



CEDNZ

Community Economic Development

Summary Report Literature Review

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Introduction

This literature review is the starting point for a significant piece of research that aims to find out the success factors, the barriers, and what is needed - to build a sustainable social economy in New Zealand. The research is funded by the Lotteries Community Research Fund, and is being carried out by the New Zealand Community Economic Development Trust, with support and supervision from the Unitec Institute of Technology.

The literature review combines a practitioner perspective with an exploration of academic literature. Sources include a selection of international and New Zealand based literature canvassed through access to the Unitec library and a general web search. The social economy is an emergent area, and the language is often confusing with little agreement in the literature on definitions of key concepts. For this reason, the review takes a “broad church” approach to the subject and explores the following related concepts:

- A.** Community Economic Development (CED)
- B.** Social Economy
- C.** Social Enterprise
- D.** Social Entrepreneurship
- E.** Social Innovation
- F.** Community Ownership of Assets
- G.** Social Finance and Investment
- H.** Social Value and Impact Assessment

They above terms are all at a relatively early stage of theoretical development. Crossing ideological boundaries and analytical pluralism are among the characteristics of the literature that has addressed the above phenomena to date. The literature review provides a broad overview and context for their emergence both internationally and within New Zealand, and describes the proposed research and its anticipated contribution to the development of knowledge in New Zealand.

Research Aims

The research aims to explore how to build a sustainable social economy in New Zealand including identification of:

- Key success factors that community groups need to address in the design and delivery of community enterprises that are economically, societally, and environmentally sustainable.
- The extent to which these key success factor requirements are currently being met in respect of contemporary community enterprises.
- How the findings from the two bullet points above can be evaluated and interpreted to determine best practice for future community enterprise developments
- Policy and legislative barriers to growing CED at central and local government levels, and identification of useful policy frameworks.
- Community based infrastructure and capacity building needed to support CED, from a national, regional and local perspective.
- Social investment opportunities and challenges, and barriers to growing social enterprise in this country.
- A library of five case studies that exemplify best practice in CED from around New Zealand.

3. Research Methodology

- A.** A literature review to determine the scope and scale of existing knowledge, and to avoid researching topics that have already been adequately researched.
- B.** A series of focus group discussions with acknowledged opinion leaders, in order to establish an agreed approach to data collection and to ensure that all necessary questions are asked.
- C.** Design and implementation of a face-to-face indepth interview process, to solicit contributions from a sample of sector opinion nationwide.
- D.** Analysis and interpretation of the data collected to determine a best practice model for community enterprise development in New Zealand.

The following table outlines a summary of the key characteristics of each of the concepts explored in the literature review, for the purposes of an initial overview and comparison.

Table of key concepts and their characteristics

Concept	Key Characteristics
Community Economic Development	<ul style="list-style-type: none"> • Usually place based (can also apply to communities of interest) • Responds to community defined priorities • Includes social enterprises, social housing, cooperatives, community shares, community owned assets, exchange schemes, small local business etc • Profits are principally re-invested for community benefit, with the exception of local SMEs • Encourages local ownership of assets and community control of resources • Increases community self-reliance • Usually accountable to the local community • Can involve support from external stakeholders
Social Economy	<ul style="list-style-type: none"> • There are two schools of thought: <ul style="list-style-type: none"> ○ that the social economy includes the voluntary, community and social enterprise sectors, or ○ that it includes all organisations that <u>trade</u> to achieve social and environmental outcomes (i.e. social enterprises and not charities) • Includes both large scale social enterprises and small place based CED initiatives (global, national and local) • Profits are principally re-invested for community benefit • Based on principles of cooperation, mutuality, participation and community empowerment
Social Enterprise	<ul style="list-style-type: none"> • An organisation that is led by an economic, social, cultural, or environmental mission, consistent with a public or community benefit • Autonomous/independent organisation (not public sector) • Trades to fulfil the social/environmental mission • Derives a substantial portion of income from trade • Reinvests the majority of profit/surplus in the fulfilment of their mission and for community benefit • Retains any assets for fulfilment of social/environmental mission and for community benefit • Is driven by values • Often employs marginalised people
Social Entrepreneurship	<ul style="list-style-type: none"> • A process, not an organisational entity • Focuses on the individual entrepreneur • Involves a high degree of collaboration • Involves a continuous process of innovation, adaptation and learning • Occurs across diverse areas and sectors • Where trading is involved, profits are principally re-invested for community benefit • Seeks to create wide spread systemic change • Emphasis on accountability and creating new value • Tending towards an emphasis on market based approaches to social change

Social Innovation	<ul style="list-style-type: none"> • Very broad concept that involves creation of new knowledge and skills across spectrum of social change • Social innovation can be an outcome of social entrepreneurship • Can be individual or collective or systemic • Occurs in, and across, very diverse fields and sectors • Opens up a broad spectrum of possibility within and across many different approaches
Community Ownership of Assets	<ul style="list-style-type: none"> • Ownership of land or buildings by independent community organisations • Helps to build financial independence and self-determination for communities • Benefits communities in perpetuity • May involve acquisition of assets by commercial means – or asset transfer from statutory bodies to community organisations for mutual outcomes
Social Finance and Investment	<ul style="list-style-type: none"> • Investment for social, environmental and cultural, as well as financial returns • Tailored to meet specific needs of the organisation • Financial terms are generally softer than in the commercial market place • Usually provides non-financial support towards building organisational capacity • Includes finance for social return as well as investment for financial return - and sometimes a mix of both • Emphasis on accountability and measurement of value (including social value)
Social Value and Impact Assessment	<ul style="list-style-type: none"> • Measurement of social value - including outputs, outcomes and impact • Underpinned by concept of “blended value”, i.e. value that incorporates social, environmental economic and cultural elements • Includes both bespoke (tailored to fit) approaches and standardised methods e.g. Social Return on Investment • Relatively emergent and confusing terrain with limited agreement as to best practice

The Maori Economy

The terms above are largely based on an exploration of global literature that has much relevance for the New Zealand context. However, a significant difference in New Zealand is the extent to which social enterprise is thriving in the Maori world. Terms such as the Maori Economy and Iwi Enterprise are in increasingly common usage here, and it will be important that a shared understanding of an indigenous CED lexicon emerges as the social economy space develops.

4. Looking at the Social Economy Space through Different Lenses

Through exploring the vast literature underlying CED and the social economy, it becomes apparent that the field can be interpreted from a number of different political perspectives. Different perspectives lead to very different rationales, and this leads to the incorporation of different methodologies. There are certainly overlaps between the perspectives, but there are also readily identifiable goals that each pursues, and this can help make some sense of the diversity within the social economy literature. Some of the key perspectives identified through this literature review are:

1. Communitarianism

A political philosophy that the social economy is essentially about building social capital, strengthening civil society and building democratic community-based systems of governance.

2. Neoliberalism

Neoliberalism is an economically driven political ideology that emphasizes the primacy of the free market and private enterprise and promotes individualism and competition. Many of the principles and practices of the social economy, in particular self-reliance and entrepreneurship, actually align with neo-liberal perspectives, and there is the potential for the social economy to be seen as a way for government to transfer responsibilities to individuals (albeit with a community overlay). There is, particularly in the social enterprise, enterprising non-profits and entrepreneurship literature a perspective that it is about people and communities 'pulling themselves up by the bootstraps'.

3. Localism

Though not a specific political philosophy, localists advocate for priority to be given to the local. Localism emphasises the importance of local communities, local economies and local government. Localists can be communitarian, but they can also be from libertarian persuasions, and they advocate for local practice and process above all else. For example in North America, the Business Alliance for Local Living Economies is a fast growing network of socially responsible businesses, comprised of over 80 community networks in 30 American states and Canadian provinces representing over 22,000 independent business members. In Scotland the Scottish Community Alliance is an informal alliance of community networks that promotes and advocates a localism agenda with more emphasis on social enterprise and community ownership of assets.

This is a time of possibilities – an opportunity for the community sector to move beyond positioning merely as 'the third sector' caught between the two dominant players...we cannot allow neoliberalism to atrophy or polarize our thinking into pure opposition or the reverse view of TINA (there are no alternatives - to unbridled neoliberalism). The future for community organisations is more open and interesting than this and the possible responses are greater than we have yet dared to imagine. (Burkett, 2011; p27)

Three approaches to CED: cEd, ceD and Ced

There are different approaches to CED – defined by whether ‘community’, ‘economics’ or ‘development’ is emphasised:

cEd centres on the objectives of an economic growth paradigm, emphasising the production of goods and services. This approach emphasises self-empowerment whereby individual self-interest is interpreted as the prime motivating factor for increasing local economic initiatives. Strategies include: encouragement of individual entrepreneurs, removal of barriers to entrepreneurial activities, and assistance to individuals to develop products and services unique to the particular community or locality. So cEd tends to align with neoliberal perspectives.

ceD focuses on the developmental aspect of CED which reduces the dependency of the community on external structures, emphasising internal, structural changes. This approach focuses on collective consciousness-raising and empowerment of people so that they are able to overcome oppressive societal structures and thereby enhance their economic situation. This approach draws on both communitarianism and localism perspectives.

Ced focuses on building social capital and cohesion within a community, and the development of interconnections between individuals and organisations, and so is aligned with a communitarianism perspective.

(Boothroyd and Davis, 1993)

5. Literature Review Findings

Common themes that emerged through the literature review are:

- The language is confusing and there is no consensus in terms of definitions of key concepts
- Social enterprise sits on a continuum of activity between charities and business. Attempts to define it in absolute terms are not useful
- Theoretical development is at an early stage and is also confusing
- The core concepts have similar historical roots – largely from the cooperative, associative movement in the 18th and 19th centuries. The concepts are not new, but are going through a major resurgence with new language emerging to describe them
- Globally, the world is facing growing and intractable social and environmental problems. Charity is not providing solutions to the problems. Governments are not providing solutions. Business is not providing solutions.
- CED and social enterprise are not a panacea, but are being seen as ways to respond to the growing social and environmental problems
- The CED agenda is growing fast in response. Europe, Canada and the UK are mainly seen as leading the way.
- A values base is imperative for CED and social enterprise activity

- The CED agenda incorporates social, economic and environmental aspects, sometimes referred to as “blended value”
- The literature indicates that a hybrid, cross- sectoral approach is starting to make a difference – and that the “magic” often happens at the intersections
- Democratic, community empowerment approaches are generally seen to be more effective and sustainable than “top down” approaches, although the social entrepreneurship literature tends to promote a more neoliberalist, market driven approach
- There are two main approaches to CED: Exogenous (seeking external resources) and Endogenous (originating from within). An exogenous approach, (sometimes known as smoke-stack chasing) is the dominant model. An endogenous approach is more aligned with community development principles. Most communities utilise both approaches.
- It is challenging for a not-for-profit organisation to re-define itself as social enterprise
- “Not-for-profits” and “charities” need to utilise business skills to develop viable enterprises
- Profits are principally reinvested for community benefit –a stakeholder principle rather than shareholder capitalism, although this is not always agreed and is the source of a significant debate
- The combined energies of individual “social entrepreneurs” and the community collective are required for successful outcomes
- There are different roles for communities (who do it); and local/ central government and businesses (who can provide an enabling role)
- Some countries have developed specific legal structures for social enterprise activity, some have not
- Employment based social enterprises (known as social firms) are providing valuable employment for excluded and marginalised people
- Both tangible assets (buildings, land, finances, natural environment) and intangible assets (human, social, cultural, political) are important
- Asset transfer is proving to be a powerful means to empower and sustain communities in the UK (assets must be viable, not a liability)
- Exciting possibilities are emerging in the space where social enterprise intersects with the digital/knowledge economy realm
- It is important to make links between CED and local small to medium size enterprises (SMEs)
- It is important to make links between CED and indigenous SMEs
- CED is related to an expanded role for people as “active citizens” in improving society, rather than merely electing government representatives to do it
- Social finance and investment is a fast growing area in response to the demand from social enterprises and social entrepreneurs
- Social finance delivers social impact; social investment delivers financial returns; some models deliver a mix of the two
- Different types of finance/investment are needed at different phases of enterprise development

- Social procurement policy and practice that includes social value helps social enterprises to access service contracts and to grow
- It is agreed that it is important to measure social value, but there is little agreement as to how. The current debate is whether taking a consistent or a bespoke approach is the best way
- The role of central government is changing, from being a deliverer of services to an enabler of communities, promoter community cohesion and self-management
- A culture shift is required across all sectors to understand and enable this emergent hybrid space and activity
- There are two schools of thought : that CED is part of the dominant economy; or that over time it will replace the dominant economy that is inherently unsustainable
- There is a need for more research in the areas being reviewed

In the New Zealand context

- Like in the UK, Europe and Canada, the earliest examples of social enterprise originate from the cooperative and self-help movements
- New Zealand is more centralised than most western countries in terms of government and local government responsibilities. This poses a challenge from a localist, devolutionist perspective
- New Zealand's move from a welfare state to a principally market economy in the 1980s slowed down the CED movement here
- The drivers in New Zealand have been mainly employment and development of the labour market, rather than community renewal and regeneration (as in the UK)
- The Local Government Act (2002), that requires councils to deliver community outcomes provided an opening for councils to support CED initiatives... but the act is currently under review with the intention to limit the role of local councils, this is not good news for the CED agenda
- There is limited shared understanding of key terms and concepts
- This is a global movement and there is much that New Zealand can learn from overseas experience, and there are also some differences here that will require distinct approaches
- Maori economic objectives tend to be underpinned by collective/social/environmental objectives, compared to western economics that is underpinned by individualised belief systems
- Social enterprise is thriving in the Maori world, where there is a significant collective ownership of assets and enterprise development within iwi organisations. However Maori/Iwi organisations tend not to use the terms CED or social enterprise. Treaty settlements have also helped to grow the "Maori Economy"
- The social finance sector in New Zealand is fledgling
- Currently there is a lack of policy framework or ministerial responsibilities, or resources for CED in central government
- There is general agreement that New Zealand currently lacks the necessary infrastructure and capacity building support to grow the movement

- There is a current move to shift public sector wealth to the private sector. This can only reinforce inequalities. Shifting public sector wealth to communities can lead to improved social/environmental outcomes – and a fairer sharing of wealth or “capitalising of the poor”
- Interest and activity in this space has accelerated over the last three years

The full CED Research literature review is a valuable resource. It is 112 pages long and is available to purchase at a cost of \$30 plus GST. If you are interested in purchasing a printed copy, please contact Lindsay Jeffs at the Christchurch Small Business enterprise Centre. Email Lindsay@csbec.org.nz or phone 03 3669978.