Depleted communities and community business entrepreneurship: revaluing space through place

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Depleted communities are a persistent feature of late capitalism. They can be seen as areas that have lost much of their economic rationale as space, while retaining high attachments and social relations of place. While conditions in depleted communities can limit possibilities for traditional development, entrepreneurial responses are not similarly constrained. It is argued here that depleted communities can act as hosts to a unique form of enterprise that combines good business practices with community goals. We refer to this as community business entrepreneurship and argue that it is similar to, but distinct from, the traditional entrepreneurial process. To illustrate these ideas three cases are examined. Within the setting of the depleted community, the entrepreneurial process can be modified to pursue community goals, thereby creating new opportunities and making new forms of development possible.

Keywords: depleted community; community business; place; entrepreneurship; Greg MacLeod.

1. Depleted communities as hosts for community business entrepreneurs

In Western society, economies dominated by capitalistic relations affect our conceptions of the economy (Hudson 2001) and entrepreneurship. Economic growth and pursuit of profits are central objectives in these contexts. In fact, entrepreneurship owes much of its current prominence to its perceived association with economic growth (Zacharakis et al. 1999). However, there are other perspectives. In locations where capitalistic relations are less robust, such as depleted communities, the entrepreneurial process may adapt and manifest itself differently (Anderson 2000).

Within developed economies, depleted communities are areas where the strength of capitalistic relationships has diminished; these locations are products of uneven development, which is itself an inherent feature of capitalism (Smith 1990). Thus, while some areas experience economic growth, others experience economic stagnation or decline and a host of associated social problems (MacLeod et al. 1996).
Particularly through the work of economic geographers such as Hudson (2000, 2001, 2002) and Massey (1995), we have a better understanding of these phenomena and their associated mechanisms.

Uneven development is caused by the spatial structures of the social relations of production (Massey 1995). Particular forms of production, such as branch-plant and part-process production have different geographic outcomes. As the dominant form of production changes within the economy, so too does the specific geographical pattern of the economy according to the logic of the new forms of production. Hudson (2001) accounts for uneven development through the presence of, or lack of, growth mechanisms within an area. Those areas that have numerous overlapping growth mechanisms experience growth, while those areas that lack these mechanisms decline economically. Growth mechanisms change over time due to the spatial outcomes of new production technologies and practices. An area’s historic role in production will affect its future role in production and development (Massey 1995). In the new economy, de-industrialized areas in particular face development challenges because of their historical roles in production. They can’t compete on ‘weak’ competitive factors – such as low wages – or ‘strong’ factors – such as knowledge production (Hudson 2002). That is, in the new economy, there is little potential for development in these places, particularly if they are located off major communication and transportation networks (Scott 2000). Such areas are often referred to as ‘less-favoured’, ‘peripheral’ or ‘de-industrialized’ regions. While these terms describe the problem from the point of view of macroeconomic processes and centralist economies, they do not attempt to understand the problems from the point of view of the communities affected (see Hjalager 1989 for an account of economic decline from the point of view of different ‘life-modes’ in the community). We use the term ‘depleted community’ to better understand the problems of communities affected by downturns in the local economy.

As such, depleted communities are manifestations of uneven development. They are communities where the economy is in decline and the resources of the area, according to profit-seeking capital, are ‘used up’. However, depleted communities are more than simply locations that lack growth mechanisms; they are also areas to which people retain an attachment. A depleted community, therefore, continues to exist as a social entity because it is shaped by positive social forces as well as by negative economic forces. While the economic signals are for people to move, the ties to community, the emotional bonds and the social benefits of living there create a powerful resistance to leaving. A depleted community, therefore, maintains a strong and active network of social relations. This can be understood in terms of the distinction made in the literature between space and place.

Hudson (2001) contrasts space, which is an economic (capitalistic) evaluation of location based on its capacity for profit, with place, which is a social evaluation of location based on meaning. This distinction is useful in the discussion of the depleted community since depletion is a process that occurs in economic space while community exists as an entity focused on a particular place. Space is a socially defined concept based on the dominant social relations of capitalistic development (Harvey 1996). Capital evaluates and constructs space based on assessments of locations as sites of financial reward. Space is therefore valued predominantly through the lens of capital production based on the relative mix of factors of production available and access to markets. Thus space can be seen as a one-dimensional construct of capital
logic based on the profit motive. This is distributed according to the spatial structure of the production form.

*Place,* on the other hand, is a construct of relations of social life. Places are not simply sites of production and consumption, but areas of meaningful social life where people live and learn; they are locations of socialization and cultural acquisition. Places are made up of a complex system of social relations and material objects. Place creates a distinct culture, has meaning and both has and creates identities (Hudson 2001). Thus, while space is the location of profitable enterprise, place is the location of social life. Places create attachments to a community as the location of the socialization process and as a shaper of identity (Hudson 2001).

Occasionally, locations thrive both as spaces for profitable enterprises and as places with a rich social fabric. In these circumstances, the location appears to combine the best of economic and social life. It has been argued recently that certain features of place, such as tolerance to social differences, serve to attract highly creative economic actors who are drivers of wealth creation (Florida 2002). In such locations there is a synergistic relationship between space and place.

Depleted communities do not enjoy this kind of synergy; instead, they suffer from economic stagnation and decline from social problems associated with economic decline. However, the decline stops short of their becoming ghost towns. Being a ‘community’, maintaining locally referent networks of social relations with a common culture and attachment to place, somehow counterbalances the problems associated with depletion. Depleted communities can thus be further characterized as areas that have lost much of their economic rationale as space, while retaining strong attachments and social relations of place. Since uneven development is an inherent feature of capitalism (Thurow 1980, Smith 1990, Massey 1995), we can expect depleted communities to be a persistent feature of capitalist economies.

Depleted communities may also be expected to have a diminished stock of entrepreneurs especially if, in the past, those communities relied on a limited number of growth mechanisms. Dominant industries can affect the supply of entrepreneurial talent in a location. The social organization of such industries – often mining, metal manufacture and heavy engineering – may not be conducive to entrepreneurial development creating instead a ‘upas tree’ effect; where a single, dominant industry deters the development of alternative industries (Checkland 1976). Thus, the locations most in need of development are critically and chronically lacking in the prime agents of development.

Furthermore, entrepreneurs working in depleted communities are likely to experience a number of obstacles to development, including: venture capital equity gaps (Johnstone and Lionais 1999, 2000), labour skills gaps (Massey 1995, Davis and Hulett 1999) and a lack of business and financial support institutions (Johnstone and Haddow 2003), as well as a lack of appropriate institutional thickness (Amin and Thrift 1994, Hudson 2000). Conventional entrepreneurs will have a difficult time trying to start businesses in such environments; because of these barriers, conventional private sector development in depleted communities is less robust and less likely. As a consequence, within any particular technological paradigm, depletion is a relatively permanent condition.

Thus redevelopment in depleted communities is not likely to occur through traditional private industry-led mechanisms. If redevelopment occurs at all, it will probably be through less traditional means. This does not imply that the entrepreneurial process is irrelevant; on the contrary, in areas where capitalistic relations are
less robust, the entrepreneurial process will, as it is argued here, manifest itself differently. Depleted communities will act as hosts to alternative forms of entrepreneurship that are adapted to their particular circumstances. The argument is similar to Vaessen and Keeble’s (1995) suggestion that some SME managers developed strategies to overcome the constraints of their unfavourable regional environments. In what follows, we will examine the entrepreneurial processes associated with three individuals acting in three depleted communities. What these cases have in common are strong links between a particular form of entrepreneurship that we call community business entrepreneurship and a host environment that we call the depleted community. In each case the initiatives have proved themselves by surviving for extended periods of time, thereby establishing each as a successful adaptation to its environment (Smallbone et al. 1999).

The first case, from Cape Breton, Canada, draws upon primary research conducted by the authors, as well as secondary sources and a long history of engagement with the entrepreneur presented. This case, the most developed of the three, further develops the notion of the depleted community. This case will form the backbone of the empirical evidence. The subsequent cases are drawn almost solely from secondary resources and provide further examples of entrepreneurs working in depleted communities.

2. Three cases of community business entrepreneurship

2.1 Greg MacLeod

Growing up in a small coal mining community on Cape Breton Island in Eastern Canada, Greg MacLeod learned the value of solidarity and the importance of the co-operative movement. He studied Philosophy at Louvain and Oxford, receiving his PhD in 1969. MacLeod returned to Cape Breton from Europe via South and Central America to take up a position as Professor of Philosophy in a local university. Upon his return, MacLeod was surprised and distressed to see Cape Breton in an economic situation more reminiscent of some of the Third World countries he had travelled through than cities such as Montreal and Toronto.

Cape Breton once thrived as an industrial centre with thousands employed in coal mining and thousands more in steel-making. At the beginning of the twentieth century, Sydney, the largest metropolitan area in Cape Breton, was chosen as a site for a new steel plant. Sydney was selected because it offered an excellent port, easy access to iron ore, local limestone deposits and most importantly, large quantities of coal. Local coal drawn from the nearby mining towns was transported to Sydney and baked in an oven to create coke, an ingredient essential to the steel-making process. Between 1891 and 1911 the region’s population grew by more than 500%, with many immigrants attracted by the prospect of work in the new mill or in the coalmines.

In 1921 the Sydney operations amalgamated with the Nova Scotia Steel and Coal Company to become the British Empire Steel Corporation (BESCO). The Financial Times of Canada (1992, p. 2) published an article commenting on the corporate citizenship and labour policies of BESCO entitled ‘Firm from hell’, where it was reported that: ‘The British Empire Steel Corp (BESCO) was the wickedest company in Canadian history’. Foreign ownership and control of the means of production characterized Cape Breton’s major industries. In 1957 the last of these, another
British company called Hawker Siddley, became a majority shareholder of the steel and coal operations then known as Dominion Steel and Coal Corporation (DOSCO).

The history of this area from the late 1800s through much of the twentieth century was in large measure a history of labour struggles. Cape Breton was a major producer of coal, accounting for 47% of Canada’s total production in 1915. Throughout the 1920s there were bitter strikes against BESCO. For the next 40 years coal and steel dominated the regional economy and were particularly important from a national perspective during the war years.

However, by the 1960s, after almost 200 years of commercial operation, Cape Breton’s coal industry was in trouble. In 1966 a Mining Royal Commission headed by J. R. Donald recommended establishing a crown corporation to acquire and manage DOSCO’s coal operations. The Donald Commission stated: ‘Future planning should be based on the assumption that the mines will not operate beyond 1981’ (Donald 1966: 34). In July of 1967 the Parliament of Canada passed an Act to establish the Cape Breton Development Corporation (DEVCO) whose mandate was to ‘phase-out’ coal operations in Cape Breton. On 13 October of that same year (a day known locally as Black Friday), DOSCO announced its decision to close the local steel mill, thereby terminating 3200 direct jobs and many thousands of indirect jobs. By the end of 1967 job security for almost 9500 steel workers and coal miners had vanished.

Despite the depletion, MacLeod saw opportunities for development in his region. It was clear to him that there were many resources and skills in the community that were idle or under-utilized. Perry (2002), an academic and consultant who worked with MacLeod at the time, noted that ‘what was definitely not depleted, and thus the potential well-spring of a vigorous hope for a better future and of the energy to get there, was the local cultural identity and the joy in that identity, especially as manifested by local music, drama and the pleasure in each other’s company!’ MacLeod wanted to form a new kind of business entity; an organization to harness that potential and channel the benefits back to the whole community, not just a small interest group, co-operative or otherwise.

MacLeod’s answer was New Dawn Enterprises, a not-for-profit community business corporation. Established in 1976, New Dawn was structured to combine social goals and good business practices using a legal structure called a company limited by guarantee. New Dawn’s motto, ‘business for people’, expresses the purpose of this organization. The company has no shareholders; it conducts business but the benefits of that activity accrue to the community through reinvestments in new developments. New Dawn has operated successfully for more than 25 years and currently has assets of more than $20 million. It has provided housing, seniors’ care, technical training, dental services and craft training.

In 1989 MacLeod established a community venture finance company (MacLeod and Johnstone 1995). BCA Holdings Ltd pools investments of local people to create capital funds for local businesses ventures. Throughout its 14 years of operation BCA Holdings has financed numerous small business start-ups and affected a number of small business rescues in Cape Breton. The portfolio is diverse, including hotels, a rope manufacturing plant, a radio station, commercial real estate as well as other ventures. Like New Dawn Enterprises, the structure of BCA is designed to ensure that it is the community, not individuals, who benefit from its success. More recently MacLeod has focused on two projects: a retirement condominium featuring an innovative financing
component and a project to develop a particular form of community-based-tourism centred on themes of culture, history and environment.

2.2 Jose Maria Arizmendiarrrieta

Jose Maria Arizmendiarrrieta was a young theology student when the Spanish civil war began. He came from a mountainous northern region of Spain called the Basque country. The Basques are an ancient race with a distinct culture and their own language. The Basques, with the support of the Church, fought against Franco. After the war, Jose Maria became pastor in the Basque town of Mondragon. Hard hit by the war and Franco’s ongoing oppressive policies, the region, by the mid-1950s, was economically depleted with high unemployment and widespread poverty (Mathews 1999). Although Jose Maria was critical of the capitalist system, he believed that it was the business corporation and not the family that held the most influence over society. Therefore, he reasoned, if you are out to change society you must do it through business. He believed that business should operate for the people and not vice versa. Jose Maria saw his challenge as one of using the useful features of capitalism to achieve his objective.

To build co-operativism is not to do the opposite of capitalism, as if this system did not have any useful features, when in reality it has been a very interesting experience in organization and economic activity, and its efficiency cannot be doubted (Arizmendiarrrieta, quoted in Whyte and Whyte 1991: 254).

In 1956 graduates of a technical school started by Jose Maria established a local factory that had once produced oil stoves. With Jose Maria’s assistance and guidance they structured their new enterprise as a corporation, but one with a difference. Instead of profits accruing to only a few shareholders, the profits would go to the worker-owners and to the community.5 Jose Maria’s model of worker and community ownership of business, with its emphasis on technical excellence, has proven to be very successful. From that first co-operative in 1956 a system of co-operative businesses and support institutions including banks, research institutes and schools has grown. By 2000 the Mondragon Cooperative Corporation employed 54,000 people. Although never taking an official position within the corporations he helped to develop, Jose Maria is credited with creating the unique structures of the corporations and being the spiritual leader of the movement. Jose Maria remained a prominent figure in the development of the new co-operative corporations in Mondragon until his death in 1976.

In recent years there has been an increasing amount of criticism of Mondragon (Kasmir 1996, Kohler 1996, Harding 1998, Cheney 2000). This criticism comes as a response to a previously over-romanticized interpretation of Mondragon (Gilman 1983, Mollner 1984, 1994, Hoover 1992) and to a restructuring of the Mondragon co-operatives in 1991. The critics challenge the Utopian image of Mondragon from the point of view of the workers (Kasmir 1996), and raise issues where Mondragon’s co-operative nature and social vision is seen to be slipping (Harding 1998, Cheney 2000).

While many of the criticisms made of Mondragon are valid and indeed are required to balance the literature on Mondragon, those making the criticisms are often too quick to abandon Mondragon as a novel alternative. The changes being made in Mondragon are the result of market forces, organizational growth and a changing
socio-cultural environment in the Basque region. The criticisms made of Mondragon, however, are made from the point of view of the co-operative form, rather than from the point of view of the depleted community. From the point of view of the depleted community, Arizmendiarieta’s vision has been achieved – the Mondragon Cooperative Corporation has helped to ‘re-plete’ the community by providing tens of thousands of jobs within the Basque Country (the majority of which are in non-metropolitan areas of the region). The organizational structure that Jose Maria created has ensured that the business remained responsible for and rooted to the community. Despite its critics, Mondragon continues the link with the community. In fact, Mondragon’s success in developing the depleted community has attracted a number of imitators, most notably Valencia, also in Spain (MacLeod 1997).

2.3 Muhammad Yunus

Muhammad Yunus was born in Bangladesh and studied economics as a Fulbright Scholar at Vanderbilt University in Nashville, graduating with his PhD in 1969. In 1972 he returned home to become head of the economics department at Chittagong University. In 1974, when famine claimed over one million people in Bangladesh, Yunus saw his position as a university professor in a new light. ‘While people were dying of hunger on the streets, I was teaching elegant theories of economics. I started hating myself for the arrogance of pretending I had answers’ (Yunus, quoted in Jolis 1996). Yunus decided that his efforts would be better directed by working with the poor people who surrounded him.

Yunus spent the next few years leading his students on field trips into nearby villages to study poverty. He saw that the destitute had plenty of skills. The fact that they survived attested to this. Their problem was a lack of capital. The poor couldn’t save and couldn’t borrow to get access to capital. Yunus believed that by lending capital to the poor, who were landless and without assets (Rahman 1999), he would be giving them the ability to increase their standard of living above the subsistence level.

Yunus began by lending his own money to the poor. He tried to convince the banks to institutionalize his programme of lending to the poor without a requirement for collateral. Predictably the banks were not interested in the project. Yunus decided to start on his own. In 1976 he opened a micro-loan experiment project staffed by his graduate students. The experiment, called the Grameen (which means ‘village’) experiment, provided small loans to the poor. The loans were made on a simple interest of 16% (now 20%) for one year only. Repayment, however, started almost immediately to spread the burden over the year and to build the confidence of the borrower. Clients were organized into groups of four and five. Loan defaults of an individual became the responsibility of the group. Therefore the group served to offer mutual support and incentive to pay the loans and helped to keep administrative costs within reach. While no financial training is offered, there is an education programme based on social issues such as birth control and the value of sending children to school.

Within 3 years the experiment made loans to over 500 people with great success. The borrowers were much better off than before. Since the majority of the clients were women, the primary beneficiaries of the loans were children. In fact the Grameen specifically targeted women because the impacts on the household and poverty reduction were greater (Rahman 1999). The repayment rate was quite high (about 90%).
After this initial success and further lobbying, Yunus convinced the Central Bank to adopt his experiment in 1979.

The Grameen Bank (rural bank) grew quickly under the umbrella of the Central Bank. By 1983 it had 59,000 clients and 87 branches. At that time the Grameen Project was transformed into an independent bank and Yunus left the university to direct it. As an independent bank the Grameen has grown even faster. By 2001 it had 2.38 million members in 1170 branches. It has spawned replicas all over the world (Grameen Communications 2000), including initiatives in India, Nepal and Vietnam (Todd 1996). The Grameen is owned by its clients (90%) and by the government (10%).

Like Mondragon, some of the early literature on the Grameen experiment tends to romanticize its success. Recently, reports suggest that 10% of the Grameen Bank’s loans are overdue and that it would be showing steep losses if recommended accounting practices were employed (Pearl and Phillips 2001). In part, the challenges currently facing the Grameen are attributable to a major natural disaster (flooding in 1998) and the rise of competitors. In spite of these setbacks recent research shows that the Grameen experiment has had a more positive impact on communities than its micro-credit competitors (Khandker et al. 1998).

The Grameen, although not specifically targeting communities as a whole, has been successful in reducing individual poverty in Bangladesh. Furthermore, the group lending schemes it uses promote social capital and mutual support in the communities where Grameen establishes itself. The Grameen, by using business structures adapted to the needs of the poor, has developed a way to be viable in depleted communities. The Grameen experiment has now expanded beyond micro-lending with new ventures that include a village-based health care and insurance programme and more recently an attempt to provide access to mobile phones and high-tech office space (Pearl and Phillips 2001).

It can be argued that the cases presented here are historically contingent and place-specific, that they are dependent on the unique nature of the communities and cannot be generalized. Mondragon’s success, for instance, is often attributed to the solidarity found within the Basque culture (Bradley and Gelb 1982). Similarly, attempts to emulate the Grameen experiment have not always succeeded (Pickering and Mushinski 2001). Thus ‘Basqueness’ or ‘Cape Bretoness’ may be the keys to the success of the first two examples. However, there are counterarguments to the role of Basqueness in Mondragon’s success (Whyte 1995, MacLeod 1997). Whyte argues that there is nothing unique about Basque culture in terms of co-operation when compared to other cultures. Whyte suggests, rather, that it is the role of Jose Maria and the unique organizational structures he formed that are unique in the Mondragon case. In the case of the Grameen, its numerous replications (Todd 1996) have demonstrated that it is not dependent on specific local conditions. In the case of Cape Breton, while very much engaged with the culture of the community, the success of MacLeod is based upon his effective use of unique business structures and the exploitation of the social capital available within the community. Thus, these cases demonstrate a process of entrepreneurship that is adaptable to other depleted communities.

3. Similarities to conventional entrepreneurship

The above examples demonstrate a particular form of enterprising behaviour occurring in depleted communities. Let us look more closely at this entrepreneurial process.
Each response to the depleted environment has been innovative (Schumpeter 1934, 1989, Drucker 1985), each has created a new organizational structure (which mobilized previously idle or under-utilized resources) and each has created wealth (Say 1971) for the community. The above examples are all cases entailing vision (Filion 1990, Balderson 1998). Indeed, vision formed the very basis of the projects mentioned above. Arizmendiarrreita and MacLeod sought more socially responsible forms of business; while Yunus saw that by giving them capital, the poor could raise themselves out of poverty. Furthermore, as their first objectives were reached, new goals were set. Arizmendiarrreita set a new goal of a whole system of community-based enterprises, MacLeod now has a goal of community businesses controlling 30% of the world economy (MacLeod 2001) and Yunus has set his new goal as the total eradication of poverty from the world (Yunus and Jolis 1998). The goals have been pursued with tenacity and resourcefulness and the successes attest to the soundness (Nicholls-Nixon 2001) of these business ideas.

Entrepreneurs must determine which skills they lack and must be able to recruit to their projects individuals with those skills. The latter involves networking to establish contacts for business development, a step which is critical to the entrepreneurial process (Dubini and Aldrich 1991, Chell and Baines 2000). MacLeod, for instance, uses a network of local business and professional people as board members for his organizations. The list would include engineers, lawyers, accountants, broadcasters, academics, architects, politicians and others all providing their expertise pro bono. Yunus saw the need to recruit a bank to institutionalize his micro credit scheme. Arizmendiarrreita relied on his students’ technical skills to set up productive factories while he spearheaded social reforms in the business organization. While many of the contacts the entrepreneurs exploited were local and exhibited strong ties, they also extended beyond the community. Each of the entrepreneurs was educated abroad and used the weak ties of extra-community networks to import new knowledge as well as human resources missing in the community (Granovetter 1973, Chell and Baines 2000). MacLeod, for instance, brought in US consultant Stewart Perry who had considerable experience and knowledge of community development corporation structures (MacLeod 1986, Perry 1987). So each case exhibits the ability and propensity to build teams (Reich 1992).

The possibility of assembling effective teams, however, requires an ability to clearly describe and communicate a vision (Filion 1994, Balderson 1998). Potential investors, employees and community stakeholders must be convinced that the visions are sound. That is, they must be provided with solid and practical business plans. Clear thinking and effective communication were essential if these individuals were to persuade others to embrace their ideas. All three cases demonstrate an ability to convince others of the importance of the projects. The difficulty in achieving this communication is increased by the innovativeness of the projects themselves and should not be understated. Yunus, for instance, had to successfully operate the Grameen project on his own before he could convince a bank of its viability. Yunus’s commitment to his vision and his tenacity in pursuing it enabled him to convince the bank of its merits, a characteristic of entrepreneurship highlighted by McMullan and Long (1990).

Finally, pursuing opportunities without regard to resources currently controlled (Binks and Vale 1990, Stevenson et al. 1999, Stevenson 2000) is a common feature of the entrepreneurial process. Clearly, none of these men had personal access to major resources and yet the actions they took required resources well beyond their personal means. In the cases presented here, it is clear that resources had to be
provided by others in order to pursue the opportunities. These resources were accessed through the personal networks of the entrepreneurs involved. Although these cases exhibit many of the classical characteristics of entrepreneurship, there are some unique features as well.

Each case has tried to lever the importance of *place* to rejuvenate *space* through the application of business techniques and practices. Much of the innovation has been rooted in variations in the form of business – its organizational structure. The approach has been to tap under-utilized and unused resources available in depleted communities. The following section examines features of this community business entrepreneurial process that separate it from mainstream entrepreneurship.

### 4. How community business entrepreneurship differs

While community business entrepreneurship shares many traits with traditional entrepreneurship, the processes differ in terms of the beneficiaries of these activities and in terms of the choice of locations. Entrepreneurship traditionally founds profit-seeking business ventures; if successful, these initiatives will benefit the host community by providing stable jobs and increasing wealth but profits will go to the entrepreneur and shareholders. Community business entrepreneurship evaluates wealth in terms of the benefits accruing to the broader community rather than as personal profit. The purpose of these initiatives is different and over the long run that distinction becomes evident. Traditional entrepreneurship aims to provide personal gain and profits for the entrepreneur and shareholders; community-based entrepreneurship aims to create community benefits.\(^7\) From this point of view, based on its goals, community business entrepreneurship may be thought to resemble social entrepreneurship. However, as a key characteristic of social entrepreneurship, Dees (1998: 4) identifies ‘the need for a substitute for the market discipline that works for business entrepreneurs’. Clearly, community business entrepreneurship develops organizations that are embedded in, and use, the market, albeit in novel ways. Community business entrepreneurship, therefore, can be distinguished from social entrepreneurship because it is focused on business organizations rather than charities, social ventures and purely social organizations. The process of entrepreneurship described above is neither entrepreneurship in the traditional business sense nor social entrepreneurship as commonly understood in the literature (Johnson 2001). It employs the tools of the former with the goals of the latter.

Earlier studies have identified the role of the community entrepreneur in local development (Johannisson and Nilsson 1989, Cromie *et al.* 1993, Boyett and Finlay 1995). Their conception of the community entrepreneur, however, differs from the conception of the community business entrepreneur being developed here. Johannisson and Nilsson (1989) and Cromie *et al.* (1993) for instance, describe community entrepreneurs as catalysts and brokers who share their extensive networks with traditional entrepreneurs, helping others to pursue opportunities and create new ventures. Community entrepreneurs, in their assessment, do not engage in venture development directly; they assist but are not central to the entrepreneurial process. Thus, the community entrepreneurs are part of the ‘soft’ network structure (Malecki 2002) or ‘entrepreneurial social infrastructure’ (Flora and Flora 1993). By contrast, the entrepreneurs discussed here are at the centre of the entrepreneurial process; it is they who perceive opportunities and activate their networks to achieve objectives.
Both community entrepreneurs and community business entrepreneurs have wider social goals, such as the development of the entire community (Johannisson and Nilsson 1989, Cromie et al. 1993). However, we wish to make a direct link between a community’s socio-economic history and the form of entrepreneurship that it engenders. The concept of community as a localized network of social relations (Parsons 1960) differentiated by shared symbols and culture (Cohen 1985), which also evokes positive evaluations of human life (Plant 1974), is central to our conception of community business entrepreneurship. Community is not only the location of the entrepreneurial process but also the tool – using social networks – and the goal – improving the quality of life – in community business entrepreneurship. The next section examines some of the features of community business entrepreneurship that make it distinct.

4.1 Unique features of community business entrepreneurship

What opportunities does the depleted community provide for community business enterprise? Although the barriers to development (finance gaps, labour skills gaps, lack of business support institutions, etc.) are similar to those faced by traditional entrepreneurs, community business enterprises can adapt in a variety of ways to overcome these obstacles.

First, community business entrepreneurs can accept unconventionally low rates of return on their projects because personal profit is not an objective. The screen applied in community business entrepreneurship seeks community benefit and economic viability rather than high levels of return on investment. Therefore, the perception of opportunity differs from that of a traditional entrepreneur and the potential for displacement (Leeming 2002) is reduced.

Community business entrepreneurs also have a wider choice of organizational forms to employ when doing business. The traditional entrepreneur is limited to for-profit organizations if he/she is to make a return. Community business entrepreneurs, in contrast, can employ a number of different organizational forms to achieve their objectives, including not-for-profit entities.

Furthermore, once a project is undertaken, community business entrepreneurs have a different set of resources to call upon to achieve their goals. Among these resources is the access to volunteers. Community business entrepreneurs are able to engage volunteers in support of their projects because of the community benefit associated with the activity. By contrast, very few people would volunteer to help an entrepreneur who is looking to make a personal return on a business venture. Not only do community business entrepreneurs have access to significant volunteer time, but also much of this comes from skilled technicians, professionals and business people. Thus community business entrepreneurs can secure both volunteer labour and pro bono professional advice.

Community members also have a role in mitigating risk in a community business. Both traditional entrepreneurs and community business entrepreneurs engage the market in their activities and both are susceptible to the risks inherent in the market. In a crisis, volunteers can ameliorate the effects of market changes. Certainly in the case of Greg MacLeod, volunteers helped New Dawn Enterprises to emerge from periods of crisis in its early years.
Another resource available to community business entrepreneurs is access to capital from non-traditional sources. As mentioned earlier, depleted communities have a reduced availability of traditional venture capital (both formal and informal). Community business entrepreneurs can overcome this by convincing local people, who would normally not invest in private businesses, to invest in their community businesses and organizations. The Caja Laboral Popular in Mondragon, BCA in Cape Breton and the Grameen Bank are all examples of this. As Peter Drucker argues, entrepreneurs ‘change the performance capacity of society’ (Drucker, quoted in Gendron 1996: 37).

Similarly, community business entrepreneurs can attract customers who will buy from community-based organizations in preference to other (often non-local) organizations. Kilkenny et al. (1999) established that communities will reciprocate. That is, members of a community will extend customer loyalty to a business that they perceive is contributing to their community.

4.2 Community business entrepreneurs in the depleted community

A strong commitment to place enables these actors to marshal a number of financial, professional and labour resources around community-based projects that would not be available to other, more traditional, entrepreneurs. That is, community business entrepreneurs use the assets of community to overcome the obstacles of depletion.

It is worth observing that all three individuals noted above had formal roles of respect and authority within their communities – priests and university professors. It is also interesting to note as well that each had been formally educated elsewhere. This suggests that their networks were not limited to the locality. Bebbington (1997) similarly reports on how priests and professors in the Andes brought much needed external networks to local development projects. Furthermore, the formal roles they had in their communities were roles imbued with trust. Their ability to mobilize resources depended on the trust, which others placed in them. Members of the community didn’t have to worry that they were being ‘used’ by these individuals for personal gain. The trust invested in them by society increased the value of their social capital (Bourdieu 1986), which they effectively levered to achieve their desired outcomes. Precisely because these entrepreneurs operated in spheres outside of dominant capitalistic relationships based on profit motivation, they were able to lever social capital and trust to achieve their goals.

While relying on their formal roles in the community to access needed resources, they also had to step outside those roles. Priests don’t usually start businesses and banks. Economics professors don’t normally create banks for the poor. We do not normally associate the clergy and academics with entrepreneurial behaviour. It is only by stepping outside society’s perception of their traditional roles that these individuals became the triggers for entrepreneurial processes. Their formal roles added credibility to their proposals. Community business entrepreneurs thus appear to depend on their formal roles in the community to access trust and resources but they must step outside the traditional perception of those roles to trigger entrepreneurial activity. It is worth noting that both Yunus (Rahman 1999) and MacLeod (2002) are considered to be action researchers who conduct social/economic experiments.
5. Conclusions

While conditions in depleted communities can limit possibilities for traditional development, entrepreneurial responses are not similarly constrained. In these settings, the entrepreneurial process will be modified to pursue community goals, thereby making new forms of development possible. Individuals who are determined to engage in enterprising behaviour within the context of a depleted community will adapt and find appropriate tools for business development. In the cases discussed, adaptations that modified the entrepreneurial process included:

1. identifying and gaining access to new sources of capital;
2. tapping into the significant value-added contributions of volunteers, and
3. modifying the business structure to ensure pursuit of community benefit over personal gain.

The entrepreneurs identified here have used the assets that remain in place despite economic (d)evaluations of space. That is, the sense of ‘community’ found in these places was utilized by the entrepreneurs to access social capital and lever it into economic capital. Furthermore, it is not only the trust extended to these entrepreneurs in particular, but also the community purpose of the organizations they formed that ensures people continue to participate and give access to their human and financial capital.

Unlike social entrepreneurs who rise *in situ* and must proceed without the benefit of a conventional business infrastructure (Leeming 2002), community business entrepreneurs take full advantage of conventional business infrastructure, established know-how, expertise and networks (Johannisson 1995). Community business entrepreneurs realize the value of established business practice in pursuing their goals and, where possible, they adopt those practices. By combining community goals and conventional business practices, these community business entrepreneurs are able to organize effective and viable business structures. That is, they strive to use place to overcome the deficiencies of space.

The incidence of community business entrepreneurs may in fact be very modest. The number of individuals acting in this way is not known and would be difficult to determine. None the less, because depleted communities can be expected to have a reduced potential to develop through traditional entrepreneurship, community business entrepreneurship may prove to be critically important to them. This kind of development is thus an important topic for those interested in replenishing depleted communities. The cases cited here appear to have a common approach and most certainly there is a widespread need. Moreover, each of these adaptations has withstood the test of time, thus raising the genuine possibility of imitation and replication. They clearly transcend as well the limitations of ‘peripheral mode entrepreneurship’ identified by Benneworth (2002). Therefore, the methods of community business entrepreneurs are worth documenting as perhaps one of the more perceptive and thoughtful blends of the techniques of conventional business with the goals of community development.

The Organization for Economic Co-operation and Development (OECD), regards entrepreneurship as ‘central to the functioning of market economies’ (1998: 11). This paper (and this Special Issue) proposes an expanded area of enquiry for entrepreneurship studies. Here we have demonstrated that processes of entrepreneurship can be
found in depleted areas as well as in successful ones. Entrepreneurship can adapt to places with high social meaning but with low economic value of space. In such geographies (depleted communities) these novel forms of entrepreneurship are critical for the future of the community. Thus we argue that entrepreneurship studies should expand to include other geographies and examine how the entrepreneurship process adapts to other environments. This echoes Perrons’ (2001) call for economic geography to expand its area of enquiry to include losing regions as well as winning regions. A similar expansion in the study of entrepreneurship would help both in our understanding of entrepreneurship and in understanding (and bettering) such ignored geographies.

Acknowledgements

The authors gratefully acknowledge the support provided by the Social Sciences and Humanities Research Council of Canada.

Notes

1. The upas tree is a mythical tree, which emits a poisonous gas that kills all life surrounding it (Brewer 1898).
2. Local institutional thickness is defined as ‘the combination of factors including inter-institutional interaction and synergy, collective representation of many bodies, a common industrial purpose, and shared cultural norms and values’ (Amin and Thrift 1994: 15). Thickness is thus understood to stimulate entrepreneurship as it supplies a ‘recognised set of codes of conduct, supports, and practices which certain individuals can dip into with relative ease’ (Amin and Thrift 1994: 15).

Hudson (2000) makes a critique of the concept of institutional thickness, stating that thickness can lead to ‘institutional lock-in’. That is, ‘an inability to make the change from one development trajectory to another precisely because the institutional bases of the region reflected the past dominance of now declining firms and sectors’ (Hudson 2000: 104; see also Grabher 1993). Thus, to stimulate growth, a locality not only needs institutional thickness, but also an appropriate form of thickness.
4. BCA stands for Banking Community Assets.
5. For a detailed description of the structure of the Mondragon co-operatives see Whyte and Whyte (1991) and MacLeod (1997).
7. The point here is not to deny that traditional entrepreneurs may have social goals and motivations as well, but to highlight the primacy, and the community perception of the primacy, of the social motivations of community business entrepreneurs.

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