

Community Enterprise

What is a community enterprise? [1]

A type of business, company or enterprise with a director, management, employees created to run as a business with all assets controlled, managed, and directed by the community, with a board of directors elected from the community and all profits created contribute to the optimum health, human rights and shared prosperity of the community or sharing with local communities in the area to achieve shared goals and objectives.

What are Community Based Enterprises? [2]

Community based enterprises use business to improve the life of a community. They are different from private enterprise because their business activity is undertaken as a means of achieving community benefit, not private gain.

Key characteristics of community enterprises are that they aim to be

- **community owned**--assets belong to the community and cannot be sold off for private financial gain
- **community-led**--people who are local stakeholders in the area of benefit play a leading role in the enterprise
- **community controlled**--the local community is represented on the Board of Directors and makes sure that the enterprise is accountable to the community
- **able to generate profits or a surplus** that can be re-invested or distributed for community benefit
- **socially and environmentally responsible**--the tackle social and environmental problems in their area
- **financially self-sustaining**--or on the way to being so

Community based enterprises are also called **social enterprises**.

The UK Department of Trade and Industry **definition of social enterprise** is:

"businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners"

How are community based enterprises different from micro-enterprise?

Micro-enterprises are often small-scale, vulnerable to competition, under-capitalized and unable to generate many jobs. They are usually owned by one proprietor or a single family. If they do make more than a basic living for the owner, the profits are privately accumulated.

Community based enterprises have the potential to be larger scale, generate more jobs and return benefit to the community beyond those directly employed. They can be run as a worker-owned cooperative or as a member-based association.

In many parts of the majority world there is a role for community based social enterprises to help strengthen local economies.

Enterprise Development and Community Economic Development [3]

Business growth is seen to be one of the main ways of promoting economic development. But there are many different forms of business and not all put community wellbeing at the centre of their operations. While privately owned businesses might employ local people, the wealth they produce is accumulated and invested or expended by the business owners often elsewhere.

The only way to ensure that the wealth generated locally is used to improve livelihoods locally is for the community to take charge of enterprise ownership and development.

Community based social enterprises are distinctive in that they organize their business activities around providing community benefit directly. They can:

- provide purposeful employment and cash income for marginalized people
- add value to agricultural produce
- stop the leaks of cash out of the community by supplying products for local consumption
- allocate surpluses to community projects
- use surpluses to spin off more community enterprises
- allow people to develop as economic decision-makers and actively engaged citizens

Because community enterprises involve stakeholders from all over the community, they are more able to devise strategies to cope with competition and capitalization. They can be developed as part of a local development plan by local governments and NGOs as well as community members.

Steps for Building a Community Enterprise [4]

The first step toward building community enterprises is to begin to ask the following questions:

- What are the assets of our community that could be mobilized by enterprise development?
- What needs in our community could be met through enterprise development?
- What diverse economic practices could be redirected to support enterprise development??
- Who is interested in putting volunteer time and energy into research and development of an enterprise idea?

Many ideas for enterprises might arise. It is useful to brainstorm as many as possible, including wild ideas and very ordinary ideas. It is only in the process of research and development that these ideas will be tested to see which ones can be made real.

Encourage a group of interested people to form an enterprise **research and development group**. These people will need to meet regularly to discuss how to see if a particular enterprise idea is going to 'have legs' and come into being. This group will need to be committed enough to offer their volunteer labour to the enterprise development process.

Conducting a Feasibility Study

People will gravitate to the ideas they are most interested in. They may need encouragement to think that they can organize a feasibility study.

A feasibility study involves talking to people, asking hard questions, searching for assistance, applying rational thinking and not losing sight of the vision that communities can become entrepreneurs. It is best if the feasibility study is undertaken by those who are interested in participating in the community enterprise. Doing the feasibility study together gives people the opportunity to see how they can work alongside each other.

Elements of a feasibility study:

- Visits to similar enterprises in the wider region to "see how they do it"
- Interviews with local suppliers of raw materials to investigate volume of supply, seasonality, prices and price fluctuations, quality issues
- Research into potential markets, eg interviewing stall holders in the local market, interviewing other businesses who might buy the product, interviewing consumers directly
- Research the technical production and packaging requirements
- Find out about government health regulations
- Look into different organizational structures for the enterprise and their legal requirements
- Discuss possible ownership and governance structures
- Discuss different options for raising initial capital to get started

Enterprise Experiments and Business Plans

The text books advise that business plans are a necessary ingredient of enterprise development. The crucial question is when to focus on a business plan? If an enterprise development group has just formed and is needing to figure out how to work together it may be better to start experimenting with an enterprise first and leave the business plan until there is more confidence that the group can get along.

If too much time is spent on abstract business plans and not enough on concrete doing, people may get discouraged and lose interest. Often business plans get bogged down in matters of financing--- how can start-up capital be raised? how can on-going financing be arranged? etc. But in practice many community businesses can begin with very little capital as people are willing to put their savings and sweat into the project to see if it might take off. As one social entrepreneur put it, for any kind of business to work there must be "skin in the game". If community members feel that some of their skin is in the business it is more likely to succeed.

Enrolling Support

As the enterprise starts to take shape there will be many areas of expertise that can be drawn on for support. These may include:

- Organizational development
- Legal
- Technical
- Financial
- Marketing
- Site management
- Moral
- Conflict resolution
- Problem-solving

Some of this expertise might be available locally--in the local government offices, in NGOs, in community organizations, in family support networks. There are also the resources of the province or region to be drawn upon. International support can also be accessed via the internet and aid organizations.

Try to build up a network of wise people whose counsel can be sought at various stages of the enterprise development journey.

Reflection and Evaluation

A community enterprise is an ambitious undertaking. It tries to

- solve social and environmental problems
- engage with markets
- cover costs
- make a profit that can be used for community ends

A process of regular reflection on these objectives will help to identify how the enterprise is going. In the early stages it may not be feasible to achieve all of these objectives. But it is important to evaluate each in turn so that decisions can be made about future courses of action. If only a few objectives are being met at any one time, the sustainability of the enterprise might be threatened.

References

- [1] <https://www.igi-global.com/dictionary/music-and-musical-heritage-as-factors-for-rural-development/101783> (last accessed: 2023. 06. 22.)
- [2] <http://www.communitypartnering.info/what45.html> (last accessed: 2023. 06. 22.)
- [3] <http://www.communitypartnering.info/enterprise46.html> (last accessed: 2023. 06. 22.)
- [4] <http://www.communitypartnering.info/steps74.html> (last accessed: 2023. 06. 22.)