

Ties that Bind: Experiments in Community Business

By Wayne Visser

After graduating in business studies from Cape Town, in 1992 I started a 4-month management traineeship programme with the Royal Bank of Canada in Kingston, Ontario. During this time, I came across the inspiring research of Professor Greg McLeod from Cape Breton University, written up in his *Community Business Series* booklets (and later, in *From Mondragon To America - Experiments In Community Economic Development*). Having worked in community development for over 30 years, McLeod was concerned about rootless capital – the trend of companies funded by absentee investors with no stake in the communities in which the business operates.

This is when I first learned of the amazing experiment in community business that had been going on for decades in Mondragon, a small town in the mountainous region of north-eastern Spain. Here, based on the teachings and initiatives of a Roman Catholic priest, a business comprising one electric stove manufacturer with five employees established was in 1955. Today, the [Mondragon corporation](#) is a complex of co-operatives with €36 billion (\$46 billion) in assets and €13 billion (\$17 billion) in sales, employing 80,000 people – all of which actively pursue a philosophy of local community development based on the values of co-operation, participation, social responsibility and innovation. With companies operating across four divisions (finance, industry, distribution and knowledge), Mondragon is today the foremost Basque business group and the seventh largest in Spain. For those who are interested to know more, there is a great [series of blogs about Mondragon](#) by co-founder and former CEO of Seventh Generation, Jeffrey Hollender.

Of course, not all community businesses are large. A much smaller-scale venture that interested me at the time was [New Findhorn Directions](#) (NFD), established in 1979 as an umbrella body for businesses operating from the Findhorn Foundation eco-community in Scotland. As it happened, I visited the community after my traineeship in Canada, and again in 1996 when I began my Masters in Human Ecology in Edinburgh. The businesses in place at that time included the Wood Studio, Bay Area Graphics, Findhorn Bay Apothecary, Weatherwise Solar and Alternative Data. They also had a pioneering eco-housing project (which included houses made from whisky barrels). What united these diverse companies were that they were all trying to demonstrate a broader community philosophy of 'spiritual management' and 'work as love in action'.

What can we learn about corporate responsibility from these somewhat eccentric experiments in community business? The first point to note is that these businesses exist within a different (some might say counter-mainstream) micro-culture. The common objective in places such as Findhorn in Scotland and Mondragon in Spain is community and environmental improvement, including through enterprise. They are not hungry for short-term profits; rather, they are pursuing long-term sustainable development strategies. The desire is to be autonomous and self-sustaining and, most of all, to promote local self-development rooted in history and tradition. These two examples serve to illustrate that success stories in alternative ways of doing business do exist. The details of exactly how they are different, however, still need more thorough exploration.

A different set of values underscores community businesses. For instance, money is made to serve human development and not vice versa. The business is a means of human and community development and not an end in itself. Work is seen as an opportunity for creativity and personal development, as well as a contribution to serving the needs of society. Democratic action and consultation are encouraged, while integrity and competence in the management and conduct of business, as well as effective leadership, are considered necessary disciplines to be learned. There is also solidarity with the local community which serves as a social license to operate.

In order for these values to be translated into action, however, a community business needs to employ different structures to those traditionally used in private enterprise. For instance, there is a difference in ownership. Whereas conventional companies are owned by shareholders who may live anywhere, the shareholders of community businesses are people who live in the area where the company operates. The distribution of profits is also different. A traditional company tries to make a profit to return to the shareholders wherever they may live, but the community company aims to use its profits to start new local businesses and to improve life in the local community.

The benefits of the community business approach are readily apparent. Since its focus is local, a community business is more sensitive to local needs and opportunities in a way that traditional companies may not be. With the emphasis on people rather than on moneymaking, a community business will naturally be more responsive to human development of its staff and community. Having said all that, it would be a mistake to assume that these ideas are conclusive or easy to implement. On the contrary, growing 'spiritual businesses' is an open-ended and challenging experimental process, according to Francois Duquesne, past 'focaliser' of the Findhorn Foundation and partner in the Alternative Data software company.

'I thought meditations on Monday mornings and being nice to customers would do it,' Duquesne reflects. 'Instead, I had to deal with intense personality conflicts in a system where power is equated with money. Yet there is great excitement. All the problems have had to do with perceptions of power. Power to stifle and manipulate, or to create, enliven and challenge. There is no other way of dealing with power issues except by bringing them out and working them through until there is some result.'

For all the reasons mentioned in this article, I believe integrating business into an emerging community vision may prove to be one of the most critical – and most difficult – lessons to be learned if we are to move corporations beyond their addiction to casino capitalism. Noreena Hertz calls this an evolution from Gucci Capitalism, based on self-interest and profit maximisation, to [Co-op Capitalism](#), based on open source collaborative and shared enterprise. Dominic Barton, global managing director of McKinsey & Co., calls it [capitalism for the long term](#), and John Elkington talks about [Breakthrough Capitalism](#).

The truth is that when I encountered community business all those years ago, I thought it was a fringe experiment that would never go mainstream. But now we not only have an exciting debate about new forms of capitalism, but also – as I have [written about elsewhere](#) – new legal structures for business (like the community interest company, for-benefit corporation, low-profit limited liability company and flexible purpose corporation). Taken together, these two forces might just turn community business from utopian dream 20 years ago into a positive reality for the 21st century.

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