

# COMMUNITY ENTERPRISE STRATEGIC PARTNERSHIPS WHAT ARE THEY AND HOW CAN THEY BE ORGANISED?

John Croft

update 8<sup>th</sup> April 2014



This Factsheet by John Croft is licensed under a [Creative Commons Attribution-ShareAlike 3.0 Unported License](https://creativecommons.org/licenses/by-sa/3.0/).

Permissions beyond the scope of this license may be available at [jdcroft@yahoo.com](mailto:jdcroft@yahoo.com).

**ABSTRACT:** *The Industrial Growth System of which we are a part undergoes a series of cyclic crises, that have seen the addition of new types of enterprise that correct imbalances within the system. Building win-win organisations requires new types of Community Enterprise Strategic Partnerships.*

### TABLE OF CONTENTES

THE NATURE OF ENTERPRISE ..... 2

INTRODUCTION TO COMMUNITY ENTERPRISE ..... 3

ORGANISING FOR COMMUNITY ENTERPRISE ..... 9

## THE NATURE OF ENTERPRISE

“Enterprise” gives a mixed message. On one hand, linked to entrepreneur, it can be seen as the activity of someone prepared to take risks with the resources with which he or she is entrusted, in order to gain a personal profit. In the age of “Greed is Good” increasing numbers of entrepreneurs, when caught in their activities, are finishing up as “white collar” criminals. On the other hand, “enterprise” comes from the French, “entre” meaning “between” and “preneur” meaning “taker”. In this second meaning an “enterprise” is a form of organisation that takes people from where they are to where they would like to be. In this context the “entrepreneur” is someone who develops an innovative way of meeting an emergent need in the community, a creative individual who inspires others with his or her leadership, to achieve a goal not possible otherwise. But this too is a mystification of another possibility,

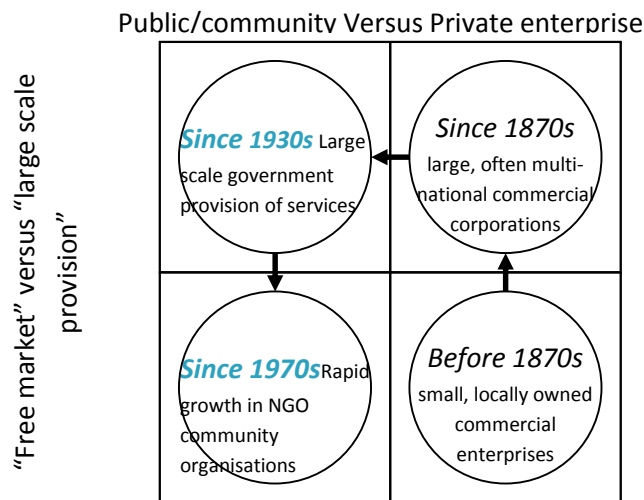
Neo-classical economics argues that the most economically efficient organisations are privately owned enterprises, competing in a “free market”. They are characterised it is said by “perfect competition”, and in a situation where consumers, making rational choices about costs and benefits have “perfect information” about the consequences of their choices forever into the future. It is further suggested, that government operated enterprises are by nature bureaucratic, inflexible and inefficient, by comparison to those that operate in the market-place.

But the reality few of these conditions exist in the real world. The conditions of “perfect entry” – where individuals can freely enter any industry to establish themselves as competitors to an existing enterprise - have not existed since the early 19<sup>th</sup> century. Despite massive market growth has seen the number of automobile manufacturers in the USA, for instance, fall from 5,000 in 1895 to 4 in 1995. Today of the world's 100 largest economies, 51 are now corporations, only 49 are nation states. The economic impact of these trans-national corporations has been continuously growing throughout the 20<sup>th</sup> century, despite the fact that since the 1970s, their number of employees has been falling rapidly. Clearly, in these circumstances the costs of “perfect” competition are so high, and so damaging to the sense of community, that “free markets” do not really operate.

From the 1930s depression government provision proved to be the best way of maintaining both aggregate demand as well as providing a form of enterprise to meet many community needs that could not be delivered by markets. Public education, public health, welfare provision and many infrastructure developments are only possible through funding from the public purse. This is especially true in those areas where a “fee for service” would result in worsening conditions of social equity, and a rising gap between rich and poor. But in recent years, whilst community social and environmental needs continue to grow, the growth of government tax revenues have threatened overall corporate and community prosperity. In these cases not-for-profit community organisations have shown an importance that was previously not recognised.

Thus rather than a single form of enterprise we find in fact there are four types, creating historically a highly “mixed economy”, as follows

## Ownership



In the so-called “developed” world there has generally been a “mixed economy” of four kinds of organisations working at community level – determined principally by the specific economic, social, political, cultural or environmental nature of the local community involved. The principle question is “does this mix” facilitate the development of vibrant, exciting communities characterised by a high quality of life for the people who live there? Or is there something missing from the mix, and how can it best be added?

## INTRODUCTION TO COMMUNITY ENTERPRISE

What is a Community Enterprise?

Community is a much misused word. It comes from three separate components

- Com = means “with” or “together” (in Latin)
- Munis = means “the changes or exchanges that link” (in Proto-Indo-European)
- Ity = comes from “Itatus” (in Latin) which means “local”, “small” or “intimate”

Thus “Community” means “the local links or exchanges that tie us together”. An authentic “community” is one that is inclusive of difference, is cohesive without being a clique, and is directed outwards towards the wider world, whilst being focussed on achieving the needs of its members. An authentic community is thus characterised by the quality of communication amongst its members. We don’t have many truly authentic communities.

Most of what we call communities are just accidental groups of people who have something in common –

- Geographical Communities – are people who live in proximity
- Organisational Communities – are people linked by need or organisation
- Cultural Communities – are people linked by a shared culture

Enterprise is also a much misunderstood word. It comes from two words in French –

- Entre = between
- Prise = to take

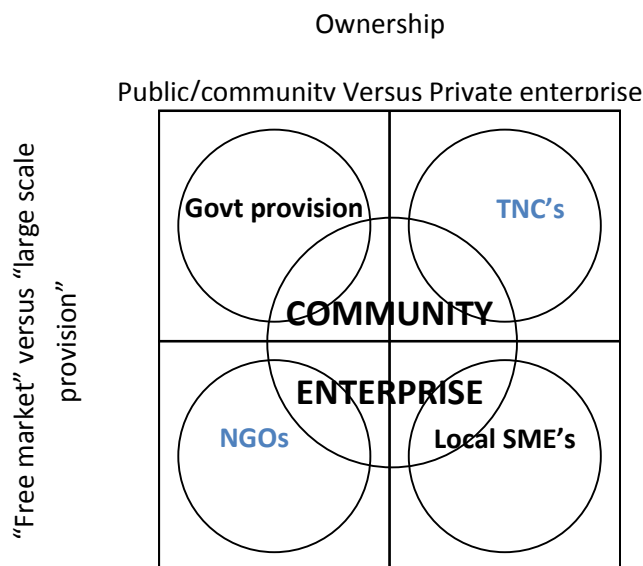
Thus an enterprise is something that “takes you from where you are now to where you would like to be in the future”.

Taken together a Community Enterprise refers to the development of an innovative community based institutions that enable a higher degree of collaboration between the four sectors operating in a local area.

A community enterprise exists when the four kinds of enterprise present in a local community, namely –

- Small to Medium Locally Owned Businesses
- Large, Externally Owned and Managed Corporations
- Government Agencies and Instrumentalities, and
- The Non Government, not-for-profit Sector

Work together to achieve beneficial outcomes that none of them could achieve by working alone. It can be described best in the following diagram.



Any community group that has decided to organise and run its own project has made an important decision – its members have become active Community Enterprise participants in local their

Community Economic Development. The members have common aims and alone they are unable to achieve these aims, but by banding together and working in partnership with other organisations in their community it becomes possible to work towards these aims and (hopefully) achieve them. Development for the local community by the local community ensures that their dependence upon government bodies, large external companies and other agencies over which local people may have little control, in fact best meet community needs.

Peter Kuenstler writing about Community Enterprises in Western Europe states “One of the characteristics of local initiatives is that they are frequently ‘mixed’ undertakings, that is to say not only a commercial or trading objective, i.e. to supply a product or service in return for payment, but also a social purpose, to provide a service for which users may not have to pay, but which is provided either through the commercial activities of the project or through a grant from an outside body”<sup>1</sup>

George Burt, of Community Business Scotland, considers a Community Enterprise has the following criteria. Thus a community enterprise provides some or all of the following;

- is a trading organisation
- is owned and controlled on behalf of a local community
- creates jobs for local people in new enterprises
- stimulates all aspects of community economic development
- provides services for a community
- helps or finances projects of community benefit
- provides facilities and training to help others create employment
- does not distribute its profits to its members
- re-invests its profits for community benefit<sup>2</sup>

Nick Love, the Founder of the highly successful community enterprise, the “Community Cooperative of the Highlands and Islands” is of the belief that there are ten major ingredients of successful Community Enterprises.

---

<sup>1</sup> Peter Kuenstler “Local Employment Initiatives in Western Europe” in International Labour Review Vol 123 No.7

<sup>2</sup> George Burt “Community Business Works” mimeo from Community Business Scotland

1. **An Integrated Approach:** the goals of community enterprise are never solely economic; nor are the goals solely social, or cultural, or environmental. Community enterprise developments must be integrated if they are to be effective. They are organised to meet important interests of the whole community. Accordingly their goals and strategies relate to the whole community – to its social, economic, environmental and cultural elements. These are precisely the requirements for Local Agenda 21, needed to develop Ecologically Sustainable Development, agreed to by the Australian Federal Government at the Rio Earth Summit in 1992. It has also been supported by the Australian Local Government Association (ALGA) in its push for Integrated Local Area Planning (ILAP).
2. **Not for Private Profit:** Many community enterprise projects get confused by this point. Community enterprises need to make a financial profit in order to survive. However, in a community enterprise, “profits” are a means to some other community “end” rather than an “end in themselves”. The goal of a community enterprise is not to accumulate money, or pay dividends to members, but rather to ensure that any profits made are used for the benefit of the whole community. Community enterprises thus are very concerned with what is being called the “triple bottom line”. Not only are they concerned with financial viability and profitability (the “bottom line” of a conventional private enterprise), but they are also concerned what is happening to the “social capital” and the “ecological capital” of their communities too. Profits made from trading enterprises are usually reinvested to grow the “social”, “cultural” or “ecological” capital of the community.
3. **Not for Personal Gain:** Community Enterprise projects, unlike most traditional small businesses, private companies or cooperatives, are not organised to provide personal financial gain for their members. Members’ benefits may come, however, indirectly, through the improved access to important goods or services arising for the project. For instance, a rental housing cooperative would be an example of a Community Enterprise, as members are able to provide in an important way for their housing needs. A non-rental, equity housing cooperative, however, would not be a community enterprise, as on the sale of their equity, private individuals stand to make a financial gain.
4. **Local Control:** Community resilience and self reliance can only be attained through a process of development which is largely locally initiated and locally controlled. Again this can lead to confusion. No community in the globalising world market can now ever be totally self-reliant. Through their taxes, local communities provide for government to provide programs on their behalf. They demand and are right to expect that government spending occur in their locality. The profits made by large companies, or the repayments on bank loans are generated by local communities, and there are many excellent examples of community enterprise created by working in partnership with such agencies, Nevertheless, it is important that members of a community enterprise realise that while, training, education, information, support and assistance, and even some funds may come from outside the community, it is by making decisions locally that the success of a community enterprise can be assured.

5. **Belief in Managing Their Own Affairs:** Community Enterprises therefore must believe in themselves and their abilities to manage their own affairs. They must have faith in the potential of the people of their community, and trust that people are capable of coming together for the good of the whole community, rather than just be motivated by narrow self interest. Acting out of such a belief, and motivating others to do the same, builds the social capital of a community, reduces any distrust and increases the economic returns to all enterprises – small private enterprises, large corporate enterprises and government service provision.
6. **Democratic Consensus in Decision Making:** Conventional management and organisation structures tend to draw the power of decision making away from the members as a whole, who may meet only once or twice a year, towards a small group of people involved in the executive or management committee which may meet monthly, or even fortnightly. This anti-democratic tendency can lead to conflict between members and management, which can reduce the effectiveness of community enterprise, unless managed properly. Seeking every opportunity for consultation and involvement of all stakeholders in the community, can help the committee ensure that executive members do not get trapped into a cycle of “overload – overwhelmed – burned-out – resign – seek new members”. It can also continually mobilise the energies and the interest of a far larger group than conventional “committee meetings” can generate. Participatory democracy, involving various methods of consensus decision making, can be very helpful here. At the same time, it is important that for those urgent unimportant decisions (eg which post office should be used to buy stamps), should be left to the individuals who are engaged in those activities, without needing to be answerable to a committee for their actions. Seeking order, decision by committee frequently provokes paralysis. Dee Hock has shown “Chaordic Organisations”, those that exist on the edge of Chaos, are more successful in promoting and empowering their participants to be innovative and creative, adjusting rapidly to changing circumstances.
7. **Small is Frequently Beautiful:** Our culture tends to be obsessed by “bigness”. People who get involved in community enterprise can also become addicted to this as a criterion of success. But big projects do not start in a vacuum. They are the result of the success and growth of previous small projects. If you hear someone describing your project as a “small local effort” this should be regarded as praise, not as condemnation. Such efforts are owned and managed locally; it is located and controlled by the host community; it provides work for local people; makes use of locally available resources, both human and material; serves local needs through providing improved access to products and services; enhances local capacity and community adaptability; builds social vitality and rarely does much (if any) damage to a local environment. As Tony Judge, of the International Association for Associations has said, building strategic partnerships between very different kinds of organisations achieves far more than any single organisation trying to get it alone. Community enterprise, thus organises a local ecology of organisation structures by enhancing communication between non-government community organisations, government agencies, large corporations and small, locally owned businesses. This work may be small, and almost invisible, but it is crucial to the success of community economic development.

8. **Community Economic Development:** Traditional community development initiatives in developed countries have tended to focus upon social, recreational, cultural, health and education initiatives. Economic development in the past has been left to major business corporations and State and Federal Governmental planners. Not only has this tended to favour “big projects” in “large communities” at the expense of “little projects” in small communities, which have suffered as a result, it has also tended to reduce local control, and local resilience to the buffetings of changes in commodity prices or government policies. Community Enterprise is the key strategy that puts economics back into the heart of Community Economic Development. At the same time it does not reduce the importance of the social, cultural or environmental. Rather it augments their success by giving them access to funding that they would otherwise lack, reducing their dependence upon government handouts or corporate sponsorship.
9. **Involvement of Training and Education:** The most successful community enterprises are what Peter Senge calls “learning organisations”. Learning organisations work because they are “value driven” and mobilise voluntary input far in excess of the work generated from any contract, wage or salary. They also tend to promote change from the inside out, rather than have change forced upon them from the outside in. By having their “eyes wide open”, learning organisations are constantly receiving signals of many kinds that reflect upon their performance, and are able to discriminate between a “meaningful signal” and meaningless background “noise”. Through review and evaluation, the “learning loop” is closed. Thus recurrent, lifelong learning for all involved is fundamental to the success of any community enterprise. Community enterprises need a hunger for information and awareness about how things could be done better, that should be shared by all people involved. If there is a better book keeping system, for instance, get someone trained to implement it. If you hear of a community that has been successful in fostering community involvement, check them out and learn from their experience. It may prevent you from having to reinvent the wheel. Education in this way is not something that is contained in schools or academies, set apart from life. Education in a successful community enterprise becomes a part of life, as inseparable as breathing.
10. **It Takes Time:** Community Enterprise projects are developmental, and development cannot be hurried. One cannot prise open the petals on a rose bud, it proceeds at its own pace. Community enterprise projects are there for the long haul. Whilst they may be able to take rapid strides, or capture a temporary opportunity, their impact usually will only really be felt over many years. This does not mean that people need to commit themselves for an organisation forever. It rather means that the community enterprise structure is one that should facilitate new, less experienced but more enthusiastic people to join easily, and “older” more experienced people, who may have little more to contribute, to leave gracefully, without forsaking or losing valuable lessons that may have been learned the hard way. This prevents a small group of declining numbers being left “carrying the can”. Ensuring that each person who leaves gets replaced, in advanced, by someone who would be better at doing the job than they were, would go a long way to securing the stability of community enterprise structures. Finding ways of giving everyone the chance to participate in making the really important decisions, is a great way of sharing any burdens and keeping enthusiasm high.



## ORGANISING FOR COMMUNITY ENTERPRISE

A Community Enterprise is thus highly malleable, involving an adaptable structure to take account of the needs and situation of the circumstances found in a particular locality. In Western Australia Community Enterprises have taken the following forms

1. **A Not-for-Profit Incorporated Community Association** (under the WA Incorporated Associations Act 1987) that runs a local business
2. **An enterprise arm of a local organisation**, Service Club, Progress Association or local Chamber of Commerce (Rotary run Swap-Meets, or Market Days are an example)
3. **A particular project auspiced or sponsored by a Local Government Authority** (The Narembeen Community Telecentre is a WA example)
4. **A non-distributing Cooperative Company** (under the WA Cooperative Companies Act 1947-93. The Mt Barker Cooperative operates in such a fashion)
5. **A Community Foundation**, or charitable body, having tax deductible status (The Mid West Community Foundation established in Moora sought such a structure)
6. **A Community Trust**, in which the beneficiaries of a trust business are named as a particular community. The recently formed WA Community Foundation operates in this way.
7. **A community based Credit Union** in Maleny, Queensland, is at the hub of a variety of Community Enterprises, including a LETSystem, Food Cooperative, and others.
8. **A corporate out-sourced local government function** – such as the award winning Emergency Services Program in Margaret River.
9. **A Business Partnership** – in which a number of these agencies work together in a structured form, as with the proposed community owned windfarms in Geraldton and Denmark.

As the following above diagrams show, a Community Enterprise can incorporate a wide range of players for a wide variety of functions. In Western Australia Community Enterprises have undertaken a range of functions including

- **Establishing Profitable Enterprises;** that are essentially small business, to either employ local people, or create a capital base that can be used for other community benefit (eg. The Cunderdin Hotel was managed by a Community Enterprise that used to profits to build and run a community based swimming pool, long before they became common in Country Towns). The proposed Turner Rd Caravan Park, to be run by the Augusta Community Development Association, or the Margaret River Design Centre, being proposed by the Alternative Technology Centre are classic examples of such Community Enterprises.

- **Running Marginal Enterprises;** There are many enterprises that the private sector would not consider undertaking, but which a community enterprise, by mobilising volunteer assistance and drawing upon social capital, can run effectively. This may involve a community taking over an existing enterprise which would otherwise be lost to a community. Except that the people investing stand to make a personal profit, the growth of the Community Banking movement, sponsored by the Bendigo Bank is otherwise a classic example of such marginal business enterprises, mobilising community based social capital to run enterprises which have been judged to be marginal by conventional banks.
- **Seizing Opportunities;** Once a Community Enterprise structure is established, it may facilitate a rapid response to a temporary business opportunity which would otherwise disappear, or not be taken up by a locality. The Community Enterprises in the town of Hyden in WA have repeatedly demonstrated the effectiveness of this approach. Equally the “debranching” of the major banks have provided opportunities for community enterprise banking, in which local communities have worked in partnership with Bendigo Bank to achieve outcomes impossible for the parties if they had been forced to work alone.
- **Promotion of Community Entrepreneurship;** Community Entrepreneurship is a special kind of local leadership which can effectively assist a community build a vision for itself, and then helps the community build a bridge between where they are now and where they want to be. Business Incubators exist in Tambellup, Balingup and elsewhere to foster such an enterprise spirit. In Western Australia, the Community Builders Program and the Community Opportunities Workshops of the Office of the Minister for Primary Industry, and the Small Town Economic Planning Program of the Department of Commerce and Trade have in the past assisted with the building of such Community Entrepreneurship.<sup>3</sup>
- **Providing Community Services;** A community enterprise may also undertake any activity that benefits a local community. For instance many Telecentres in Western Australia (which are very successful Community Enterprises) publish local newspapers, and share resources with local libraries and other community services which may otherwise be only available on a much more limited basis than at present. Community Enterprises may also provide for such services to senior citizens, youth, or mothers of young children.
- **Sponsoring Community Activities and Events;** A community enterprise may organise major community events that can be of major cultural, social, and economic benefit to a local community. The Dowerin Field Day, brings an estimated 80,000 people to a town that otherwise has a resident population of only some 800 people. Many examples of such events exist in Western Australia, for instance the Nannup Folk Festival, the Bridgetown Blues Festival, the

---

<sup>3</sup> If your community wants more information about Community Entrepreneurship, contact John Croft at the same address.

Balingup Small Farm Field Day and its Medieval Fair are just a few such examples.