the communities. Cameco's current view is that partnerships with Aboriginal communities anchor support for its existing operations and facilitate the prospects of expansion and new mine development.

Cameco has set out to gain the approval and support of Aboriginal communities by

implementing policies which permit northerners to share in the benefits of development in the Athabaska Basin. Cameco is committed to staff at least half the company's northern operations with local residents, to give preferential consideration to northern businesses, and to promote dialogue between the company and northern leaders. Because approximately three quarters of the northern population is Aboriginal, these policies directly impact and benefit Aboriginal peoples.

There are four components of these Aboriginal policies: (1) Employment; (2) Education and Training; (3) Business Development; and (4) Communication, Consultation and Negotiation with Communities and Community Leaders. For example, northerners are given first priority when positions become open. Cameco proactively supports employment initiatives within northern Saskatchewan and works together with northern outreach offices, band offices, tribal councils and northern training institutions to ensure that candidates are found to fulfill the requirements of the various employment opportunities within the company.

Cameco also requires that its contractors seek to maximize employment opportunities for northern residents as a condition of their contract. Of the \$92 million Cameco spent on goods and services in 1995, 52 percent was spent on purchases from northern-based Saskatchewan enterprises. This success is based on the "Buy Northern" policy to which Cameco adheres.

It is largely because of the mutual benefits received by both Cameco and the northern Aboriginal communities that Cameco continues to be an industrial leader in the employment of Aboriginal people. Harry Cook, Chief of the Lac La Ronge Indian First Nation in Saskatchewan since 1987 and President of the Kitsaki Management Limited Partnership is a director on Cameco's Board of Directors, which is the highest corporate level of the company. Chief Cook's role is to continually remind the directors of Cameco's social responsibility commitment to the northern communities, ensure that the First Nation perspective is incorporated into the company's strategic directions, and promote opportunities to the northern communities concerning Cameco's operations.

As of September 1999, 1,469 people were employed by Cameco at their northern mine sites, of which 51 percent, or 750, were northern residents. As of September 1999, Cameco

directly employed 20 Aboriginal managers and supervisors, 42 Aboriginal employees in technical and professional occupations, and 40 Aboriginal trades-people. Today, Cameco has business developments with 22 Aboriginal business partners in 15 different sectors such as aviation, trucking, environmental services, catering, mining, and industrial maintenance. In 2001 over \$42 million, or 40 percent of all Cameco purchases, were through Aboriginal organizations.

II. WHAT HAS CAMECO DONE TO ENSURE SUCCESSFUL RELATIONS WITH NORTHERN ABORIGINAL COMMUNITIES?

Cameco has been able to develop and maintain successful relationships and partnerships with northern Aboriginal communities and businesses for a number of reasons. However, there are two main issues that must be addressed before successful relations can be achieved. These two main issues are "creating a corporate mindset" and "creating a community mindset".

1. Creating a Corporate Mindset

When creating a corporate mindset, there are a number of issues management must address. One cannot simply change the mindset of an organization without education and support. All levels of an organization must be willing and able to embrace the issue.

A. Secure Senior Management Commitment

It is of particular importance that senior management supports Aboriginal initiatives. If senior management is not committed to these initiatives, it will be very difficult—if not impossible—for the organization to embrace Aboriginal initiatives. Senior management may be committed initially; however, as actions and policies are undertaken, difficulties will be met. When these roadblocks are encountered, it is not uncommon for senior management to lose their resolve for the movement. Also, these managers will have other vested interests which will likely come into conflict with Aboriginal initiatives. Management at all levels must be committed to take action to support the initiatives. Without the support at all levels, the movement may not be successful.

The procurement department is a very good example of this conflict of vested interest. The procurement department may have policies in place to open contracts for bids and then choose the winning bid based strictly on quality and price. However, in order to achieve the objective of Aboriginal partnerships, it may be necessary to accept the bid of an Aboriginal company even if the price is not the most competitive. This preferential treatment may be necessary to allow the Aboriginal organization to enter into the market. Not accepting the most cost-effective contract can be very difficult to justify to the procurement department, and therefore management must ensure to educate and have the support of that department.

Another very important step that must be taken to ensure the support of the senior management is to commit internal resources. Introducing a person solely to look after the implementation of the initiatives is always an asset. Introducing any program requires a great deal of administration and coordination, and this is no different for Aboriginal programs. Cameco has a northern business administrator to take care of Aboriginal programs.

B. Establish and Communicate Business Case

In order to obtain the support within an organization, any suggestion of an Aboriginal partnership must be effectively communicated to all the various levels of the organization. Not only must the benefits of the partnership be communicated, but also the potential weaknesses. When obtaining support in the different levels of an organization, verbal support is not necessarily enough to ensure sustained commitment. Goodwill is not often enough to sustain an Aboriginal partnership; it must be backed up with appropriate actions.

When presenting an Aboriginal partnership to the different areas of an organization, one should be prepared to engage in a cost/benefit analysis. Behind every business decision, there must be a reasonable benefit for the costs incurred by that decision. In the case of Aboriginal businesses, the benefit may not necessarily be incurred immediately following the decision; it may occur over time. For example, Cameco implemented its first Aboriginal policies in 1990; however, they did not recognize the strategic

advantage this decision implied until approximately five years later.

Also, when communicating the partnership to the organization one must outline and communicate the economic advantages of that partnership. Economic benefits are often the underlying criteria for making a decision to enter into any partnership. The economic values of choosing Aboriginal business are as follows:

- (a) The social license to develop within an area
- (b) The political support of policies implemented ("buy local" program for example)
- (c) The regulatory peace between organizations
- (d) The image of a socially responsible developer
- (e) The domestic and international image as a developer of choice.

When an organization takes the time to address these issues and communicate them both to their own organization and the partner organization, the likelihood of successful relations will be significantly increased.

C. Establish Policy Framework

Establishing a company's policy framework to properly incorporate the goals and initiatives within an organization is essential to creating the desired corporate mindset and outcomes of the Aboriginal partnership. Without an appropriate policy framework, the desired outcome of the partnership will be very difficult to achieve. Policy captures what the corporation hopes to accomplish and consequently communicates the intentions of the organization. It establishes a formal process for identifying opportunities for future partnerships. Because contemporary Aboriginal organizations are relatively young in the competitive business environment, it may be necessary for the company to implement a preferential treatment policy. Recognizing that this type of policy can be very controversial, management must be prepared to discuss and debate the issue. Preferential treatment gives Aboriginal organizations the opportunity to begin a working relationship, and in time they grow and develop into very valuable and strategic partners. Although differential treatment may be difficult to sell to the corporation, it may be a key success factor for Aboriginal initiatives.

When establishing policies for an organization, it is very important to reference what legislative obligations are required and how they will affect the policies. These obligations which may restrict or benefit the policies must not be overlooked.

To properly set the tone for the implementation of Aboriginal partnership policy, external organizations must be contacted. The corporation should have a liaison with the various levels of government, have a direct liaison with the Aboriginal groups involved and affected, and there should be conditioning with the current external suppliers affected by the policy. By keeping these external forces informed, there will be a much greater likelihood of the policy being successful, which may generate additional support.

D. Establish Basic Business Parameters

In Cameco's experience, partnerships with Aboriginal organizations have not necessarily begun with Aboriginal-owned enterprises. In the past Cameco has created Aboriginal organizations from non-Aboriginal companies. Encouragement of Aboriginal involvement and training to allow the Aboriginal organization to increase its control and influence on the company has been a successful model. By converting a non-Aboriginal organization into an Aboriginal-managed organization, Cameco ensures that the training necessary to be a successful partner with Cameco is supplied and the expectations of the contract agreements are learned.

Corporate expectations of the partnerships must be communicated and managed within the partner organizations. Corporate expectations such as quality, timelines, and cost competitiveness must be clearly communicated between the two partners to ensure that they both understand and agree to the same expectations.

When looking to enter into partnerships with Aboriginal organizations, businesses should look for companies that separate politics from business. By nature of the struggles Aboriginal people have had in the past with the various levels of government, it is only natural that politics plays a large role in their everyday life. Generally, if a company is looking to partner with an Aboriginal organization, it is to the benefit of the company to search out partners who do not mix politics and business relations.

Although it is ideal to seek out these types of partners, it is very difficult to accomplish. Consequently, the company must be aware that those political issues exist and must also be prepared to enter into political issues which deal specifically with the operations of the partner or the partnership.

E. Establish Procedural Guidelines

To ensure a beneficial partnership, it is important to establish procedural guidelines. Determining qualified potential suppliers allows the company to approach them with a specific need and the supplier can then determine whether they can fulfill that need. Also, it allows the company to aid the Aboriginal organization in positioning themselves to be able to meet the contract needs from training and mentoring to organization and coordination. Many Aboriginal organizations have relatively little experience with respect to business contracts and the responsibilities that those contracts entail. It may be necessary for the company to waive bonding requirements for Aboriginal employees, and even to provide financing to the partner in order to aid the company in meeting the requirements of the first contract. Once the Aboriginal organization gains more experience, this financing can then be re-evaluated.

In Aboriginal communities, entrepreneurs are not always perceived as entering into business relationships for the benefit of the community, but rather for strictly personal benefit. Often, there can be feeling of jealousy towards a successful entrepreneur in an Aboriginal community. Therefore, when a company is looking to enter into relations with an Aboriginal entrepreneur, the company must be aware that the community may or may not support that entrepreneur. It is then possible for a series of political issues between the entrepreneur and the community to arise where the company may not wish to be involved. The reality is that although it may be difficult to partner with a community-based organization, it may prove to be less politically charged.

F. Set Internal Performance Expectations

To aid the creation of the corporate mindset, annual corporate targets should be established. These targets should be quantified in terms of dollars, volume, type, or

diversification percentages, to name a few. Targets should be made at various levels (by operation, department, and individual managers). In order for these expectations to be effective, a method of evaluation should be implemented. Internal and external monitoring should be put in place and regular reporting should become habit. By monitoring the progress of the initiatives and expectations, management should be able to correct mistakes before they become significant. Through monitoring, management should be prepared to hold people accountable for their actions. When success is being achieved, cherish it; however, failures can and do happen. A company should not dwell on the mistake, but rather should learn from it and move on to the next step. By learning from mistakes and celebrating successes, the mindset of the corporation should be created to embrace change and diversification.

2. Creating a Community Mindset

When entering into partnerships with Aboriginal organizations, not only does a company have to have the approval and support of the various levels within the organization, it must also have the approval and support of the Aboriginal community. By creating a community mindset towards the partnership, the company can operate more freely within the community and be sure that the community understands and supports those operations. As well, it can be assured that the community also receives benefits from the partnership. As with creating a corporate mindset, there are number of issues that must be addressed when creating a community mindset.

A. Formalize Intention Internally and Externally

The company must communicate its general business philosophy and intentions, especially in creating wealth through profits. Aboriginal communities may not inherently adopt this philosophy and may misunderstand how to use profits to continue the organization. Therefore, it is important that the company clearly communicate this philosophy.

It is most beneficial if the company can correlate its goals and objectives to the community's social and economic goals. For example, the company wishes to make a profit on its operations, and to achieve this it wishes

to employ Aboriginal people. By employing Aboriginal people, the company meets the goal of increased employment and self-sustainability of the community.

Aboriginal organizations, usually having little experience in business relations, should decide what they are going to do with earnings and dividends and then communicate these decisions with the partners and the community. It may be necessary to encourage the Aboriginal organization to keep the earnings within the organization for future growth.

Strategic long-term goals should be introduced into the new Aboriginal organization and then shared with the partner and the community. By informing the community of the organization's long-term goals, it may gain more support and involvement of the community.

In creating a community mindset, a company should ensure a commitment of financial resources. Through a financial commitment, communities are actively participating in creating the community mindset of partnership and contribution. Also, business planning advice and expertise should be employed to better aid the growth and competitiveness of the Aboriginal organization. This expertise may aid the Aboriginal organization in establishing effective and long term partnerships with outside companies.

B. Establish Guidelines for Business Management

As mentioned earlier, difficult political situations can arise from a company doing business with a single entrepreneur within an Aboriginal community. Also, it may be difficult to work with community-run organizations as they may have different business philosophies. A company looking to work with Aboriginal organizations must be prepared to analyze the situation and decide which the most viable option is: working with an entrepreneur or with a community organization.

In addition, a company must assess the business management capability of the organization. If it does not match the company's expectations, training and/or mentoring may be an option. In Cameco's experience there have been difficulties establishing a business customer relationship. For instance, if Cameco purchases a product or service from an Aboriginal organization while at the same time it aids that organization's establishment, the good relations may

be taken for granted and the wishes of the customer (that is, Cameco) may not be met. It is up to the Aboriginal organization to ensure that the organization understands the importance of customer desires.

If a company aids an Aboriginal organization in entering the marketplace, the company must make a conscious decision about the desired level of management control. Aboriginal peoples may take the positions of direct management control, or there may be an agreement of a joint venture where both the company and the Aboriginal organization have managing control, or there may be a limited partnership where the company has full management control. Depending on the nature of the relationship between the parties, any of these arrangements may be viable.

C. Facilitate the Separation of Politics and Business

Aboriginal organizations and politics are often intertwined. Because of the difficult political history of Aboriginal people, it is often difficult to separate politics from the business of the organization. When a company is looking to enter into partnerships or relations it may be necessary to identify and deal with potential political problems. The company should help the Aboriginal organization, if necessary, to establish a separate business structure at a distance from political influences.

A company should encourage the Aboriginal partner to establish policy so as to avoid drawing operating funds or profits too early in the lifespan of the organization. By drawing funds too early and not re-injecting them into the organization, the operation of the organization may be too restricted and may eventually fail.

Aboriginal organizations can often be managed by the company in the beginning stages. However, the company should plan training for Aboriginal management and administration to eventually operate the organization without the aid of the parent company. Within this training, a process to identify and develop entrepreneurs can be implemented. Throughout this training, the parent company should test for commitment and provide regular feedback to the Aboriginal organization.

Also, getting support from the Aboriginal community board, councils and leaders will aid in the company separating politics from business

operations. By keeping the community leaders informed of the operations and intentions of the company and partnership, it will effectively relieve political pressures on the two organizations.

III. CREATING SUCCESSFUL ABORIGINAL BUSINESS PARTNERSHIPS

The following outlines some strategies that companies can successfully adopt to create and maintain Aboriginal business partnerships. These strategies involve: (a) adopting best case partnership models; (b) ensuring clear communication exists surrounding partners' expectations and standards; (c) incorporating flexibility within partnership agreements; and (d) encouraging Aboriginal organizations' independence and sustainability.

A. Four Success Models Used in Cameco

Cameco has developed four models for successfully entering into Aboriginal partnerships. These models have achieved successful partnerships for Cameco in the past and outline four methods other organizations might use to achieve successful partnerships. These models are as follows:

- (a) Identify and custom fit existing entrepreneurial capacity
- (b) Facilitate joint ventures with existing experienced contractors and suppliers
- (c) Encourage and/or facilitate acquisitions by Aboriginal entrepreneurs
- (d) Act as the joint venture partner and incubate a future Aboriginal supplier.

B. Setting Expectations and Standards

To aid the development of Aboriginal organizations and partnerships, it is important that the company communicate its Aboriginal development program to existing suppliers. By communicating these programs, the company gives these suppliers an opportunity to meet the Aboriginal program policies or to meet the new requirements of the company.

Establishing expectations on matters of financing, management control, training, employment and Aboriginal participation allows the company to set standards that its suppliers and

other partners should meet. By establishing these expectations, the partners clearly understand what is expected of them and can strive not only to meet, but also to exceed these expectations.

Culture is an essential component within an Aboriginal organization. Companies interested in entering relations with these organizations must understand that culture cannot be separated from the organization. Encouragement of cultural integration beyond the business relationship should be fostered.

C. Establish Flexibility in Partnership Models

Flexibility is always an asset within organizations. When tendering and bidding processes are being entertained, flexibility should be built into the process. With Aboriginal employees, a company should consider waiving bonding when necessary and also should be prepared to get involved in financing.

In partnerships with young Aboriginal organizations, the company should prepare to engage in business management and mentoring programs to better its management structure. Openness and communication can be a key success factor in achieving a successful partnership. Both partners should be prepared to give and receive feedback on a regular basis.

D. Encourage Independence and Sustainability

As many of the Aboriginal organizations are young and relatively inexperienced, they should be discouraged from becoming contract-dependent with one company over an extended period of time. The company should insist on preparing the enterprise for future diversification and should encourage joint ventures to grow beyond the existing contract. By implementing strategies and methods to encourage growth and stability, the Aboriginal organization should be more stable and less reliant on one contract.

IV. CONCLUSION

Many companies today are beginning to recognize the strategic advantage of employing Aboriginal people and developing partnerships with Aboriginal businesses. Cameco Corporation is one of Canada's leading industrial employers

of Aboriginal people and has a number of successful partnerships with Aboriginal businesses. From Cameco's experience in business partnerships with northern Saskatchewan's Aboriginal communities, the company has outlined a number of important issues that it believes should be addressed to achieve successful Aboriginal business relations.

For Cameco, a company must create a corporate mindset by securing senior management commitment, establishing and communicating the business case, establishing policy framework, establishing basic business parameters, establishing procedural guidelines, and setting internal performance expectations.

Creating a community mindset is also very important for Cameco Corporation. This mindset can be achieved by formalizing intentions both internally and externally, establishing guidelines for business management, and facilitating the separation of politics and business. By addressing these issues, a company's Aboriginal initiatives may be very successful.

Currently, nuclear energy provides 16 percent of the world's electricity, and it is very important that Saskatchewan position itself as Canada's premier exporter of clean energy. Cameco is strategically positioning itself within this market to continue to be among the top world suppliers of high quality uranium. Our commitment to Aboriginal and northern community participation is part of a larger strategic move to best position the company on the world market.

Cameco has experienced successful business relationships with Aboriginal communities and businesses by addressing these issues and believes other companies who wish to implement Aboriginal initiatives need to address these issues to achieve successful relationships.

NOTE

1. This case study includes the data available at the time of the presentation in 2002. In 2004, Cameco has more than 680 Aboriginal employees (more than 50 percent of the entire operating workforce).