Energizing Entrepreneurs: Resourceful Communities and Economic Pathways

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Abstract

INTRODUCTION This paper illustrates the relevance for the non-profit sector of moving beyond its traditional roles into entrepreneurial community economic development. Its approach aligns with conceptualizations of sustainability through the self-help galvanization and development of enterprise opportunities, education pathways, and labour market outcomes for the community, by the community.

METHOD It develops the concept of social entrepreneurship as a hybrid form between private, non-profit, and public sectors, in line with examples of non-profit organizations with entrepreneurial offshoots, generating revenue for the organization’s social objectives.

ANALYSIS The article operationalizes these ideas through the design, creation, roll-out, and achievement of a community enterprise incubation program for urban Polynesians in Aotearoa/New Zealand. It examines the challenges, how they were resolved, and analyzes how both challenges and reforms contribute to the body of knowledge.

RESULTS Through the project’s demonstrable initial successes, the authors argue that it offers clear signposts to government, the public sector, and the private sector in how to move beyond simple capacity building to sustainable enterprises and by entrepreneurs in the community who have been created, energized, and given experience by participation in the process. They present the project as a prototype on how to resource community groups and organizations embarking on their community economic development journeys and how to liberate the self-motivating entrepreneurial energies of communities.

Introduction
This paper positions the expanding role of non-profit organizations in the context of a growing body of community economic development theory. From Giloth (1988) in the 1980s through to Wallace (1999) in the 1990s, and including a number of post-2000 authors (Alvord, Brown, & Letts, 2004; Harding, 2004; Roper & Cheney, 2005; Seelos & Mair, 2005), community economic development has increasingly been conceptualized as the self-help galvanization and development of enterprise opportunities, education pathways, and labour market outcomes, for the community, by the community. Their culmination finds expression in the president of the Edna McConnell Clark foundation’s statement: “if you’re really concerned about
impact and measuring the social yield of your investments, you’ve got to invest like an investor, invest in something that has a good chance of succeeding” (Bailin, cited in Ellsworth & Lumarda, 2005, p. 97).

The emergence of this shift over time has been the outcome of three complementary forces: the visible failures of the public sector and the market in local communities; the inability of the state to act effectively on behalf of those affected by market failures; and the inability of public and private institutions to design, implement and sell workable solutions to poverty and neighborhood decline (see Giloth, 1988, Hart, 2005). Notwithstanding the emergence of global markets and global links (see Prahalad, 2005), connectedness is still more concerned with local homogeneity because “our very diversity frustrates our best efforts to identify shared problems and purposes” (Hoch, 1996, p. 225).

This paper follows the growing global premise that community economic development will deliver successful outcomes if it empowers citizens by building their capacities to innovatively solve the problems and maximise the opportunities in their lives. Such development must nurture, respect, leverage, and be sensitive to both the individual cultures and the social networks that exist in communities. Moreover, it needs to foster economic empowerment through self-determination (Weiwel, Teitz, & Giloth, 1993). For community economic development to continue to bear fruit, it has, this paper asserts, to deliver on the two fronts promoted by Pitegoff (1993): by building capacity – commercial, religious, community institutions, people, and local agencies – in local infrastructure, while at the same time acting as a change agent, mobilizing private/public partnerships to resource communities (see Hart, 2005, pp. 201-202).

However, this is not to advocate a one-size-fits-all solution to community revitalization issues. Rather, we adopt Pearce’s (1994) model of community economic development and his continuum of community economic forms with three distinct embodiments: community enterprises, social purpose enterprises, and voluntary enterprises. In essence these are all community enterprise activities emerging from the social non-profit sector. Their common characteristic involves activities centered on a social purpose and their growth has paradoxically mirrored the decline and/or drying up of
Setting the scene: Contexts, case study, and participants
In order to attain long term financial sustainability, and short term operational viability, it is clear that, for non-profit organizations, earned-income generating sources offer the community a more reliable and more enabling funding mechanism than solicited funds and grants. Pearce (1994) has defined these social purpose enterprises as commercial enterprises where funding comes from public/private sources and the profits generated are returned in the form of social services to the community. Policy makers worldwide are increasingly aware of this phenomenon. Research has found that social enterprises with mixed revenue streams create five times as many jobs and just over six times the amount of turn-over of mainstream entrepreneurial businesses while, at the same time, regenerating deprived communities, creating socially inclusive enterprise cultures, and delivering public services in a cost-efficient way (Harding, 2004).

It is in this international context that we describe the design, creation, roll-out, and initial success of a community enterprise incubation program for urban Polynesians in Aotearoa/New Zealand. The local context provides further challenges. The form and character of urban Polynesians, their needs, and their desires, are continuously evolving as they move deeper into the new millennium. Marriage outside their communities, migration away from their islands, urban problems of housing, dysfunctional families, poor health, indifferent education are layered with the global problems that Polynesian families face. Across the board, poverty and social disenfranchisement require to be acknowledged, understood, and tackled.

In charting the progress of this incubation program, we locate the engine of change as our charitable community development trust which is committed to effective social enterprise for communities. We show how our trust’s program moved beyond a base of merely building organizational and personal capacity; an initiative that had no economic development as an end-game in sight. We follow the program’s adaptation to an enlightened, if short-lived, government initiative that assisted community organizations build social purpose enterprises. Through it we demonstrate significant achievements in terms of setting up commercial operations, and major
collateral benefits through the development of strategic leadership in the community groups, who were better able to manage the double bottom line of social mission and money. In the course of our description, we draw the conclusions that community-based social purpose enterprises fulfill multiple and significant roles in the community that are not being appreciated as central by funding agencies who are more accustomed to welfare and patronage than entrepreneurship. In showing how the lack of such a wider appreciation limited the impact of the project, we propose that other research may investigate failures confirming our experience of the retarding factors and seek out successful ventures that confirm our ideas of enabling conditions.

There were two enablers that were the harbingers of success. Firstly, the program built its momentum and drive on the enthusiasm of the participants on their voyage of business acumen discovery. Secondly, it provided those participants with insights on how to leverage simple but special community skills for generating revenue for their social programs. These ranged from the engagement of “too-hard basket” local teenagers in making planter boxes from waste kauri wood, through the harnessing of recidivist youth to wash and groom cars, the flowering of the natural affinity of Cook Island women for their children into an after-school child care centre, and the channeling of a community’s love for and pride in a historic market garden into a fresh produce enterprise. Each of the community groups that came on to the program came with trepidations: about the program, about its call on their time, about its utility to their circumstances, and about the possibility that it was one more attempt at positive change that would be still-born. What each of them brought with them however, was a lot of heart and a deep-seated belief that it was their turn to stand up and be counted in their communities’ battles to save their children, womenfolk, and old people by creating hope and self-esteem through realizing opportunities.

The program celebrated participants’ increasing sense of self-reliance, and undiluted satisfaction. This grew as they saw themselves mastering hitherto unknown business concepts of competitive advantage and sustainability, customer segments, product design, and service excellence for the enterprises that they collectively crafted for their community organizations. This was the essence of the call to move away from the “dependency” model to the “Maori and Polynesian potential framework.” For those in our trust
delivering the program on behalf of the government funding agency, it was an object example of how social entrepreneurship could, like business entrepreneurship, recognize, explore, and exploit environmental opportunities (Venkataraman, 1997). The difference however was the nourishing social entrepreneurship that thereafter continued to create social value as a primary output and economic value as a by-product to the organization’s needs for sustainability and self-sufficiency (Seelos & Mair, 2005).

A brief history of the background to Pacific Island capacity building
In 2003, the Community Employment Group (CEG) of the Department of Labor, New Zealand government initiated a contract for capacity building for Pacific Island groups in Tamaki Makaurau (Greater Auckland). In line with CEG’s eligibility criteria at the time, the contract was awarded to a charitable trust with predominantly Pacific Island trustees. However because of capability issues in that trust, the authors were sub-contracted to design, deliver and compliance-report on the one-year program. We worked with over forty participants from twenty very small, small, medium and large Pacific Island charitable, community development trusts predominantly from the South and West of Auckland. The program, approved by CEG, was designed to build capacity, competency and sustainable advancement in organization and individual participant viability. Effective delivery was achieved using a mixture of workshops involving all participants, focused and group-specific training and facilitation, and one-on-one mentoring of key trust board members and senior management.

Capacity Building Program Content and Delivery
The project team took great care to demonstrate cultural and communal sensitivity in its facilitation techniques, its expectations of participants’ engagement, and its drive for outcomes. The workshops’ program content included the fundamentals of good governance, strategic planning, human resources, financial planning, and system quality assurance and organization performance improvement. The group-specific interventions included organizational audits and gaps analysis, assistance in formulating organizational visions, missions, values, strategic and operational plans, dedicated hands-on support in implementing the organization-audit recommendations and building a “bottom drawer” of compliance reporting templates. The trust board and senior management mentoring was geared to
developing concepts of servant leadership and fiduciary discipline which are vital to a community trust. Formal and multiple feedbacks from participants on the efficacy of the project team’s efforts and the utility of the program was an integral deliverable of the program. Both CEG and the forty participants were very pleased with both the design and delivery of the program and its significant contribution to the upgrading of peoples’ knowledge, skills and understanding of their trusts and their roles and responsibilities and accountabilities in an organized world.

From Community Capacity Building to Community Enterprise Incubation
The Pacific Island community groups’ capacity building project taught the authors’ some important lessons. As we worked with the groups it became evident that any intervention that purported to improve community group sustainability and better organizational survival probabilities needed to have a dual focus. On the one hand, it had to teach better servant leadership, governance and strategic management; wherever possible it had to help communities straddle the two worlds of community service and agency compliance better; it had to assist groups build operational and productivity excellence, so that their communities and their benefactors could see maximum “bang for their buck.” On the other hand, to be truly empowering a program had to also help the community group understand not just its mission and service-delivery desires but equally importantly help it to understand the economics of its service passion and then to assist it to build an economic engine to deliver on that aspiration.
This insight is not specific to New Zealand or to Pacific Island communities in greater Auckland, though their social fabric, tribal structure and island culture require customized design and delivery mechanisms. Although the concept of social entrepreneurship may be new, initiatives that employ entrepreneurial capacities to solve social problems are not. For years, agencies worldwide have launched programs and implemented interventions to help impoverished or marginalized groups (Alvord et al, 2004).

Community enterprise incubation
The authors therefore approached the government with a new program of community engagement delivered through their charitable trust. This trust seeks to transform communities through sustainable solutions and passionate involvement. All trustees and associates have to live the credo. A significant part of the trust’s work is government and agency-funded work in the
community sector. As such it is very “mindful” of all insights and learning that it can leverage to contribute to community services-capabilities enhancement and more vitally, to community financial viability and sustainability. Our recommendation to CEG, Department of Labour was that instead of spending money building “capacity for capacity sake” in community groups, it would be much more beneficial for the participating trusts, their community stakeholders, and agency benefactors if their entrepreneurial capabilities were developed with the clear purpose of envisioning, designing, ramping-up, and rolling out a community enterprise with a business model that would be viable in the near term and sustainable into the future. We proposed that we would work with a cluster of four or five charitable trusts for a period of one year. The groups would be chosen on selection criteria that assessed their entrepreneurial interest, the existence of an organizational framework (however rudimentary), and their firm intent to stay with the program over the twelve months and the availability of a key person (the social entrepreneur) whom we would train and who would then power the project forward. The cluster would give individual members networked peer support and the “high availability” culturally sensitive, non-judgmental business mentoring would be both a fillip to reach forward and a safety net for support. Whilst community capacity building is a laudable target, community enterprise incubation is a liberating outcome. It is pragmatic in its intent, prudent in its efforts to build community enterprise in a safe and assisted environment, and inspirational in its potent collateral outcomes of community pride, wellness and the meaningful engagement of youth, women and older people.

Selling community enterprise incubation to the funding agency
The proposal was “revolutionary” for CEG to consider for a number of reasons: CEG only supported community employment initiatives, not community enterprise initiatives though the downstream outcome of “self-employed” entrepreneurs was something that they picked up on as the proposal went through their vetting processes; our charitable trust looked too “professional and slick” for CEG whose community advisors preferred to fund and work with Pacific Island community groups who were less structured, more acquiescent and looked, felt, and acted “more community and less corporate”; like all funding agencies CEG was in a “pilot project funding” paradigm, skewed on the twin prongs of only funding projects up to initial sustainability and the growing public angst about government
spending on communities without tangible outcomes; a twelve month project registered as too long and too expensive an engagement on their risk-rewards radar; and finally a number of their community advisors were averse to a selection process, suggesting instead that participation should be voluntary.

Boschee (1995) observed that traditionalists in the non-profit sector viewed the mixing of profit motives with moral imperatives with deep suspicion, but that the service providers’ challenges in terms of escalating costs, shrinking resources, and multiplying needs lend weight to sensible pragmatism. We found the same arguments weighed heavier still in the new millennium. Notwithstanding the impediments, the proposal was finally green-lighted with one major compromise: CEG was only prepared to fund a pilot program for six months. They were prepared to give only best-efforts assurances for the balance of the suggested duration. Our other suggestions that the program be perpetual and that fresh community groups be constantly pipelined for enterprise incubation was taken under advice by the agency.

We, however, strongly believed that the program would benefit the communities it touched and that it would increasingly challenge their mission-based organizations to be more community-customer driven and search for and adopt entrepreneurial mindsets and strategies. Like Campbell (1998), we saw these as ultimately building self-sufficiency. The ultimate “blowback” benefit would be the migration of the entrepreneurial principles from the social purpose enterprise to the parent community organization, which in turn would build elements of effectiveness and efficiency attractive to prospective funding agencies (Boschee, 1995). We were also convinced that the community enterprises that resulted, and the community entrepreneurs that would be facilitated, would be compelling validation for the agency when it reviewed its position after the pilot. We reworked the contents and outcome expectations and the shortened program commenced in January 2004.

The Pacific Island Community Enterprise Incubation Program Content and Delivery
Phase 1 of the community enterprise incubation and empowerment programme was designed to build enterprise capacity in each of the five participating groups. Non-profits that assume an entrepreneurial posture are
less hesitant to implement concepts and practices from marketing, strategic planning, and systems for the analysis and control of costs. In other words a certain blurring of sector boundaries is taken for granted, indeed, is often necessary for survival (Roper & Cheney, 2005). The Pacific Island groups were trained in areas ranging from opportunity recognition and selection through to business planning basics focused mainly on product/service design, industry analysis, customer selection, market research, competitor analysis and basic human resources recruitment and retention processes. Using a mixture of training, coaching, facilitation, and mentoring, the project team achieved enormous buy-in from the participants. Workshops, hands-on mentoring and training on site, “meet the leaders” network sessions, introductions to NGO community agencies with angel investment funds, and the internet and email were all used to drive learning and embed enthusiasm in participants. The project team secured the close involvement of a number of the CEG advisors and field workers in the programme. This gave the groups the impetus to learn and participate while, at the same time, providing them with ready validation and recognition.

Community Enterprise Incubation Program Outcomes
The results were significant. In the immediate aftermath of the program all five groups went on to commence commercial operations and participate successfully in a dynamic business environment. CrossPower a church-based community organization, which engaged “difficult” teenagers in a carpentry and wood-working shed, created a business plan aimed at building a limited variety of planter boxes, and household and garden furniture using second grade kauri timber donated by a saw-mill down-country. On the basis of that business plan, newly created product samples, a clearly articulated strategic intent, and some great marketing work by the teenage crew, they secured significant product orders for Kakapo Wood Products (the brand name) from Kings Plant Barn a local gardening DIY chain.

Mangere Genesis a New Zealand Police supported trust working with recidivist youth built a robust business model for a mobile car cleaning and grooming service. The “Car Genie” captured the attention, imagination and social responsibility interest of both Budget and Avis Car Rental companies based at Auckland Airport and the trust began sourcing funds to set-up their car-wash infrastructure.
The Ranui Community Market Garden secured Waitakere City Council land for a market garden and sought registrations of interest from a number of community groups wishing to establish specialty vegetable and flower garden plots on the site. Community members enlisted the support of the local polytechnic and the city council to help with marketing and publicity and obtain a perpetual right to use the land.

The Auckland Cook Island Support Services Trust added to its after school and holiday programmes from the additional products and services opportunities that they had identified during the market research stage of their business case development. Active marketing by the parents of school-going children in the congregation had ensured strong expressions of interest from a number of the local primary and secondary schools.

Spacific Innovations, the Samoan community trust whose social entrepreneurs had all been involved in events management and tourism-related portfolios in other lives secured event management projects with the Pacific Artists Trust and the Samoa Rugby Union.

In addition, the programme built capacity throughout the individual organizations, a collateral outcome that the project team had signaled from the beginning. Participating trusts became much more adept at using resources like the internet and email to gather, verify, and test information and hypotheses. There were direct employment outcomes because these community enterprises hired part-time and full-time staff. There was a great sense of pride and achievement in the trusts, both at completing the program and in starting an enterprise that contributed to trust activities rather than the total dependence on agency funding or community donations that was hitherto the norm.

Topline benefits: The maturing of leadership in the social entrepreneurs
Increasing diversity in populations, aging, the reshaping of economic contracts between businesses and their employees, the preponderance of knowledge as the basis of competitive advantage, the decrease in funding, and the increase in compliance and governance requirements for non-profits, are all trends with major impacts on the near-term viability and long term health of non-profits worldwide (Brunham, 2002). All the Pacific Island participants in our groups were from communities that had become
marginalized for a variety of reasons. These included: successive government privatization of road works and similar stable employment for semi-skilled workers; the European Union’s economic exclusion of New Zealand meat exports to the UK that had hastened the demise of another significant employer, the meat freezing works; and funding restrictions, and the lack of an advocacy “voice,” that had consigned local education facilities to the lowest deciles. Accordingly, the well-known vicious cycle of poverty, racism, ignorance, drugs, family violence and abuse had played itself out to its logical end. For each of these non-profit groups, justifying the need was not an issue, getting the resources to do something about it was: some received ad hoc funding from government and quasi-government agencies like Child Youth and Family, the Ministry of Social Development, and local Councils; and most were back-filling as they went about service delivery, or were depending on tithing from congregations and community members who could ill afford it.

These groups were therefore ready, willing, and, as it turned out, able participants in the social purpose enterprise incubation. We promoted entrepreneurship in Thompson’s (1999) sense of the conscientious application of discipline to exploit resources which are ready to hand and which can somehow be found. In the case of the Pacific Island groups these resources consisted largely of the good will of the communities they served, the dedication of their trust boards, and bands of die-hard volunteers who were prepared to give willingly of their time and energies. The strength and weaknesses of the concept of social entrepreneurship lie in the fact that most of its applications are in the form of a hybrid between private, non-profit and public sectors. A non-profit organization with an entrepreneurial offshoot that generates revenue for the organization’s social objectives is one such hybrid (Roper & Cheney, 2005). Whether it was an after school care centre, a car grooming business, an events management enterprise, a market garden, or a wood crafts manufacturer, each of these projects represented the very real translation of ideas into opportunities and opportunities into employment, education, and enterprise outcomes. The communities could enjoy the fruits of the efforts and see the benefits of cloning.

One of the key prerequisites for the success of our project, and for its community-wide buy-in, was the quality of leadership and project stewardship that group leaders from each of the five groups demonstrated.
with increasing levels of sophistication as the program progressed. Leadership must be comfortable with social entrepreneurship – that is managing a double bottom line; mission and money. Social entrepreneurship allows you to stabilize funding, develop earned revenue streams, plan for sustainability, enable risk taking and reward success (Brunham, 2002). It requires a special kind of leadership to make community group members comfortable with the concept, understand the dynamics of pursuing such a dual track, and commit to the task of implementing the architecture while still maintaining an uncorrupted vision of the non-profit’s strategic social intent. Without such a universal mindset in the group, it was impossible to expect the group to sustain its enthusiasm for the program and for the enterprise that was born as a result. Whether it was Pastor Kiria with his call to provide the congregation’s youngsters with successful business role models from within or it was Sully Paea with his clear intent to demonstrate to stakeholders that troubled teenagers could be turned around with meaningful work, each of these leaders came up with, and further honed, their significant personal credibility. They also generated commitment to the project by framing it in terms of important social values, rather than purely economic terms, which resulted in a sense of collective purpose among all those who joined the effort (Burns, 1978, cited in Waddock & James, 1991, p. 395). In the process we believe that they developed a winner’s repertoire: a set of skills and orientations that would make them capable of capturing human hearts and motivating people to pursue organization success in any endeavor that their organizations chose to pursue in future (Bennis & O’Toole, 2000).

The short term sequel CEG expressed satisfaction at what had turned out to be one of the few successful projects they had supported in that year. Our charitable trust was asked to resubmit the community enterprise incubation proposal for Phase 2 of the project which we did. Regrettably however, in the middle of the agency’s approval process, parliamentary questions on the agency’s poor record of risk management on funds provided to some unconnected community groups in the South Island of New Zealand, led to the spontaneous self-destruction of CEG and the subsuming of its funds under other government ministries. Phase 2 of the community enterprise incubation project was abandoned.
The charitable trust however pitched the community enterprise program to AREDS, the Auckland Regional Economic Development arm, which was looking for any program with a Maori (first nation, indigenous people of New Zealand) flavor that it could back to meet its mandate for indigenous people advancement. Supported as it was by ex-CEG senior management, the participants in the earlier program and a number of senior national urban Maori leaders, the Maori Community Enterprise Development program got the go-ahead for a pilot. This program was designed using a Maori kaupapa framework, with Tikanga Maori, marae ambience and Maori facilitators. The program was targeted to at-risk Maori youth and women. The needs analysis and selection process for identifying participants was completed. Unfortunately for the project and its selected participants AREDS was disbanded and its Maori program was left in limbo. Without an agency and funding the Maori Enterprise Incubation program treads water. Our trust continues to actively source funding on behalf of community groups in the South Auckland area who are keen to learn opportunity exploration and exploitation. We continue to promote the delivery of training programs for community groups who wish to create entrepreneurial social purpose enterprises as independent revenue earners for their social missions.
Conclusion
Community-based social purpose enterprises fulfill multiple and significant roles in the community. Emerson and Twersky (1996), make the irrefutable point that these are probably the only transitional employment options for marginalized community members who find it difficult to enter or re-enter main-stream workforces. Waddock and Post (1991), point to social entrepreneurs as catalytic change agents who can combat intractable problems when public agencies and individual organizations have failed. De Leonardis and Mauri (1992) hail it as productive social justice producing, as well as distributings, community wealth. Mort, Weerawardena, and Carnegie (2003) conceptualize it as a model of sustained competitive advantage pitted against other social enterprises and commercial enterprises for survival and growth using superior value as its raison d’etre. Seelos and Mair (2005) speak of the need for a critical mass for social entrepreneurship to make a significant social and economic development. The authors add their voice to this debate by calling on government, the public, and the private sector to resource community groups and organizations for entrepreneurial projects. Otherwise they often embark on their community economic development journeys with little more than hope and/or desperation. Social purpose enterprise and social entrepreneurship is a rising tide and it has the capacity to lift many economically and culturally marginalized boats.

References


