

Business Development as a CED Strategy

by Bill Ninacs

The July 91 issue (Vol. 2, No. 3) of *Making Waves* published an article entitled "Business Development as a CED Strategy" which had not been edited to the satisfaction of the author, Bill Ninacs. Westcoast sincerely regrets this serious error and any embarrassment it may bring to Mr. Ninacs, and requests that readers instead consider the following revision as an accurate presentation of his views. The article is an adaptation of a workshop presentation made by Mr. Ninacs May 17, 1991 at the "New Visions of Community Economic Development" Conference in Chicago. Additional copies of this manuscript can be obtained from Westcoast free of charge.

Many community activists and practitioners feel that business is a "dirty" word. To them, business is seen as nothing more than a tool used by those in power to accumulate more wealth, while preserving our society's inequitable class structure.

Undeniably, businesses have been the instruments of workers' exploitation and alienation. Are they not in fact the building blocks which form the foundation upon which rests our unjust and flawed economic system—the very one that community development is trying to change?

Is it possible then for business to be a legitimate part of community economic development? If not, how can we explain that, according to a 1988 study by the National Congress for Community Economic Development, 35% of American community-based development organizations were active in business enterprise development as lenders, equity investors, or owner/operators?

This article examines how it is possible to reconcile business with the goals of community economic development. It first looks at the role of business development and then considers an alternative response which tries to encompass values that are in harmony with CED objectives. From this redefinition are derived criteria against which business development choices should be made on both strategic and organizational levels.

Business Development

Clifford James (*Principles of Economics*, 1956) defines economics as the allocation of resources to satisfy human needs. In practical terms, some kind of organization is required to see this process through. In North America, private enterprise has become the key organizational structure in this regard, having taken over from the family and the community, both of which in fact played this role at one time or another a long time ago.

While business has supplanted other institutions as the force behind economic development, there has been a concurrent shift in underlying values. Today, the sole *raison-d'être* of a business is to supply goods and services profitably, regardless of the cost or benefit to the community. This is what E.F. Schumacher (*Small Is Beautiful*, 1976) describes as the "terrifying simplicity" of private enterprise:

It suggests that the totality of life can be reduced to one aspect—profits. The businessman, as a private individual, may still be interested in other aspect of life—perhaps even in goodness, truth and beauty—but *as a businessman*, he concerns himself only with profits. . . .

It is no accident that successful businessmen are often astonishingly primitive; they live in a world made primitive by this process of reduction. (p. 213)

CED reaffirms the community's key role in economic development in order to counter this myopia by reconciling economic imperatives with social and political concerns. Experience shows that the allocation and management of resources are means by which marginalized communities can empower themselves, individually and collectively, to ensure their economic security as well as to address issues relating to culture, ecology, pacifism, and social justice. The community intervenes in the on-going development process in order to help harmonize and balance local resources and needs.

If a community is to be a key organizer of an efficient, locally-controlled network of production and distribution, then it is logical to conclude that business development of some kind must be included in any community's development strategy. Stewart Perry (*Communities on the Way*, 1987) defines CED essentially as an institution-building process in which business development is an important component, the sub-process of creating and strengthening community-based institutions in the local business sector.

CED's social component requires a particular type of business development which reflects the type of private sector being created—one based on values different from those currently regulating business practices.

To some, this sub-process has its focus on "community ventures" which borrow a little from business and a little from social services in order to respond to particular circumstances not satisfactorily resolved by either. Like businesses, they seek to support themselves primarily through income earned from the sale of goods or services. But unlike businesses, they do not hold profit as their sole objective. Like social services, they set themselves socio-economic goals such as "reducing unemployment among local residents, increasing job skills and pride, and improving the flow of money in and out of the community" (L.K. Snow, *Digging In*, 1989, i). To many others, however, business development also assists the creation of new businesses and strengthens existing ones which can be very traditional in their structure and operations.

Notwithstanding the apparent differences in these approaches, CED commentators almost always emphasize the need for a prosperous private sector. This is because CED strives to establish something different, a new kind of private sector which will eventually operate somewhere between the market and the state. In a working paper (“Towards a New Vision of Community Economic Development,” 1990), Chicago’s Midwest Center for Labor Research proposed the following:

Finally, we will develop and give definition to a new segment of “social entrepreneurs” who effectively operate within the requirements of the market place, yet whose primary objectives include the eradication of poverty, the expansion of economic democracy, and the creation of new paradigms of development rather than seeking personal wealth or the highest possible return in the shortest possible period to shareholders. (p. 11)

From such a perspective,

our objectives require the subordination of narrow economic objectives to the needs of the whole community. Our enterprises must be profitable but are fundamentally guided by a social cost/benefit analysis that directs the use of profits in the context of the overall needs of the workplace and community. Our priorities are focused on jobs and an adequate standard of living. Our economic horizon is long-term and gives priority to reinvestment into the enterprise and community. Our involvement of the religious community is not strictly pragmatic, but is one indicator of the consistency of our vision with spiritual, moral, and ethical concerns. (p.11)

In summary, the CED approach merges economic imperatives with social objectives. The economic component will be accomplished by business development. But the social component requires a particular *type* of business development which reflects the type of private sector being created—one based on values different from those currently regulating business practices.

A New Type of Business Development: One Response

Consider how the Corporation de développement communautaire des Bois-Francs (CDCBF) has tried to put these ideas into practice.

CDCBF is an unusual coalition of community-based organizations and co-operatives based in Victoriaville, Québec. Incorporated as a not-for-profit agency, it acts as an umbrella for its member

organizations. It provides technical assistance, training, and networking activities to both its membership and to new community enterprises. In addition, the CDCBF is an advocate for general social issues as well as community development.

Back in 1985, the CDCBF based its definition of “community enterprise” on an empirical framework only. Its leaders had many years of experience in community development and did not feel the need to consider other models, not to consult prior research. (This approach would subsequently prove to be both a strength and a weakness in their development strategy.) They knew that the CDCBF would continue the work of setting up additional community-based organizations and co-operatives. They also knew that people wanting to set up more traditional businesses would seek the CDCBF’s services. Guidelines suitable for either a daycare centre or a small manufacturer were therefore needed.

The CDCBF drew up the following list of attributes for the particular type of enterprise that it would strive to set up. A community enterprise:

- is the result of a local initiative.
- seeks to generate useful activities for the community as a whole, while trying to reconcile social needs with economic imperatives.
- is a collective undertaking, bringing people together around a project to be realized.
- seeks to respond to the needs identified by its members.
- favours a democratic legal framework and organizational structure (i.e. one person, one vote).
- seeks to have its members participate in its management.
- tends to promote, within its structure and practices, values of social justice which promote the elimination of discrimination and oppression.
- seeks to collectivize its tangible and intangible assets.

The definition served as a point of convergence for the group, but unfortunately limited the CDCBF in its dealings with people. For example, when five handicapped people approached the CDCBF for help in setting up a clock assembly shop, the CDCBF members were at a loss when it became clear that the business could only sustain one paid employee. Nevertheless, the concept has been a good starting place for future analysis.

The recent evolution of the community-based movement in the Bois-Francs is reflected in the statistics found in the table below. Between 1984 and 1990, 44 new CBOs or co-ops were set up, and today there are over 90 in all in the region. Their collective record:

	1984	1986	1988	1990
Annual Revenues				
Grants	n/d	\$2,233,000	\$3,278,000	\$4,121,000
Other	n/d	5,016,000	6,312,000	5,445,000
TOTAL	\$5,600,000	\$7,249,000	\$9,590,000	\$9,566,000
Net Assets	\$2,253,000	\$3,536,000	\$6,458,000	\$9,443,000
Permanent Jobs				
Full-time	n/d	151	197	167
Part-time	n/d	28	63	55
TOTAL	94	179	260	222
Annual Payroll	\$1,072,000	\$1,773,000	\$3,213,000	\$3,847,000

In 1990, these same CBOs and co-ops were managing 40 other projects employing 187 persons on a temporary basis. All of this aside from the jobs created by the community-based organizations and taken over by the private sector. For example, when the local garbage collector took over home pick-up of recycled articles from a non-profit advocacy group in 1989, the community-based sector “lost” 29 jobs, although these were maintained in the community.

In 1989, circumstances forced the CDCBF to review the specifics of its type of intervention. The organization had to show how and why its methods differed from both traditional economic development and from those of a social service agency. Here again, the CDCBF worked with empirical experience, gathered from its own practice. It knew that what both it and its membership were doing was somewhere mid-way between traditional economic and social development. The CDCBF calls this *community-based intervention* which:

- ❑ possesses a global vision of the health and welfare of individuals and of society. Inherent is the conviction that the economic, political, social, cultural, and ecological context of people’s lives constitutes a critical factor determining their health and welfare. Furthermore, it rejects the belief that an individual is solely responsible for his/her well- or ill-being.
- ❑ takes the whole person into consideration and not just his/her immediate problem, be it medical, social, economic, etc. It opposes a limited bureaucratic attitude and the obligatory participation in programs detrimental to the original intention.
- ❑ originates in an initiative of the people. It springs from their creativity, with a capacity to find alternative responses to new needs, searching for ways more respectful of people’s autonomy and dignity.
- ❑ promotes an egalitarian relationship between practitioners and clients (beneficiaries). It believes that a true therapeutic intervention must be based on solidarity and sharing, instead of the domination of one person over another because of his/her knowledge or position of power.
- ❑ opposes the concept of service as an end unto itself. It knows from experience that however humane, warm, or innovative, from the moment when service becomes an end unto itself, it no longer has the same capacity to transform a situation.

- ❑ is a collective undertaking, empowering people through involvement in a project to be realized. This translates into diversified practices in the use of power but always within a framework of direct participative democracy.
- ❑ promotes the creation of a more egalitarian society. This includes actively working for the abolition of poverty, sexism, racism, and other abuses of power. It rejects consumer consumption as the driving force for economic development and the standard by which quality of life is measured.

The CDCBF has been involved in a number of local and regional activities, including

- ❑ the organization of the last Regional Socio-Economic Summit
- ❑ urban planning and land use in Victoriaville
- ❑ strategic planning for local economic development in partnership with the public and private sector

Its participation in these initiatives has led to the conviction that social and ethical concerns must be foremost in all development projects right from the planning stage and on through implementation. Furthermore, to be successful, the practical application of social and ethical criteria requires complementary action on two different levels. (See chart below.)

First, these criteria must be included in a community-based development organization’s overall business development strategy. As a result, services would be defined in accordance with these principles, and used to foster business opportunities which reflect corresponding values. Such services might include:

- ❑ technical assistance in developing the business plan (feasibility study, marketing plan, accounting and financial analysis, etc.)
- ❑ advocacy
- ❑ arranging capital, space, supplies, and other resources
- ❑ computers and other technical or administrative services
- ❑ recruitment and training
- ❑ networking and communications between businesses

Second, the same criteria must be considered while developing the business plans of specific enterprises. This is the acid test of alternative business development. If the owners and managers apply these new approaches in their business plans and in day-to-day operations, they become not just active partners in community development but in fact leaders on the front lines—i.e., on the shop floor—where the true battles are being waged.

ISSUE	Implications for Overall Strategy	Implications for Specific Business Plans
EMPLOYMENT CREATION	Jobs must “fit the people” Selected targets “Good” jobs	Job qualifications and definitions Hiring policies Pay rates, fringe benefits, working conditions (health and safety) Policy towards unions
EMPLOYMENT TRAINING	Development of fundamental personal skills	Plans for on-the-job training
PROFITS	Support other programs Prevent leakage	Distribution of profits

ISSUE	Implications for Overall Strategy	Implications for Specific Business Plans
NEIGHBOURHOOD SHOPPING CONVENIENCE	Strengthen core areas Avoid duplication	Location Effect on local competitor (if any)
VISIBILITY	Community damage control with respect to failed business initiatives	Public acknowledgement of the CDC's support
MULTIPLIER EFFECTS	Encourage use and development of local financial institutions, including credit unions, community loan funds, etc.	Commitment to using local financial institutions
IMPORT SUBSTITUTION	Analysis of imported goods and services Encouragement to enter these markets	Possible links with goods and services being imported by other enterprises Commitment to using local suppliers
WORKER EMPOWERMENT	Priority to worker co-ops and other forms of participatory management	Policy for worker participation in decision-making and profit-sharing
CUSTOMER EMPOWERMENT	Encouragement of consumer co-ops	Policy for customer satisfaction and feedback Manufacturing plan regulating safety and quality of products
LABOUR PRACTICES	Encouragement of progressive employment policies and labour relations	Personnel policy dealing with unionization Commitment to trade with businesses promoting progressive labour relations
FEMINISM	Policy of non-discrimination against women	Policy to promote hiring and career development of women Commitment to trade with businesses promoting non-discriminatory employment practices
ECOLOGY/ ENVIRONMENT	Support not available to industrial polluters, producers of nuclear energy Discouragement of resource companies and others dependent on government concessions	Environmental impact assessment Policy not to buy from or sell to industrial polluters, producers of nuclear energy Commitment to trade with businesses promoting environmentally sound workplaces
PACIFISM (ANTI-MILITARISM)	Support not available to producers of military materials	Commitment to trading in goods/services for civilian use only Policy not to buy from or sell to producers of military materials
HUMAN & CIVIL RIGHTS	Support not available to businesses with poor human rights records Policy not to trade with countries having poor human rights records	Commitment to trade with businesses and countries promoting human and civil rights
OTHER ISSUES	Policy of non-discrimination against disabled persons Support not available to producers/suppliers of unhealthy substances (e.g. tobacco, alcohol) Exclusion of gambling activities	Policy to provide accessibility to disabled customers and workers

**A Case in Point:
Place communautaire Rita-St-Pierre**

In Victoriaville, the CDCBF took over an abandoned, 62,000 square foot multi-use commercial site (40% office space, 35% garage, and 25% warehouse) slated for demolition and transformed it into the Place Communautaire Rita-St-Pierre (PCRSP), a community service/retail centre housing over 35 community-based organizations and co-ops and providing warehousing space to a couple of traditional businesses.

The chart on the pages following illustrates how the PCRSP has tried to handle various development issues and indicates the level of success of their particular approach for each one so far.

Legend

- + successful implementation
- +/- implemented, but results uncertain
- implemented with negative results
- ? not tried

ISSUE	MEANS
JOB CREATION	<ul style="list-style-type: none"> + Direct creation of three "good" jobs + Jobs directed towards selected targets (women, unemployed people) + Job qualifications and definitions modified to "fit the people" + Good pay rates, fringe benefits, working conditions (health and safety) + Additional jobs created indirectly through new , PCRSP-related organizations: worker-owned housekeeping services co-op (7 jobs), "drop-in" daycare centre (3 jobs), shelter for the homeless (4 jobs), press clipping service (1 job)
WORKER EMPOWERMENT	<ul style="list-style-type: none"> + All staff are members of CDCBF's work team (collective management) + Priority to worker co-ops in development of new organizations
CUSTOMER EMPOWERMENT	<ul style="list-style-type: none"> + Needs assessment before a new tenant is accepted (includes an evaluation of the impact of the move on the proposed tenant's operations) +/- Encouragement of consumer co-ops - Democratic participation of tenants in the decision-making process
EMPLOYMENT TRAINING	<ul style="list-style-type: none"> + On-the-job training (maintenance, office work, computers) + Use meeting rooms as classrooms for "employability" programs
LEAKAGE	<ul style="list-style-type: none"> + Policy of priority to the purchase of locally-produced goods and services + Direct control over \$1,020,000 in receipts between June 1988, and March 1991, and disbursement almost exclusively to local suppliers
MULTIPLIER EFFECTS	<ul style="list-style-type: none"> + Use of local credit unions ? Use of equity as collateral for development initiatives ? Use of equity as collateral for direct investment in other programs or ventures ? Use of land as a nucleus for a community land trust
NEIGHBOURHOOD SHOPPING CONVENIENCE	<ul style="list-style-type: none"> + Fully-equipped meeting rooms + New mailbox in the neighbourhood + Commercial space for new services (recycled books) and for expansion of existing services (recycled clothing, furniture, and toys) + Collective commercial services (self-serve photocopy centre, daycare) - Commercial space for a consumer co-op ? Commercial space for locally unavailable goods and services
SUPPORT OF COMMUNITY-BASED ORGANIZATIONS	<ul style="list-style-type: none"> + "Hassle-free" rental includes all services except insurance: utilities (heat, hydro, water); maintenance (minor repairs, sanitation supplies, light bulbs, soap); housekeeping (weekly cleaning); snow removal. + Direct financial subsidies from the PCRSP to poorer tenants + Group purchasing of commodities such as heating oil + Collective use of expensive or little-used equipment: postal scales & meters, TVs, VCRs, fax machines, computers + Priority referrals among the various tenants and CBO community + Collective use of fully equipped meeting rooms and reservation service (available free of charge to all CDCBF members and PCRSP tenants) + Collective reception area for parcels, etc.
CBO NETWORKING	<ul style="list-style-type: none"> + Distribution of leaflets from stand in the lobby +/- Social activities for all CBOs (tenants and non-tenants)
VISIBILITY	<ul style="list-style-type: none"> + Public acknowledgement of CDCBF's ability to handle complex projects + Use of indoor and outdoor signs + Bulletin boards in the lobby and beside each tenant's office + Collective public relations activities (open house, public tours) + Reception area serves as a referral point to other community-based services +/- Promotional literature
FEMINISM	<ul style="list-style-type: none"> + Policy of non-discrimination against women + Policy encouraging the equal participation of women at all levels (staff, board, committees) + Use of non-sexist language in written materials

ISSUE	MEANS
INTEGRATION OF THE HANDICAPPED	<ul style="list-style-type: none"> + Building 100% wheelchair accessible, inside and out: includes elevator, ramps, modified door widths, placement of light switches and outlets, adequate space and hand bars in washrooms, etc. + Elevator adapted for hearing/seeing impaired persons + Reserved handicapped parking + On-site spare wheelchair and technical aids for the hearing impaired
ECOLOGY /ENVIRONMENT	<ul style="list-style-type: none"> + Exclusion of industrial polluters, producers of nuclear energy + Policy to encourage recycling + Policy of using space and materials in the same condition as when the building was acquired (no unnecessary renovations) +/- Environmental impact assessment of tenants and of any renovations +/- Efficient use of energy
PACIFISM/ ANTI-MILITARISM	<ul style="list-style-type: none"> + Exclusion of the military (regular forces, reserves, cadets) and producers/suppliers of military materials

To summarize the experience of Place communautaire Rita-St-Pierre, it is possible to tackle social issues within a business organization. Only two issues have had negative results:

1. Participation of tenants in the decision-making process.

Remaining unclear as yet are the respective decision-making roles to be played by tenants who are not members of the CDCBF (the building's owner) and by CBOs which belong to the CDCBF, but are not tenants.

2. Use of commercial space for a consumer co-op.

The relocation of a co-operative butcher shop and its subsequent expansion to carry convenience items was not successful. This co-op folded two years after moving to the PCRSP. (In all fairness, the closure cannot be attributed to the PCRSP, however. The co-op was on the verge of closing in the spring of 1988. It was hoped a move to the PCRSP would increase its membership. Although sales did increase after the move, allowing the co-op to function two years longer than had originally been anticipated, volume remained slightly under the breakeven point.)

Finally, it should be noted that the PCRSP is one of a number of examples which could be analyzed in the same way and which would present quite positive results.

Conclusion

There is no denying that business development is inherent to traditional economic development strategies. To be part of a viable *community* economic development strategy, however, business development must take an alternative course, both organizationally and philosophically. Although a CED strategy would favour small business development in general, development of *alternative* small businesses would have to remain *the* priority, due to 1) their edge in encouraging the full participation and feeling of ownership by every worker, and 2) their numerous advantages over large corporations in such matters as job creation, technical innovations, economic diversity, responsiveness to the community, local spending, and stability.

Luke, Ventriss, et al (*Managing Economic Development*, 1988) see traditional business development as a 6-step process:

“A person or group locates a business opportunity, accumulates resources, builds an organization, produces products and services, markets the products and services, and responds to government and society.” CED, by contrast, would probably want to include an additional step near the beginning of this process: the clarification of issues of primary social concern to give direction to the community's business development strategy and to the planning and procedures for specific business ventures.

This brings up the fundamental, difficult question of community control. “Frequently, there is an inability of CDCs to tackle and advocate policy options that question or challenge the traditional boundaries of ownership and control of corporations, public accountability and disclosure, and the negative view of any kind of government or community intervention into the affairs of a company” (“Towards a New Vision of Community Economic Development,” p. 9).

Ways to resolve this difficult matter of control would include the model of two classes of stock ownership developed by the Industrial Cooperative Association, where the first is issued to the workforce, which in turn has full control over all the company's activities within the guidelines of the corporation's by-laws. The second class of stock, a single share, is held by the community organization, which must be consulted if the employee-owners wish to change the by-laws.

There are undoubtedly other options available for working out this matter of control. What is important, however, is to ensure that the enterprise remains responsible and accountable to the community. In turn, the community will have a reciprocal collective responsibility to all its institutions, including businesses.

Businesses must be seen as tools for empowerment. It is not enough to own and manage them; rather, their goals and activities must be oriented to achieving collectively agreed upon social and ethical objectives. In this way, alternative business development can be a legitimate key component of a community development strategy.✍

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