

What is the Business of Business?

Some recent books detail how the new breed of entrepreneur makes a lot more than just money

BILL NINACS

“Business is simple,” says a recent *Fortune* article. “Take capital, invest it so that you can make more money than the capital costs, and return the difference to your stockholders. Piece of cake.”¹

The article goes on to list the lessons that some of the 100 fastest growing corporations in the United States have to teach the rest of the business community: be creative in your financing and leverage almost everything you’ve got; invest in training your staff in order to ensure quality work and retain key people; hold back growth if necessary in order to ensure that your production base is sound; be willing to take huge risks.

Pretty conventional stuff, actually. Premised on the idea that capital is intrinsically economic, the article more or less just describes ways to make more money for those who have already invested money.

STAKEHOLDERS & SHAREHOLDERS

But CED practitioners know that more than just financial capital is involved in developing and ensuring the continued success of business enterprises. Businesses are supported by their workforce, by their workforce’s families, by the local community that provides essential services and infrastructures, and even by the State’s legal and fiscal statutes. In a nutshell, businesses are also beholden to others, to their *communities*, not just to their financial investors!

Indeed, businesses have *stakeholders* as well as shareholders. Why shouldn’t businesses attempt to ensure a good return on their stakeholders’ investments in the same way that they do for their shareholders?

The shocking truth is that some businesses do just that and still enjoy considerable economic success.

In fact, sometimes their envious financial positions are actually a result of attempts at addressing social concerns. Alan Rieder’s *75 Best Business Practices for Socially Responsible Companies* profiles about fifty successful (and mostly large and mostly U.S.) corporations, highlighting their socially responsible best practices. One of these firms is even on the list of *Fortune*’s 100 fastest growing companies!

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This fascinating book presents inspiring short case studies of for-profit enterprises, including a couple of co-operatives or employee-owned businesses, that empower and share wealth with their employees, attempt to ensure the well-being of both customers and staff, support community involvement and development, integrate social criteria into every day purchasing, packaging and transportation activities, and organize their produc-

tion around sustainable development principles.

In short, the book is a treasure-trove of ways to respond to stakeholder concerns. The practices listed in it, although not revolutionary by any stretch of the imagi-

nation, still go way beyond the simple philanthropic model of corporate social behaviour. Even though these good corporate citizens are usually guided by a search for competitive advantage and not really by a true sense of solidarity with the community, everyone often comes out a winner.

A lot of the initiatives are so well-known (who hasn't heard of Ben & Jerry's egalitarian principles?) that it makes one wonder if people managing other, less socially-responsible firms, can read. Why aren't practices like these publicized more? Where is the Business Council on National Issues or the Fraser Institute when you need it? Indeed, why isn't the Conference Board of Canada researching and promoting this sort of stuff? And what about all of those splendid MBA programs that Canadian Business raves about? Does any one of them offer "Corporate Social Responsibility 101" as a core course?

A WIDER PERSPECTIVE FOR SMALL BUSINESS

This having been said, it is small business, not the corporate sector, that is the main focus of community economic development. But the main issue remains the same and, from a CED perspective, small businesses must also address stakeholder concerns.

Unfortunately, most business planning guides do not take this into consideration. Even some of the newer and quite well-structured and well-written ones² are just simply not all that concerned with non-traditional business issues such as community benefits. Most business plan manuals are therefore fairly conventional when it comes to returns on investment in the sense that only the entrepreneur and the financial backers get all of the attention as if others weren't involved.

One exception is *On Your Own: A Woman's Guide To Business Planning*. This

book has the merit of putting business development in the context of family responsibilities and personal goals. It also attempts to address issues such as discrimination against women who apply for credit and the gender bias of some business development tools. It generally provides much more information than most other manuals and includes a few sample business plans.

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doesn't show how a small enterprise should respond to a community's social goals. Moreover, the examples given are purely market-driven. To a certain extent, such omissions are not so much an oversight as it is an acknowledgement that the first steps of the budding entrepreneur are usually almost exclusively directed towards maintaining economic viability in a competitive environment.

SOCIAL ENTREPRENEURSHIP

It is true that market forces are not always very friendly to creative attempts at using

a business to address either personal or social issues or both. But there is nevertheless an increasing number of attempts to bridge the economic and social goals within an entrepreneurial framework.

For example, the focus of *Nonprofits in Business*,³ by Paul Bullen and others, is on developing community enterprises - i.e., entrepreneurial ventures that generate revenue from the production of goods and services, that do *not* distribute profits to shareholders, and whose parent bodies have social benefits as a primary purpose. The research-based findings of this book indicate that social goals can be met quite successfully through such businesses. Indeed, one of the most striking lessons learned from this work is that a business can often be designed in such a way as to meet social goals.

Imagine, designing businesses to meet social objectives ... what a novel concept! At first glance, such an idea would have as much a chance of floating as would a lead balloon here in North America, right? Wrong! It can and does work here, too, as shown by an excellent report on this growing phenomenon published in 1996 by the San Francisco-based Roberts Foundation. Called *New Social Entrepreneurs: The Success, Challenge and Lessons of Non-Profit Enterprise Creation*, the book gives concrete examples of how market forces can be corralled to speak to issues such as housing, youth development, homelessness, and hunger.

Not content with simply presenting best practices, this report endeavours to analyze the situation as well. For example, it has a valuable section on the different ways stakeholders see nonprofit enterprises (employees' perspective, board of director's perspective, funders' perspective). It also explores their competitive advantages and disadvantages (including an intelligent and relevant critique of Michael Porter's theory on the competitive advantages of the inner city). It looks at the position of nonprofit enterprises in

the global economy and attempts to address and understand their unique organizational development and evaluation issues. This publication, along with *Nonprofits in Business*, should be required reading for anyone who doubts that there are alternative ways of doing business.

Both books present their findings in a user friendly format. Moreover, while they promote a new vision for both social intervention and business development, they are far from starry-eyed. For example, Finding No. 4 in *New Social Entrepreneurs* reads:

“While economic development in the form of enterprise creation is in many ways rooted in a history of community economic development, and whereas job creation efforts must be pursued as part of a continuum of housing and support services, the practice of social entrepreneurship constitutes a new evolution of thought and technique. Simply because one is engaged in the creation of affordable housing or the provision of support services does not mean one has the skills required for business development.” (p. 12)

While this might be true, it doesn't mean that individuals who seek to attain social objectives above all should abstain from trying to use business development for this purpose. Actually, just the opposite seems true. *Nonprofits in Business* indicates that social objectives can often bring together a few people around a “good idea” that can often be turned into a business.

AT WHAT COST SELF-SUFFICIENCY?

New Social Entrepreneurs is also right on track when it comes to the practical issues facing its namesakes. For example, its Finding No. 12 touches upon one of the most problematic elements found in alternative business development: the “ongoing tension between the desire to pay a livable wage and what the actual market

will support” (p. 14).

This fear that community enterprises can become underpaid and precarious job ghettos for women, youth, and the poor in general, is at the heart of the debate on the social economy - such as in Québec, where the development of social enterprises has become a full-fledged component of the province's economic development strategy.⁴ The problem is that most new social economy initiatives are concentrated in fields that are not profitable for the private sector or too costly for the public one. Since volunteer efforts can never completely compensate the differential between revenues and labour costs, many social enterprises have therefore to rely on low salaries and few fringe benefits to make ends meet.

Activists thus fear that only the exploiting of people receiving social assistance or the substituting of public sector jobs with cheap labour can ensure the continued existence of social economy enterprises. They have a point but, as Kathryn Church points out,⁵ this issue must also be looked at from those who get the jobs. Even a small amount of money means being able “to move from having virtually nothing to having something [and] gaining access to better food, housing and social activities.”

Kathryn further describes how alternative businesses can be venues for empowerment and community-building within a framework of direct control by those who work within them. Her portraits of psychiatric survivor-run ventures also illustrate, however, how

A number of the works cited by Bill in this article are available through the Centre for Community Enterprise. To order, telephone The CED Bookshop (toll-free) 1-888-255-6779.

On Your Own: A Woman's Guide To Business Planning, by Laurie Zuckerman, is now out of print, but the author is considering self-publishing a new edition. Drop us a line at *Making Waves* (fax 250-542-7229, e-mail mcnaire@junction.net) if you would like us to add your voice to the “lobbying” effort.



New Social Entrepreneurs: The Success, Challenge and Lessons of Non-Profit Enterprise Creation P171 □ \$35



75 Best Business Practices for Socially Responsible Companies P174 □ \$17



Developing Community Partnerships in Europe: New Ways of Meeting Social Needs in Europe P130 □ \$22



Community Economic Development: In Search of Empowerment (2nd edition, revised) P146 □ \$24

complex such business development actually is and how essential public support is to ensure that social goals remain predominant in this process since, as *Nonprofits in Business* also notes, some enterprises may never be 100% self-sufficient.

Richard Macfarlane and Jean-Louis Laville try to tackle the self-sufficiency issue in a book on social entrepreneurial practices called *Developing Community Partnerships in Europe*. Through case studies from five industrialized countries (England, Scotland, France, Italy, Germany), they illustrate how a combination of state funding, revenues generated by sales on the open market, and volunteer labour can be merged into a hybrid mix to ensure that markets based on local needs can be tapped into by new social enterprises even when they are not financially viable.

As is the case with *New Social Entrepreneurs* and *Nonprofits in Business*, Macfarlane and Laville explore the field of collective services in depth. Urgent needs are often neglected because a lot of people just can't afford them. When these needs are as basic as transportation, child-care, and home health care, however, solutions must be found, and Macfarlane and Laville put a good number forward. *Developing Community Partnerships in Europe* contributes a wealth of knowledge on how concerted efforts between local communities and the State can respond to unmet needs in a market economy and simultaneously tackle problems of unemployment and increasing poverty. That market forces can be used to address social problems is, in fact, the basic premise of a *social economy*. This book explains in

both theoretical and practical terms how a more equitable economy can be built.

Calvin Coolidge once said that, "The business of America is business." Even though that was just before the Great Depression, his adage has survived and in this age of global markets, corporate downsizing and State devolution, it

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But for those of us concerned with poverty and lack of social justice, business must be seen through new lenses, no longer as an end in itself but as a tool to ensure everyone's social and economic

well-being. These publications tell us that such a perspective is not utopian and that the business of business can be re-oriented towards social ends. Isn't this part of what CED is all about? ❧

REFERENCES

¹Lieber, Ronald B., "Secrets of the Superstars", *Fortune*, September 29th, 1997, p. 81.

²Such as *The Business Builders Manual: A Guerrilla's Guide to the Business Plan* by John Olsen, available from the Centre for Community Enterprise (reviewed in *Making Waves*, Vol. 8, No. 3, Autumn 1997).

³WorkVentures Ltd., Maroubra, New South Wales, Australia, 1997. Website <http://spin.net.au/~workvent/nonprof.htm>

⁴See *The Social Economy in Québec*, available from the Employability and Social Partnerships Division of Human Resources Development Canada. Contact J. Évariste Thériault at (tel) 613-997-0248, (fax) 613-997-1359, (e-mail) etheriau@istar.ca, or visit <http://www.globalx.net/esp-eps>.

⁵See her chapter "Business (Not Quite) As Usual: Psychiatric Survivors and Community Economic Development in Ontario" in *Community Economic Development: In Search of Empowerment* (2nd edition, revised), Eric Shragge, ed.

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