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TOWARD A THEORY OF COMMUNITY-BASED ENTERPRISE

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In this article we develop the concept of community-based enterprise (CBE) and argue that it provides a potential strategy for sustainable local development in poor populations. We maintain that in this emerging form of entrepreneurship, typically rooted in community culture, natural and social capital are integral and inseparable from economic considerations, transforming the community into an entrepreneur and an enterprise. Drawing on interdisciplinary and multilevel approaches, we propose a theoretical model of the determinants, characteristics, and consequences of CBEs.

Seventy-five percent of the world's poor live in the countryside (International Agricultural Fund, 2001). Nevertheless, scarce resources, overpopulation, and environmental degradation in rural communities in poor countries are leading to outmigration to already overcrowded cities. Immigrants subsist there in miserable shantytowns amid increasing insecurity and social violence and without significant possibilities for income (Abrahams & Peredo, 1996). Meanwhile, in the areas they have vacated, the costs of migration include the disintegration of the family, an increasingly disproportionate burden on women and children, and mounting economic hardships (Deere, 1982; McDaniel, 1990; Peredo, 1995; Saffiotti & Silveira, 1983).

Authorities from the United Nations (2001) and the World Bank (2001) warn that, over the next few decades, the incidence of poverty is likely to rise if the problem is not tackled aggressively. Although the most immediate and devastating effects of chronic poverty are most conspicuous in the developing world, the potential damage to the natural environment and international peace are likely to be more global in scope (Brandt & Independent Commission on International Development Issues, 1983; Head, 1991; Westley & Vredenburg, 1996; World Commission on Environment and Development, 1987).

While appreciating that the global interconnectedness of all societies is vital, it is equally important to understand the imperative of acting at the local level. Value creation and innovation through local business development are essential means to alleviate poverty and preserve the natural environment. But the employment of business development as a means to overcome poverty requires an understanding of the specific socioeconomic environment in which that development is to take place (Peterson, 1988). Diverse macroenvironmental conditions, societal arrangements, and cultural values play a vital role in fostering entrepreneurial activities (Holt, 1997; Light, 1998; Light & Rosenstein, 1995; Morris, 2000; Peterson, 1988; Rahman, 1999; Tan, 1996; Taub, 1998; Tsang, 1996).

The literature on entrepreneurship has begun to stress the need to look at the interaction among communities, families, and individual entrepreneurs (Cornwall, 1998; Onyx & Bullen, 2000). Indeed, in practice, community-based solutions have been emerging for environmental conservation and income generation among poor populations in Latin America (Peredo, 2001; Tenenbaum, 1996), Asia (Hazare, 1997; Lyons, 2002), Africa (Nelson, 2000), and poor rural areas of rich countries (Lyons, 2002; MacLeod, 1986). In this article we assume that poverty can be significantly reduced. However, the solutions will need to be broad based, locally focused, and

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interdisciplinary. Poverty is a multifaceted phenomenon (Narayan-Parker, 2000), and overcoming it requires a holistic perspective. Our approach, accordingly, draws on theoretical considerations from the fields of entrepreneurship, environmental management, anthropology, and development studies.

At the center of our argument is the concept of community-based enterprise (CBE), which we define as a community acting corporately as both entrepreneur and enterprise in pursuit of the common good. CBE is therefore the result of a process in which *the community* acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure. Furthermore, CBEs are managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term. We elaborate the concept of CBE more fully later in this paper.

We believe CBE represents a promising strategy for fostering sustainable local development. Whereas the community typically has been treated in the literature as an exogenous part of the environment for entrepreneurship (e.g., Ardichvili, Cardozo, & Ray, 2003; Bhave, 1994; Bull & Winter, 1991; Gartner, 1985; Learned, 1992), an emerging point of view is to treat the entrepreneur and the enterprise as embedded in a network of relationships, usually local (Johannisson, Ramirez-Pasillas, & Karlsson, 2002; Kilkenny, Nalbarte, & Besser, 1999; Larson & Starr, 1993). Taylor (1999) has gone so far as to describe a new venture as a networked temporary coalition of individuals and organizations within a local economy. Our conceptualization of CBE goes yet a step further, treating the community as completely endogenous to the enterprise and the entrepreneurial process. As suggested by our definition, this means that, in a CBE, the community is simultaneously both the enterprise and the entrepreneur. This conceptual trinity and the proposals emerging from it are important for several reasons.

First, traditional concepts of entrepreneurship and economic development do not appear to capture the essential features of venturing in depressed areas, such as indigenous communities in developing countries. For example, the mainstream entrepreneurship literature assumes the primacy of economic goals in new venture creation (e.g., Chrisman, Bauerschmidt, & Hofer, 1998), whereas in indigenous communities economic considerations may be secondary to other interests, such as cultural or environmental preservation. Similarly, there are differences in resources and infrastructure in what are known as "developed" and "developing" regions that may not be captured in existing models of entrepreneurship. Finally, in entrepreneurship theory there is generally the assumption that ventures are created by an entrepreneur acting solely or as part of a small team of individuals. By definition, CBEs are created by community members acting *corporately*. If we are to study entrepreneurship in settings where prevailing assumptions do not apply, we must develop new theories, new models, and new frameworks.

Second, although we focus on the benefits of CBE for less-developed economies, the concept may have wider applications. The notion of the community as enterprise and entrepreneur may yield new and fruitful ways of thinking about entrepreneurship in developed economies, even though it represents a perspective on the extreme of a continuum of ideas. The notion of an entrepreneurial venture as a "single independent operation linked to other similar operations only through arm's length, contractual exchange relationships" is also an extreme conceptualization, yet this understanding has led to important insights (Taylor, 1999: 3, 6).

Third, because our theoretical model of CBE is based on documented grassroots efforts in impoverished local communities in a variety of settings, it should be significant for policy makers and practitioners, given the growing interest in entrepreneurship and sustainability as tools for local development. This is particularly important, because most efforts to assist in the improvement of developing regional economies have been unsuccessful, primarily because they have either been unmindful of local cultures and values or have simply been charitable programs that failed to address the root causes of poverty (Burkey, 1993; Davis, 1993).

Our purpose in this article is to develop a theoretical model of CBE as an alternative representation of how entrepreneurial activity may be harnessed to ameliorate chronic poverty.

We organize the article as follows. In the next section we develop the theoretical foundation of the proposed model. We discuss the importance of entrepreneurship in the process of economic development, emphasizing in particular its pos-

sibilities in the context of poverty as a process involving people, not just as individuals but also collectively, as members of a community. We employ ideas and insights from anthropology to highlight cooperation as an engine of collective action, with community identified as a vital asset in an integrated approach to local development. We also employ social network theory to draw connections between entrepreneurial activities and the building and maintenance of communities. Following this, we develop the concept of CBE and examine the components of its creation, as well as its characteristic structure and operation. We then conclude by proposing some implications for future research and practice, and we discuss the limitations of the model presented.

ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT IN POOR COMMUNITIES

In an effort to alleviate poverty, international development agencies from industrial countries and multinational organizations have been heavily involved in interventions in the developing world over the past fifty years. Despite good intentions, the most widely adopted approaches have often been paternalistic, seeking, even if unintentionally, cultural assimilation, while ignoring the strength of local organizations (Davis, 1993). Many poverty alleviation programs have degenerated into global "charity," rather than serving to build local and durable self-reliance (Burkey, 1993). Indeed, it has been demonstrated that the real effect of many developmental activities has been to compromise community support systems and to contribute to the creation of real poverty (Cornwall, 1998; Crewe & Harrison, 1998; Sachs, 1992).

One common problem in developmental activities is that most projects have been conceived and managed by the development agencies rather than by members of the community, which has often led to a lack of any significant sense of ownership on the part of the target beneficiaries. Once a given developmental project exhausts its budget, local people seem, in many cases, to lose interest in pursuing the project autonomously. Recognition of this syndrome has led a number of international development agencies in the last decade to design projects with a view to increasing the participation of local beneficiaries (Brinkerhoff, 1996; World Bank, 1996). However, these externally induced development projects have often met with diverse challenges that have prevented target beneficiaries from effectively participating in aid programs. Intransigent power structures, inappropriate legal frameworks, widespread prejudices, and deficient consultation processes have all too frequently defeated these attempts at genuine involvement (Davis & Ebbe, 1993). In many cases, the creation of local institutions by outside agencies has weakened or replaced local conventions. Frequently, poor people participate in the novel institutions only as long as there are tangible rewards, such as food aid, to be gained (Crewe & Harrison, 1998; Sachs, 1992). What may be called a "beggar mentality" has thus emerged in many communities where there have been massive aid interventions.

However, it is commonly acknowledged that enterprise development is a crucial element in the process of economic development (Drucker, 1995; Schumpeter, 1983). Numerous projects have been executed among poor populations aimed at promoting small business development as a means to improve their overall prosperity. It is discouraging to observe, however, the general lack of success in these programs (Cornwall, 1998; Dana, 1988; Sachs, 1992). Thus, we must ask, "What has gone wrong?"

These failures suggest that there are many gaps in our understanding of entrepreneurial activities under conditions of material poverty. And these gaps may well be part of our more general failure to grasp the forms and fit of entrepreneurship in different cultural settings (Peterson, 1988). Recent research and theory on transitional economies and immigrants, together with growing interest in microcredits, have had the effect of focusing greater attention on social networks and community issues as important elements in understanding entrepreneurial activity among disadvantaged peoples (Bates, 1997; Cornwall, 1998). Anderson and Jack (2002), among others, have emphasized the role of social capital in facilitating these social networks and the importance of observing the rules by which this capital is assembled—rules that are, of course, likely to be cultural products. Further, it is arguable that the values of the Western world, particularly the United States, which emphasize individualism, continue to dominate the conventional view of what entrepreneurship is all about (Peterson, 1988), and

that efforts to encourage entrepreneurship in poor countries have been shaped by this outlook. But societies differ substantially in the degree to which they incorporate elements of individualism (Hofstede, 1980). Could it be that what has gone wrong is that cultural differences like these have been systematically neglected?

There is more. Materially disadvantaged societies are frequently characterized by hierarchical social systems based on ethnicity, gender, religion, economic and social status, and other factors; limited or nonexistent welfare systems; subsidies eliminated as part of debt reduction programs; and high rates of unemployment. These characteristics can be a stimulant to prospective entrepreneurs, although such entrepreneurs face high levels of uncertainty and risks stemming from political and economic instability, attendant social change, and lack of access to capital markets (de Soto, 2000; Leff, 1979). There is evidence that in many if not most impoverished societies there is no shortage of entrepreneurship (Dana, 1988). De Soto eloquently expresses this view:

> Undercapitalized sectors throughout the Third World and in former communist countries buzz with hard work and ingenuity. Street-side cottage industries have sprung up everywhere, manufacturing anything from clothing and footwear to imitation Cartier watches and Vuitton bags. There are workshops that build and rebuild machinery, cars, even buses. The new urban poor have created entire industries and neighborhoods that have to operate on clandestine connections to electricity and water. There are even dentists who fill cavities without a license (2000: 28).

It may well be, therefore, that there is not so much a shortage of entrepreneurial activity in these places as a lack of the kind(s) of enterprise that provides more than subsistence for individual entrepreneurs and contributes to the prosperity of the society.

All of these factors suggest that conventional approaches to entrepreneurship in materially disadvantaged societies will yield minimal results, since they are inconsistent with societal norms and ill-equipped to deal with the structural impediments to economic development.

Minniti and Bygrave argue that individuals' decisions to become entrepreneurs will be influenced by

> three simultaneous elements: (1) the subjective initial endowment, which is personal; (2) the institutional and economic circumstances of the economy, which are objective and community specific; and (3) the existing level of entrepreneurial activity in that community as perceived and evaluated by the individual (1999: 43).

The simultaneous nature of these determinants suggests that interventions that do not in some way address them all will not be very effective. Bygrave and Minniti (2000) imply that the third determinant explains why the rate of entrepreneurship may vary in regions with similar economic conditions. They see entrepreneurship as self-reinforcing and path dependent, and, therefore, the history of a community will have a material impact on the entrepreneurial proclivities of its inhabitants. These researchers conclude that there are threshold effects of entrepreneurship and that policy interventions that do not permanently raise the equilibrium level of entrepreneurship in a community will not be successful. Building on the work of Crane (1991), Minniti and Bygrave add, "The longer and more stable the entrepreneurship history of a community is the harder it is to bump that community away from its growth pattern" (1999: 49).

Community and Entrepreneurship

While it is possible that some cultural characteristics of poor communities may serve as obstacles, entrepreneurship can thrive in a great many social and cultural settings (Dana, 1995; Holt, 1997). For example, a lack of social mobility can serve as a spur to entrepreneurship (Busenitz & Lau, 1996). Economic crises can also act as catalysts for venture creation (Harper, 1991; Shapero, 1975). In challenging situations or declining economies, a variety of reasons, and few alternatives, exist for becoming an entrepreneur. Prominent among these reasons is survival and the consequent need to recognize opportunities that will lead to that and other desirable outcomes (Yusuf & Schindehutte, 2000). Furthermore, enterprise development in materially poor countries and among poor populations has distinctive characteristics that help to explain its evolution and provide signals for how it can be made more abundant.

One of the most important characteristics of enterprise development in these societies is the view that prevails in them concerning the nature of community. Every society combines, in its ethos, an implicit understanding of the way the

status and entitlements of its individual members should be understood in relation to the standing and legitimate requirements of the community itself (Peterson, 1988). The more "community oriented" a society is, the more its members will experience their membership as resembling the life of parts of an organism, and the more they will feel their status and well-being is a function of the reciprocated contributions they make to their community (Kilkenny et al., 1999). The more community oriented a society is, the more its members will be entitled to certain societal benefits, including the satisfaction of needs connected with survival, such as basic income, health care, and safety. With that entitlement comes the understanding that the claim to these benefits overrides, to an increasing extent, the right of members' unfettered use of private property. Indeed, the notion of private property may begin to attenuate as community orientation predominates. As community orientation grows, so does the sense that the community itself has needs, such as clean air, safe water, jobs, and affordable energy, and meeting these needs may take precedence over the unregulated freedom of individual choice. It is characteristic of the communities to which CBE appears relevant that they are, or can become, relatively community oriented in their outlook.

It is essential to recognize, however, that community orientation is not inconsistent with entrepreneurship (Peterson, 1988). For example, while the Chinese are known for their entrepreneurial activity, they are also distinguished by their strong support of Confucian values, their loyalty to a reference group, and their community outlook. Their success is due at least in part to the development and utilization of interdependencies among individuals, families, and townships (Holt, 1997; Tan, 1996; Tsang, 1996). Indeed, scholars have begun to highlight the importance of recognizing entrepreneurship as building on a collective process of innovation (Johannisson & Monsted, 1997; Stewart, 1989). Collective learning and social solidarity can, for instance, explain the growth and resilience of Silicon Valley (D'Arcy & Guissani, 1996; Granovetter, 1990; Swedberg, 1997) and the emergence of business districts in Europe (Johannisson & Monsted, 1997; Niittykangas, 1996).

Entrepreneurial accomplishment may not only be compatible with diverse social arrangements but may benefit from the integration of specific cultural values and norms (Anderson, 2002; Basu & Altinay, 2002; Light & Rosenstein, 1995). The facts suggest the possibility that cultural identity may actually function as a tool for entrepreneurial activity (Light & Rosenstein, 1995). For example, ethnic ties among immigrants have been shown to promote cooperation and mutual support for entrepreneurial activities (Basu & Altinay, 2002).[1]

Thus, there appears to exist a diverse set of environments in which entrepreneurial activity can flourish. In many small communities, especially in poor countries, a variety of combinations that simultaneously provide space for a different economic logic have emerged. Picture an Andean peasant woman, busily engaged in marketplace bartering, who then hikes her voluminous skirts to retrieve her cell phone for a quote on the international price of potatoes.

Social Capital and Entrepreneurship

It is illuminating to think of the community orientation of a society in terms of "embeddedness," "social capital," and "social networks." The concept of embeddedness has come to be used as a tool for understanding how economic transactions are affected by the location of individuals and organizations in networks of personal relationships (Granovetter, 1985; Polanyi, 1957). Embeddedness itself is a concept that owes a good deal to the notion of the "gift economy." Initially regarded largely as a holdover from archaic societies (Mauss, 2002), the gift economy has come to be seen by researchers as an essential feature of modern societies (Cheal, 1988; Klamer, 2003). A gift economy exists when there are frequent and regular transfers of goods or services from one member of a community to another, or among communities, without remuneration or any explicit agreement of a quid pro quo. There may be implicit expectations of some form of reciprocity, but there need not be, and where they exist, they are unstated and unspecified (Klamer, 2003). What is crucial is that the practice is immersed in a set of social arrangements and shared understandings that give it significance.

[1] It should be understood that while culture can be an important engine for entrepreneurial activity, historical, social, and cultural factors might impede as well as facilitate cooperation and social cohesion (Pessar, 1995).

The importance of the gift economy as a basic principle on which communities are built has come to be used as a concept for understanding entrepreneurship and economic development (e.g., Taylor, 1999). Drawing on anthropological research, Granovetter (1985, 1990) repackaged the insights contained in the concept of the gift economy to develop what he called "the new economic sociology." Granovetter challenged the view that, with modernization, economies and societies become detached and that "economic transaction [is] defined no longer by the social and kinship obligation but by individual gains" (1985: 482). He reintroduced the concept of embeddedness to bring out the importance of concrete personal relationships and networks of relationships in standard market economic systems. Within these networks, people and communities are able to build strong relationships, which, over time, allow trust, cooperation, and a sense of collective action to develop among members. Concrete personal relationships and networks of these relationships are thus crucial components in the functioning of an economic system (Johannisson et al., 2002; Kilkenny et al., 1999; Putnam, 1993; Taylor, 1999).

Bourdieu (1997) and Putnam (1973) recognize that certain features of social organization, such as trust, norms, and networks, can improve the efficiency of society by facilitating coordinated actions. These researchers refer to these features as *social capital*. The elements typically identified in the notion of social capital include densely interlocked networks of voluntary relationships, a high degree of reciprocity in which short-term sacrifices are made with the implicit understanding that they will be repaid over time, trust, or a willingness to take risks with the conviction that others will respond cooperatively, and broad agreement on social norms (Larson & Starr, 1993; Onyx & Bullen, 2000). Social capital is clearly a collective resource for survival, as well as for positive social action on the part of communities possessing this resource (Bourdieu, 1997; Kilkenny et al., 1999). It is not tangible in the way that products, services, and media of exchange normally are, but it exists in the relations among people and facilitates their productive activity by providing access to other resources, such as knowledge and capital (Anderson & Jack, 2002; Coleman, 1988). In myriad subtle ways social capital acts as a force that generates action in the social network, and from that perspective it can be acknowledged as a valuable resource (Nahapiet & Ghoshal, 1998).

Social capital is seen as a necessary ingredient for economic development (Flora, 1998; Putnam, 1973). Increasingly, scholars (Aldrich & Fiol, 1994; Aldrich & Zimmer, 1986; Granovetter, 1985, 1990; Johannisson, 1996; Johannisson & Monsted, 1997; Krackhardt, 1995; Morten, 1993; Weinstein, 1999; Zhao & Aram, 1995) are recognizing that entrepreneurship arises from networks of successive social relations. A social network perspective—an outlook from which opportunities are continually reidentified and reorganized—can contribute to the recognition of social factors that invite new business creation (Granovetter, 1990; Johannisson & Monsted, 1997; Weinstein, 1999).

Worldwide, policy makers are using the language of local capacity building as a strategy to help impoverished communities become self-reliant. Further, reports of community development initiatives among poor communities suggest that the employment of social capital within communities can be a key strategy in fostering sustainable development (Lyons, 2002; World Bank, 2001). Research on ethnic groups indicates that, in some communities, personal networks provide a major resource for starting a venture. Studies in China and among immigrants in the United States have shown that, in adverse situations, people depend especially on cooperative relations (Bates, 1997; Bruton, Lan, Lu, & Yu, 2000; Greene, 1997; Light, 1998; Tan, 1996). Although the critical link among community, social capital, and sustainable development has not been clearly established, the topic invites closer research.

In enterprise formation, networks not only provide a social resource (Bates, 1997; Weinstein, 1999) but also give the individual entrepreneur self-confidence, support, and motivation (Manning, Birley, & Norburn, 1989). Networks may also diminish risks (Granovetter, 1985), enhance business capabilities and information (Gnyawali & Fogel, 1994), provide access to opportunities (Johannisson & Monsted, 1997), and, once the firm has been established, bestow legitimacy (Aldrich & Fiol, 1994; Dubini & Aldrich, 1991). One way of looking at networks is to see them as a continuing source of what we may call "creative bridging activity" (Johannisson & Monsted, 1997), which brings innovation through the cre-

ation of new products, new methods of production, discovery of new markets, or new ways of organizing (Schumpeter, 1983). It is this resource that allows entrepreneurs to go on assembling and renewing their reserves of social capital (Bates, 1997; Busenitz & Lau, 1996; Johannisson & Monsted, 1997; Kao, 1993; Tan, 1996). Access to a social network is not enough to guarantee the creation of social capital, and there are circumstances where an absence of social ties may actually be an advantage (Burt, 1992; Krackhardt, 1995), but the role of networks and the opportunities they create is hard to overestimate.

The impact of social networks has been critical to the development of local community business capacity in many small towns (De Bernardy, 1999; Kilkenny et al., 1999; Lyons, 2002) because of the way that social networks can facilitate the processes of learning and innovation. In turn, the interaction between the individual and the organization has allowed the development of a common identity and creative processes to respond to the challenges and pressures of economic globalization (De Bernardy, 1999).

Research and theory in entrepreneurship have drawn attention to the way in which those individuals with extended social networks are advantaged in the quest for entrepreneurial success (Anderson & Jack, 2002; Ardichvili et al., 2003; Johannisson et al., 2002; Larson & Starr, 1993). What needs further consideration, however, is the extent to which communities themselves, as collective units, may function as entrepreneurs and enterprises and may benefit in those functions from the social capital at their disposal.

AN ALTERNATIVE MODEL: CBE

The institutions of both community and entrepreneurship are frequently employed by governmental and nongovernmental agencies, as well as foundations, in the effort to fight unemployment and generate economic growth in poor regions. Selsky and Smith (1994) use the term *community entrepreneurship* to describe entrepreneurial leadership that arises within nonprofit organizations. In contrast, as indicated earlier by our definition of CBE, we focus on local communities, which create collective business ventures and, through them or their results, aim to contribute to *both* local economic *and* social development.

As we indicated earlier, we mean, by a CBE, a community acting corporately as both entrepreneur and enterprise in pursuit of the common good. Entrepreneurship is the creation of a new organization, arising as a result of combinations of familiar or new elements, in pursuit of opportunity (Gartner, 1988; Kirzner, 1973; Schumpeter, 1983; Sharma & Chrisman, 1999). The community acts as an entrepreneur when its members, acting as owners, managers, and employees, collaboratively create or identify a market opportunity and organize themselves in order to respond to it. The response combines familiar or new elements—goods or services, methods of production, markets, sources of supply, and/or organizational structures (Gartner, 1988; Schumpeter, 1983). The community acts as an enterprise when its members work together to jointly produce and exchange goods and/or services using the existing social structure of the community as a means of organizing those activities. Thus, CBE represents both the entrepreneurial process of venture creation and the venture created through the process.

It is essential to understand that we use the term *community* in this article to refer to an aggregation of people that is not defined initially by the sharing of goals or the productive activities of the enterprise but, rather, by shared geographical location, generally accompanied by collective culture and/or ethnicity and potentially by other shared relational characteristic(s) (Molinari, Ahern, & Hendryx, 1998). The community may be delineated by political boundaries—for example, it may also be a village or a municipality—but it need not be. There is no reason, for instance, an ethnic enclave in a larger community could not constitute a CBE, provided its members are involved in the appropriate way. So, in some cases, communities, as we define them, may be part of larger communities but are distinguished by a shared sublocation and a common relational bond, such as ethnicity or culture.

The idea that members act "together," "corporately," or "collaboratively" should be understood flexibly. Some members may be more active than others, but most or all will have some role in developing and implementing the entrepreneurial initiative. Most, if not all, members will participate in some relatively direct way in

monitoring and directing the enterprise's activities. In addition, some will be active, ongoing participants in the productive tasks of the enterprise. But virtually all will be committed to a common undertaking, even though they are first of all defined as a community by something other than that shared commitment. Obviously, no exact specification can be given as to the percentage of community that must be involved, for communities and conditions vary from case to case in the real world. Suffice it to say that at least a very large majority of the community will have some degree of commitment to the enterprise.

It is important to note that profit making need not be, and typically will not be, the exclusive or even the primary purpose of the enterprise. Although some return is necessary to make the operation sustainable, that return may be seen as strictly instrumental in achieving some other community purpose(s), and a lower rate of return may well be accepted in exchange for the achievement of other community goals.

These characteristics distinguish CBEs from collective ventures initiated by government (e.g., state lotteries) or community leaders (e.g., opera or ballet societies) on behalf of society, where ordinary citizens, who may share in the fruits of the endeavor, have, at best, a limited say in the aims and scope of the enterprise and no direct voice in its management. CBEs are owned, managed, and governed *by the people*, rather than by government or some smaller group of individuals *on behalf* of the people. They are governed rather than govern. Although CBEs may bear similarities to local governments and their leadership may sometimes overlap substantially, CBEs' governance structures are designed to be participative, not merely representative. Furthermore, such things as the areas of their jurisdiction and their powers of sanction are likely to be quite different.

Cooperatives are not, in theory, CBEs either. The particular membership of cooperatives is marked by a shared interest in a cooperative activity, rather than a shared interest in a community that acts cooperatively, as is the case for CBEs. As with opera or ballet societies, even if cooperatives' membership is drawn from within some preexisting community, it is not essentially coextensive with it. In practice, some cooperatives identified with specific communities may be borderline cases. The world may not be perfectly tidy with respect to what is and what is not a CBE.

Like most enterprises, CBEs are generally intended to be more than temporary. But, like other enterprises, they may or may not last. We assume nothing, in the notion of CBE, about sustainability or longevity. The examples we draw on typically have persisted and enjoyed at least limited success. But all of them face challenges, and they would not cease to be CBEs if they succumbed early to those forces, nor would they be disqualified had they been adopted strictly for short-term, instrumental purposes.

Documented cases of CBEs include the Mondragon Corporation Cooperative in Spain (Greenwood, 1991; Morrison, 1991; Suzuki, 1995); the Communal Enterprises of Salinacocha in Ecuador (Peredo, 2001); the village of Ralegan Siddhi in India (Hazare, 1997); Retirement Living in Elliot Lake, Canada (Organization for Economic Cooperation and Development, 1995b); the Walkerswood Community in Jamaica (Lean, 1995); Floriculture Using Hotsprings Energy in Amagase, Japan (Organization for Economic Cooperation and Development, 1995a); New Dawn Enterprises in Atlantic Canada (MacLeod, 1986); and the self-managed community enterprise of Llocllapampa and the Community of Chaquicocha Trade Fair, both in Peru (Peredo, 2003).

In the following sections we discuss the conditions that appear necessary for CBEs to emerge, the characteristics that CBEs generally seem to possess, and the role of CBEs in economic development.

Conditions That Influence the Emergence of CBEs

Triggered by social/economic stress. The roots of CBE lie in the attempts of communities under stress to solve pressing economic and social problems, sometimes including the absence of political power or a voice in national life. CBEs characteristically arise in response to some combination of the following: (1) economic crisis and a lack of individual opportunity, (2) the processes of social disintegration, (3) social alienation of a community or subgroup from mainstream society, (4) environmental degradation, (5) postwar reconstruction, and (6) volatility of large business. Where they occur, these factors typically are a reflection of major macro conditions, such as national economic crises and po-

litical violence. The factors are often interrelated, and many of them may be found in one community at the same time.

The main point is that a major impetus for the development of CBEs appears to be a threat that either causes communities to perceive a major disequilibrium in their way of life or an equilibrium condition that is so far below the former equilibrium condition that a search for opportunities and new resource combinations with both economic and social value is undertaken (cf. Cheah, 1990). Overall, then, CBEs emerge as the result of the desire of communities to gain or regain control of their own local development. In the parlance of Minniti and Bygrave (1999), adverse economic circumstances in a community give rise to a novel solution—in this case, the CBE. What is striking, however, is the way that this "novelty" is a legacy of long-standing resources in tradition and culture.

A threat to the sustainability of a community's way of life seems to be the typical trigger for developing a CBE. The Purepecha Indians, for example, have lived for 500 years in the Mexican highlands of Michoacan. By the mid 1980s, Purepechans had been reduced to poverty, and government regulations had removed their right to freely harvest timber on their ancestral lands. When the government and outside individuals began to buy up the land and exploit it without significant commitments to hire locally, the community organized to defend the forests and establish the legal right of indigenous groups to harvest their own trees. Acting as a community and taking advantage of traditional arboreal knowledge, they hired a forestry engineer and launched a CBE, sustainably harvesting and marketing a wide variety of forest products (Tenenbaum, 1996).

The city of Elliot Lake, in Ontario, Canada, separated by many factors from the Purepechan circumstance, nevertheless provides another example. This one-industry town was brought to its knees by the closure of the local uranium mine, which had largely supported the community's population and way of life. Faced with a rapidly declining population, business leaders won the support of the community in promoting the idea of a Florida-style retirement community. The community, acting collectively, advanced the idea in a program of caravans and other publicity events. The result was a community-run enterprise attracting a substantial new population and, with it, the businesses and social structures that largely re-created the community's way of life (Organization for Economic Cooperation and Development, 1995).

A product of incremental learning. A CBE is the result of a process grounded in collective experience (Helmsing, 2002). Frequently, the communities in which CBEs emerge have previously been involved in collective political action—for example, demanding access to basic services from the government, contesting government reforms, or protesting against such conditions as counterinsurgency or large-scale land-ownership. These previous activities may result in the development of tacit knowledge, embedded within the community, with regard to organizing to achieve goals (Spender, 1994). Following Spender (1996) and Nahapiet and Ghoshal (1998), we suggest that such knowledge provides an advantage to communities that seek to embark on CBE. In fact, such knowledge may be essential for communities to recognize the possibility of CBE. Thus, just as previous and existing levels of entrepreneurial activity may foster additional entrepreneurial activity (Minniti & Bygrave, 1999), the previous and existing levels of community activism may, in this case, become channeled toward enterprise creation.

The community of Quero in the Peruvian Andes provides an example (Peredo, 2001). The population of Quero had been brought together for many years in active political protest—for example, demanding access to basic services, such as water and electricity, and better prices for their products. A triggering event, however, was the organizing of the community to protect against guerrilla insurgency. From 1979 to 1992, Peru was the scene of a bitter guerilla war. Quero was one of many communities savaged by the conflict, its members driven into hiding in the mountains to avoid injury or death. Drawing on their tradition of organizing to deal with adversity, patrols were set up to detect insurgent bands and alert the community, allowing it to mobilize in response. These experiences provided the cohesion enabling the community to organize communal sheep farms (Peredo, 2001). Similarly, the emergence of Mondragon in the 1940s drew deeply on the Basques' tradition of collective resistance during the Spanish Civil War (Morrison, 1991).

Dependent on social capital. Social capital is a community's major resource (Bourdieu, 1997;

Coleman, 1988; Flora, 1998). In fact, one could argue that the community itself is often the major and most valuable asset of a CBE. Communities where CBEs emerge characteristically lack significant material resources. In many cases, land in the area is scarce and impoverished, and there is little or no access to capital markets. In such a situation it is broadly recognized that people depend on social relations—social capital—to address their substantive everyday needs. CBEs are created on the basis of collectively owned cultural, social, and ethnic endowments. These are historical products that create solidarity among community members and receptivity to collective action. Community networks allow resources to be pooled, actions to be coordinated, and safety nets to be created that reduce risks for individual community members (Bourdieu, 1997; Putnam, 1973). Furthermore, the interrelationship between community and family enables the CBE to take risks not open to an individual. It is precisely the ability of the CBE to marshal and exploit social capital that gives it added potential in conditions of chronic scarcity and fierce global competition.

This capacity is powerfully illustrated in the case of Llocllapampa in the Andean highlands of Peru. The region has been occupied for more than a millennium by a people known as *wankas*. Community members are fiercely proud of their lineage and of having both resisted and survived centuries of attempted domination by Incas and Spaniards. A prominent feature of this community, birthplace of the Self-Managed Community Enterprise (SMCE) and many individual and family enterprises, is the concept of *faena*—unsalaried work owed to the community in support of its collective projects. The CBE that has emerged in Llocllapampa incorporates a number of different productive and service activities, including an agricultural arm to which the *faena* is an especially important contributor. The products of this work have been used to purchase machinery and irrigation systems, as well as professional support for the agricultural operation. The result has been not only a highly productive potato operation and a number of prestigious awards, but also a gain for the family of activities that compose the SMCE (Peredo, 2003). Llocllapampa represents a paradigm case of the advantage of social capital for CBE formation.

Prior to 1976, the village of Ralegan Siddhi, in India, had a population of 2,000, 15 to 20 percent of whom subsisted on one meal a day or less. Only seventy to eighty acres of land in the area could be irrigated because of a general lack of water. Drought was common, and little or no effort was made to conserve the fifteen to sixteen inches of annual rainfall. A CBE emerged around the agricultural activities of community members. The community identified a number of goals for their joint enterprise, including employment and education. Following the lead of innovative members, villagers made the conservation of scarce water resources for production and community use a priority. Acting together, members coordinated their volunteer labor to build watersheds to gather rainfall. These became the backbone of prosperous organic farming and oil enterprises (Hazare, 1997). Again, social capital provided a resource essential to the viability of a collaborative venture.

Community size. As with any entrepreneurial venture, the start-up and success of a CBE require that the community possess, or have access to, sufficient resources to launch the enterprise (Chrisman et al., 1998; Gartner, 1985; Katz & Gartner, 1988). With regard to other resources, we posit that in poor communities the amount of resources available on a per capita basis is generally low. Therefore, larger communities should have an advantage in the creation of CBEs vis-à-vis smaller communities.

However, the relationship should not be linear. As stated earlier, a critical resource for CBEs is the social capital that exists in a community. Since the number of potential relationships in a social network increases factorially with the addition of each new person into the community, we argue that very large communities will have extremely complex and fragmented social networks. While conducive to individual entrepreneurship, we see such networks as detrimental to the formation of CBEs. For example, Kranton (1996) illustrates that reciprocal nonmarket exchanges are more likely and provide greater benefits in smaller markets owing to the likelihood of frequent future contacts. Furthermore, because of the importance of social capital, smaller communities are more likely to achieve solidarity in terms of their subjective assessments of the initial endowments needed to form CBEs (cf. Minniti & Bygrave, 1999). We therefore hypothesize that

CBEs are far more likely to arise and maintain themselves in communities of moderate size, rather than those with very small or large populations.

The experiences of the Mondragon Corporation Cooperative (MCC) are among many that invite the hypothesis. A large, highly successful system of cooperatives in the Basque region of Spain, the corporation arose in the 1940s in circumstances of intense Basque persecution. It was experiencing internal difficulties by the 1970s, when the initial cooperative had reached 700 members. The communal assembly agreed, as a result of these difficulties, that it was time to decentralize and create new cooperatives within the community system, for new ventures. Thus, while the cooperatives continue to coordinate their organization and activities as one enterprise, each "business unit" is restricted in size (Greenwood, 1991; Morrison, 1991; Suzuki, 1995).

In summary, we have theorized that CBEs come into being as a consequence of a combination of a lack of an acceptable equilibrium of conditions, a collective knowledge of organization, and a stock of social resources that is optimal to allow social organization to become economic organization.

Characteristics of CBE

The nature of the communities that have and might engage in CBE and the conditions that give rise to the birth of CBEs suggest that each CBE will likely possess certain characteristics once it emerges.

Based on available community skills. Previously developed skills and experience influence the nature of the entrepreneurial activity (Ensley, Carland, & Carland, 2000). The type of economic activity adopted by CBEs, such as livestock, cheese making, mining, trade, handicrafts, and so forth, typically is related to the type of skills and experience acquired by local people before the creation of the CBE. Some of those skills are based on collective ancestral knowledge, such as forestry, livestock, and crop management, whereas others have been developed through the experiences of individuals working outside the community (e.g., in services or mining). Skills and resources acquired before venturing are important factors that both improve the chances of venture success (Bygrave & Minniti, 2000; Harvey & Evans, 1995) and provide a context for the search for opportunity (Ardichvili et al., 2003). Since the community is the entrepreneur, the creation and performance of a CBE are profoundly affected by the ability of the community to combine and adapt in an innovative way a variety of ancestral and new skills, experiences, cooperative practices, and values. In fact, the type of enterprise in which a CBE embarks is likely to be a function of skills, trades, and resources available within the community, related to perceived needs and opportunities.

In Llocllapampa, for instance, the CBE drew significantly on skills that community members had acquired while working for the Cerro de Pasco Corporation, an American mining company that had operated earlier in the area (Peredo, 2003).

In the Andean community of Chaquicocha, a community beset in the 1970s by severe food scarcity and environmental degradation, the population took advantage of its strategic location—the midpoint on a thoroughfare between the highlands and lowlands—to develop a community-run Friday Fair. But, in doing so, Chaquicochans also capitalized on the traditional skill and reputation of community members as the providers of outstanding cheeses, a product that was the foundation of the fair's commercial success (Peredo, 2003).

A multiplicity of goals. CBEs typically have an array of aims. Indeed, it is essential to recognize that the communities forming CBEs emphasize the need to achieve social, economic, environmental, and cultural goals simultaneously. This combining of ends emerges from the fact that many communities caught in a spiral of poverty lack access to the social and economic facilities that could interrupt or reverse the spiral. Furthermore, CBEs must recognize the diverse needs of the members of their founding communities.

Entrepreneurial ventures are, of course, undertaken with the expectation of gain (Bull & Winter, 1991). But the multiplicity of CBE goals reflects the diversity of local needs, which both creates the potential for constructive local development and must be satisfied for exchanges and combinations of resources to occur (Nahapiet & Ghoshal, 1998). Since CBEs are created and managed by local people, their goals for overcoming poverty tend to be holistic and mul-

tifaceted, taking into account local economic, cultural, social, and environmental needs.

Arguably, the CBE in Salinacocha, Ecuador, provides an example of how CBE sustainability vitally depends on a spectrum of economic and noneconomic goals. Despite a considerable degree of success in production of dairy merchandise and a variety of products for domestic and international markets, members of the community have experienced dissatisfaction with the absence of social goals from the enterprise's agenda. Such dissatisfaction may threaten the sustainability of this CBE (Peredo, 2003). As a further example, in Llocllapampa "the objective of the enterprise is to improve the quality of life" (Peredo, 2001: 181), which means paying attention to things such as health, education, and environmental integrity, as well as the economic well-being of community members.

However, as suggested above, CBEs will typically be aimed at profits only insofar as profits are instrumentally effective in achieving other community goals. CBEs thus arise as a mechanism to boost the sustainability and health of the community through economic means. Just as contributions to the public good leading to reciprocal community support may not be solely due to the potential for economic payoffs in small towns in the United States (Kilkenny et al., 1999), wealth creation is usually not the sole or primary goal of CBEs. Rather, sustainability, self-reliance, and improvement of life in the community through income opportunities, access to social services, and support for cultural activities are the primary aims. Achievement of these goals creates value in the community because it reduces the need for migration owing to economic circumstances and it helps revitalize remote communities (Lyons, 2002).

The claim that the achievement of noneconomic goals is not an accidental by-product of CBEs is illustrated by the situation of Sointula. The inhabitants of this island community off the west coast of Canada saw their existence as a small (approximately 800 residents), family-based community at risk. The collapse of fisheries and forestry was causing the departure of the island's younger people. There was a widespread sense that the traditional community was collapsing. In response, a core of entrepreneurial individuals, drawing on the island's history of cooperative enterprise, developed a venture aimed at commercial farming of abalone, a valuable shellfish that had been all but extinguished in its wild state in the area. Interviews with a number of islanders revealed their conviction that while the commercial success of the farm is essential, it is a means of achieving the overall goal of providing reliable employment for young people and keeping the community in the form they value (Peredo, MacPherson, Gabelman, George, & McLean, 2003).

Dependent on community participation. As noted above, the stock of a community's social capital is critical for the formation of a CBE. However, social capital also has a profound effect on the way a CBE is governed and managed. Building effective and innovative forms of community involvement in decision making is one of the major challenges of any form of local development (Hall & Hickman, 2000). As in any development project, the lack of grassroots participation can threaten the long-run sustainability of the enterprise (Boyce, 2002; World Bank, 1996). Conversely, grassroots participation can be one of the strengths of a CBE, given its endogenous nature. Community participation can permit local people experiencing poverty to address a wide range of economic and social issues (Kapelus, 2002; Lucas, 2001) while enhancing members' sense of ownership (Bendick & Egan, 1995; Hadi, 2001; Hodson, 2002). A CBE's governance structure is typically rooted in cultural traditions. Ancestral traditions of community management and decision making frequently are revitalized to play an important part in the communal life into which enterprise is woven (King, 1995). Arguably, crises amplify the community orientation in a CBE's societal inheritance.

Communal assemblies have been one of the most important mechanisms available for community planning, for dealing with power imbalances and conflict, for achieving accountability, and for strengthening local organization (Peredo, 2001). Cultural tradition can become the launching pad for new enterprise, but, conversely, the presence of enterprise can strengthen or create local social and cultural systems. The active involvement of local members plays an important role in generating a sense of community (Bowen, Martin, Mancini, & Nelson, 2000) and shared ownership on the part of participants in the development of CBEs. In general, the governance structure of a CBE can be expected to be consistent with the structure

of decision making in the community, typically involving communal assemblies of stakeholders.

Quero provides a robust example of the collective governance structure of CBEs (Peredo, 2001). That community effectively merged, operationally, the community and its enterprise into a single entity. Community organization, prior to community enterprise, consisted of three governing bodies: the General Assembly, the Executive Body, and the Control Council, with the Assembly as ultimate authority. The same structure is now used to make decisions for the CBE (Peredo, 2001).

As CBEs grow, more formal structural and administrative systems tend to emerge as needed. In CBEs one can frequently recognize the coexistence of traditional ways of life, based on cooperation, alongside market-oriented processes. This is where socially adaptive innovation often takes place in the creation of a new organization (cf. Schumpeter, 1983). Members of CBEs typically regard the enterprise as a naturally evolved social and economic form, adapted to the realities and pressures of the market economy while integrating their own cultural traditions (Anderson, 2002; Peredo, 2001). A common problem faced by CBEs, for instance, is balancing individual and collective goals within the organization. The practice, drawn from community tradition, of frequent and searching community assemblies exposes elected officers to a kind of continuous accountability. These officers are directly answerable to the members of the community, and since the community is the enterprise, the probability these officers will engage in opportunistic behavior without detection is minimized.

This traditional yet adaptive pattern of governance is clearly evident in Llocllapampa, for example. Since its origin in the 1970s, the SMCE of Llocllapampa has been governed by an assembly that includes all community members (Peredo, 2003). This body, in turn, determines the composition of the CBE's management and monitoring teams. Initially, these teams were formed largely on the basis of elder status, each neighborhood being represented in the selection. As the SMCE evolved, the teams came to be elected from within the entire community, and expertise and training have increasingly become qualifications for selection. Despite such evolutionary changes, however, the SMCE has clung to its roots as a community enterprise, where every member of the community is a member of the venture. Pressures by the Peruvian government to convert the undertaking to a cooperative, for instance, were resisted on the grounds that the natural resources of the community should be controlled and maintained by a body including all parties in the community. The people of Llocllapampa feel they have evolved their own model, steering a middle course between the exclusively communal or individual patterns outsiders are inclined to impose on them (Peredo, 2001).

In summary, CBEs are built on the collective skills and resources of the community. They have multiple social and economic goals, the former often taking precedence over the latter. Governance structures tend to be collective and management structures democratic. All of this is in keeping with the concept of the community as the entrepreneur and the enterprise.

CBE As an Economic Development Process

While CBE is a promising solution to the problems faced by many small communities in poor countries, we believe that its greatest potential as a method of economic development may lie in the effect it could have on the behavior of individuals and other communities. In a macroeconomic sense, this is a feedback loop: CBEs may lead to greater levels of entrepreneurship as it positively influences perceptions of its feasibility and social desirability among others (Bygrave & Minniti, 2000; Minniti & Bygrave, 1999). It is to this discussion that we now turn.

Individual entrepreneurship as a by-product. A CBE begins to appear when a community takes a collective initiative to create its own engines for achieving or regaining an acceptable equilibrium condition. This venture then serves as a way to capitalize on local natural resources (e.g., hotsprings, mines, mineral water, etc.), as well as cultural and social assets, to improve the living conditions of the community. In this way, the CBE serves as an umbrella for local development that provides services to as well as opportunities for the local population.

While creating the infrastructure (e.g., road systems, electrical and water supplies) to improve community life, the CBE also provides the conditions for individual enterprise development. The enterprises sheltered under the CBE

umbrella are frequently small, individually operated ventures that depend on the community enterprise for their viability, but on private initiative for their emergence and vitality (Peredo, 2001).

As described briefly above, the town of Elliot Lake responded to a crisis created by the closure of the mine that supported its population and businesses by embarking on a campaign promoting itself as an affordable and beautiful place to retire. The caravans of seniors that traveled across Ontario advertising the idea were highly successful in attracting new members to their community. But what is equally remarkable is the way in which collateral businesses sprang up in Elliot Lake, in a stimulating climate of growth and development, to service the rejuvenated community (Organization for Economic Cooperation and Development, 1995b).

In Chaquicocha, the Friday Fairs mounted by the CBE have created an environment stimulating a wide variety of new entrepreneurial activities—a yogurt factory, cheese factories, four restaurants, a beauty parlor, a shoe repair shop, a gas station, a post office franchise, and a transportation business—all carried out by individuals or families in the community (Peredo, 2003).

Transmissibility of CBE. Additionally, communities themselves, particularly those in geographic proximity, are interconnected socially and economically (cf. Christaller, 1966). Consequently, the successful formation and development of a CBE in one area may inspire the creation of CBEs in surrounding regions. There are three factors that might promote CBE in other communities. First, the start-up and success of a CBE may alter the assessment of the feasibility of engaging in entrepreneurship—that is, the subjective initial endowment—in a contiguous community. Second, the success of a CBE in one community may create opportunities for CBEs in other communities, as, for example, when the contiguous communities possess resources or skills that are complementary, or when the success of one CBE increases the proximity of potential customers (e.g., tourists) for another. Third, CBE formation may alter perceptions of the acceptability and desirability of entrepreneurship when other communities determine that such endeavors can strengthen rather than weaken their traditions and way of life.

All of these conjectures are consistent with existing theory on the factors that promote entrepreneurship among individuals (Bygrave & Minniti, 2000; Minniti & Bygrave, 1999). These conjectures are also consistent with practice. Thus, neighboring communities see the SMCE of Llocllapampa as a role model. Although not all have succeeded in generating Llocllapampa's level of economic activity, several communities in the region have followed its example in setting up social services and/or small businesses in a pattern resembling Llocllapampa's. A particularly striking case of Llocllapampa's influence can be found in Quero, a village in the same valley. The response of Quero (referred to above) to the threat of guerilla insurgency was inspired, in part, by the accomplishments of Llocllapampa in marshalling its citizens in collaborative effort (Peredo, 2001).

The Indian village of Ralegan Siddhi, referred to earlier, succeeded as a community in attracting a loan, which allowed the CBE to begin implementing its water conservation plans. This CBE's action was directly followed by the formation of seven other water projects in neighboring communities (Hazare, 1997).

Discussion

Summary. CBE arises in an environment of economic stress, understood as a multifaceted phenomenon, where considerable social capital exists as a result of community culture and a previous process of social collective learning. Add to this a repertoire of relevant skills on the part of community members, a modicum of natural resources, and applicable information, and the ground is prepared for the creation of a CBE. Collectively, members of the community are encouraged to assemble a social vision, while creating and looking for market opportunities to construct the economic basis for furthering the vision. The CBE is new in the sense that emerging conditions—economic, environmental, and social stress; a sense of local vulnerability; and the forces of economic and social globalization—seem to have called forth an innovative entrepreneurial response. But its roots in culture and tradition make this response more an evolutionary step than a surprising novelty.

CBE has therefore been an adaptive and socially innovative response to macroeconomic, social, legal, and political factors with eco-

nomic, social, environmental, political, and cultural fallout for already impoverished communities. The effectiveness and energy (an element of social capital) of community reaction to these factors may be facilitated by local community culture, which taps into ancestral values, practices, and collective learning from previous community mobilizations. The energy of a local response fosters a cycle between culture and action: local culture encourages community action, but, at the same time, community action reinforces local culture and entrepreneurship. Put differently, CBEs are built on social capital and create additional social capital for their communities. Furthermore, such actions may have spillover effects as the benefits of CBE become known outside the community.

In making strategic decisions concerning what kind of business opportunities to pursue, communities involved in collective venturing are stimulated to join in an interpretative process. A number of elements play a role in this process: local culture concerning matters of ownership, management practices, and communal work; previous occupational or technical experience or skills; the presence or absence of natural resources; and the perception of the macroeconomic, legal, social, and political environment. All of these may contribute to the realization of the community's social vision by pointing to ways in which local resources may be mobilized to create local alternatives, in which economic and social objectives are blended.

Through its multiple goals and activities and participatory decision-making process, CBE addresses the diversity of needs at both the community and individual/family levels. In this sense, it offers a holistic approach in which a variety of aspects are interdependent and interconnected.

Challenges. CBE is a process that carries with it significant tension and challenges in terms of (1) maintaining a balance between individual and collective needs and among economic, social, environmental, and cultural goals and (2) coping with changes to the external environment as a consequence of economic and cultural globalization.

The challenge in many resource-poor communities is to find viable and diversified activities that preserve whatever natural resources are available. In fact, the success, survival, or failure of CBEs in the long run appears to depend on the ability of communities to diversify their economic activity away from land-based resources. CBEs, with their pressures and challenges, can be seen as having a built-in tendency toward sustainability in their enterprises. They tend to create local wealth through economic self-reliance, and they allow communities to retain or regain control over their resources. They can be constructed so as to combine the fulfillment of individual needs with the revitalizing of community culture. The communities assembling their resources in a CBE tend to favor long-term, holistic approaches. They are inclined to be inclusive and mindful in their decisions of the need for ecological sustainability (Hart, 1997; Starik & Rands, 1995).

CONCLUSIONS

The concept of CBE represents an alternative and promising model for development in impoverished communities. It is an unconventional form of entrepreneurship, in that it is based on regarding collective and individual interests as fundamentally complementary and seeing communal values and the notion of the common good as essential elements in venture creation. These very characteristics make it, in a great many settings, a culturally appropriate response to the problems it is meant to address.

CBE emerges as a prospective strategy for the sustainable alleviation of poverty partly because it is holistic and integrates so many different aspects—economic, social, cultural, environmental, and political—of the community. In CBE, the community's cultural identity, embodied in its cooperative traditions, can be a driving force, impelling social, economic, and environmental initiatives concurrently. At the same time, the local culture may endow the CBE with flexibility and the comparative advantage necessary to compete in a global economy.

FURTHER RESEARCH AND POLICY CONSIDERATIONS

This article is a preliminary attempt to explain the notion of CBE; identify the typical components of its formation, composition, and operation; and offer the suggestion that CBE deserves consideration as a means of poverty amelioration. There is obviously considerable

scope for further work and research to test the conjectures offered above as to the typical origins, evolution, and collateral effects of CBEs, and to expand our knowledge on these and other factors connected with the formation, evolution, and performance of this underrecognized form of enterprise.

With regard to the conditions that give rise to CBEs, the various forms of community established by factors over and above shared locality (e.g., "kin-based" and various forms of voluntary as well as "natural" associations), and the different environments in which CBE may emerge (e.g., rural, urban, indigenous reserves, and new settlements), need to be distinguished and the relevance of their differences considered. We argued above, for instance, that CBEs characteristically emerge in an environment of economic stress, and they draw on their communities' traditions of collective action. One obvious question is the extent to which CBEs may be an effective instrument in the context of a developed or thriving economy, or as a response to emergent opportunity in the absence of crisis. Other questions concern whether CBEs may be effectively introduced in communities (e.g., in refugee settings) that do not have a shared history of cooperative effort, or if there are certain types of bonding that make some communities more amenable to CBE and others much less so.

Likewise, research should be conducted that leads to a fuller understanding of the characteristics of the CBEs that do emerge. For example, can alternative forms of governance be equally effective, or is a fully democratic type of governance necessary to maintain the commitment of members of the community, as our discussion suggests? With regard to the community's resources and skills, how can these be expanded over time to provide greater opportunities for members? There is also the question of how CBEs set goals, what goals should be set, and how the goal formulation process can be improved.

With regard to the outcomes of CBE, there is almost unlimited scope for investigation. The most obvious question concerns how well CBEs have actually functioned in the attempt to bring sustainable benefits of various kinds to the communities in which they arise. Such studies will clearly rest on identifying the criteria to be employed in the evaluation of CBE performance, given the cluster of economic and social goals typically in play. Both qualitative and quantitative studies are needed in this area. It would be particularly useful to know if CBE begets individual entrepreneurship and additional CBEs in other communities, as we have suggested. The question of how, in detail, governments, NGOs, and other corporate bodies may interact with CBEs so as to benefit their operation, as well as that of their partners, also links theoretical with empirical questions. A vital area of inquiry in this connection is the relationship between CBEs and the surrounding political and legal environment. Which macro and micro political and legal frameworks foster or inhibit the emergence of CBEs, and which ones (if this is different) encourage or hamper effective and sustained performance? Research that helps us understand how CBEs may work collaboratively with one another is also needed.

We have argued in this article that CBE offers a refreshing and promising approach to poverty alleviation in communities beset by chronic privation. Further study will be needed to refine our understanding of this evolutionary innovation and to assess its actual performance. However, its fundamental merging of economic and noneconomic goals and its enhanced ability to draw on the social and material resources of the communities in which it arises make CBE a model to be given serious consideration in the ongoing struggle against persistent poverty.

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