

Community-based rural enterprise in the UK – model development and success factors

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Abstract

Objectives This research aims to examine and discuss existing conceptual foundations in relation to empirical representations of community-based enterprises in the UK, in order to draw out and analyse the enabling characteristics and factors that facilitate the development of these businesses.

Prior work The community-based enterprise literature that has emerged within the socio-economic sustainability field is used as a starting point in this research. It has been predominantly founded on empirical examples from less developed countries in the world. The research employs the conceptual work of Peredo and Chrisman (2006) who offer a framework capturing the factors and characteristics that can be associated with the successful establishment of a community-based rural enterprise. Six key conceptual domains have been identified: 1. Community entrepreneurship; 2. Social structure embeddedness, social capital and cultural values; 3. Local and grass roots initiative; 4. Multiple objectives; 5. Poverty; and 6. Community resources. These have been elaborated through critically reviewing the work of Peredo and Chrisman (2006) as well as more recent studies drawing on it or offering alternative ways for studying community-based enterprises (for example, Handy *et al.* 2011; Somerville and McElwee 2011; Trebbin and Hassler 2012).

Approach The study assesses the conceptual framework for community-based enterprise by developing a case study of one community enterprise in rural Wales (UK). It uses diverse data sources to ensure multiple collection points. Secondary data on the enterprise have been collected from electronic and paper-based media. In-depth face-to-face interviews have been employed for the primary data collection from stakeholders in the case study including: directors, shareholders, community members who are not shareholders, and customers. These have been supported by participant observations of shareholders' meetings.

Results The results demonstrated that the suggested community-based enterprise framework is a useful tool for studying these organisations in the UK. However, applying the same concepts in developed and developing country context is associated with different roles. For example, social capital does not substitute missing formal norms but helps binding the voluntary efforts of the community members.

Implications Insights on enabling characteristics and factors are drawn from the analysis of empirical data. The results are also discussed in terms of the usefulness of the community-based enterprise framework for the understanding of these organisations in the UK. Furthermore, implications of the findings for facilitation of community-based enterprise creation as well as for economic development of the rural area are discussed.

Value Understanding the process of community enterprise formation is one of the contributions of this research. Furthermore, it points to factors for success of these enterprises and opens opportunities for further research towards the development of a robust conceptual understanding of community enterprise.

Introduction

This paper analyses a community-based enterprise project in South West Wales. The study has been implemented within the larger Scaling the Rural Enterprise research project¹. It starts by presenting and discussing a conceptual framework for development of community enterprises drawn from the work of Peredo and Chrisman (2006). After briefly explaining the adopted research approach the study continues with the analysis of an empirical example of a community enterprise. This allows evaluating the usefulness of the framework for understanding the start-up of a rural community-based enterprise in the UK and outlining similarities and differences between the initial framework and the results from the data analysis. The paper concludes with some implications for existing research and relates the rural enterprise phenomenon to contemporary rural social and economic issues.

1 Socio-economic sustainability perspective

A small body of research has considered businesses in a specific developmental role where certain characteristics of the organisation have been recognised as important for the achievement of socio-economic sustainability. On the one hand, there is an expansion of enterprise objectives towards satisfying the interests of differing groups of stakeholders. On the other hand, there is the recognition of competitive advantage through scaling up achieved when individual entrepreneurs participate in a business as a group. These have drawn the attention of researchers to the conceptual basis of the forms of business, known as community-based enterprises. While these are not necessarily fundamentally different from other business forms, the presence of a strong group / community element in their formation, organisation and operation has called for separate consideration of the specific characteristics of this type of enterprise. Sectors in which community enterprises have developed in the UK include farms, food producers and retail outlets.

There is an extensive practical foundation of the concept of community-based rural enterprise in less developed countries. Multiple examples have been identified in India as well as in some African countries. The growing body of academic and grey literature suggests that community enterprises are not confined to rural areas. This form of business has already been considered and tested within urban communities (Cyriac 2008; Somerville and McElwee 2011). It has also been applied to poor communities in developed countries (Peredo and Chrisman 2006; Handy *et al.* 2011). This suggests that the potential applicability of the concept can be explored further. Examples of community enterprises that have been established and successfully functioning for many years are tempting for policy and development practitioners to want to replicate them elsewhere. However, the community-based rural enterprise concept has as yet received relatively limited attention in the academic literature.

A recent attempt to conceptualise community-based enterprises is the work by Peredo and Chrisman (2006). This theoretical paper is entirely based on academic literature and aims at developing a framework for studying the community-based enterprise phenomenon. It draws out six key characteristics of the organisations that are elaborated in the next six sub-sections.

1.1 Community entrepreneurship

Considering the community as a main actor rather than a contextual element in the start-up and development of new enterprise means that the community is endogenous to the enterprise and the entrepreneurial process (Peredo and Chrisman 2006). In addition to assigning the community with an active role the authors assume that it acts corporately and collaboratively, thus arguing that the community is both the entrepreneur and the enterprise. It means that the enterprise exists because of the initiative and participation of community members. This suggests a need for further examination of the concept of community.

Peredo and Chrisman (2006) define community as a group of people who share one or more relational characteristics. However, they go further by limiting this to some specific geographical space. Despite the presence of a geographical aspect the two authors have not differentiated between rural and urban areas. Thus the proposed framework is in line with the perspective where rural location is not a definitive characteristic of the business organisation. However, in the case of rural areas geographical proximity is among the baseline characteristics as it is often seen as an obstacle to overcome in order to implement routine economic or social activities.

On this occasion, defining the community through its geographical location can also be attributed to relating the enterprise organisation with the social organisation which is discussed in the next sub-section.

¹ This research has been implemented within the “Scaling the Rural Enterprise” – Bridging the Urban Rural Divide (BURD) research project funded by EPSRC, grants nos EP/J000604/1 and EP/J000604/2.

Nevertheless, it can be argued that geographical location in the sense of a common characteristic can be useful for understanding a community identity and can vary from a single settlement to a large region. Whereas, if geographical location is taken into account as closeness of the members of the community enterprise, then it will require further justification.

The present framework does not discuss willingness for cooperation as a community characteristic which is cultural and can be region-specific, meaning that in the same country this type of organisation may work successfully in one region but not in another. Furthermore, it points out that individualism, rather than collectivism, is among the Western cultural values (Peredo and Chrisman 2006). However, there is empirical evidence for collective community-centred enterprise initiatives in the UK (for example, see Pearce and Williams 2010; The Plunkett Foundation 2011a).

1.2 Social structure embeddedness, social capital and cultural values

The key role of the community in the present framework suggests that its social fabric has a place in the discussion. Peredo and Chrisman (2006) draw attention to three aspects of the community as a social organisation that they consider relevant for enterprise creation: social structure, social capital and cultural values. This social organisation approach facilitates understanding of cooperation and collaborative action between the members of the community enterprise.

The already discussed settlement perspective employed in the conceptualisation of community is in line with the assumption that the social structure of the community underlies the structure of the enterprise organisation. Furthermore, Peredo and Chrisman (2006) infer this on evidence from previous research that has found a positive relationship between small business entrepreneurship and presence of social capital in the community of the entrepreneur. They argue that community-based enterprises can benefit from social capital in a similar way. In addition, the community enterprise is conceptualised as developed on social norms and trust where the enterprise is integrated with local conventions and this contributes to its viability.

A number of other studies that employ an organisational perspective link social capital with the success and sustainability of community-based enterprises, highlighting different dimensions of the concept. Ratten and Welpé (2011) discuss it as a facilitator of social relations that provide access to resources and development opportunities and help reducing risk for the enterprise. Renting (2008) has noted that it takes time to build social capital within a collective enterprise. Handy *et al.* (2011) discuss the example of unincorporated community enterprise which relies on social norms that members have no incentives to break. Their findings support Peredo and Chrisman (2006) who argue that local culture and tradition need to be taken into account as part of the community-based enterprise creation in order to ensure its long-run viability. This helps understanding the examples where newly created institutional structures have been in conflict with existing and working ones and have failed to achieve prolonged existence. However, in addition to rooting the enterprise in the social structure in terms of culture and values, there is the issue with community-sourced enterprise initiative which is discussed below.

1.3 Local and grass roots initiative

Entrepreneurial initiative has been conceptualised by Peredo and Chrisman (2006) as coming from within the community, thus the rural enterprise usually is created as a result of a community action. The Plunkett Foundation (2011a) extends this by specifying that the community must be aware of its needs and this awareness informs the enterprise. It also is supported by the analysis of Handy *et al.* (2011) who argue that a grass roots start-up is part of the concept of community-based enterprise. However, they note that often there is a key individual from within the community who plays a significant role in the creation of the enterprise.

Much development work experience suggests that the initiative has more often been a result of intervention activity. As a result of their analysis of several empirical case studies from developing countries, Sodhia and Tang (2011) do not specifically identify the key role of intervention. Nevertheless, they note the source of the initiative that in each case has been external to the community. While top-down intervention has demonstrated to work sustainably for the enterprises discussed by Sodhia and Tang (2011), a number of other works suggest that this is not always the case. For example, Cyriac (2008) points to both successful and unsuccessful examples of community-based enterprises founded through intervention and with donor support. Further to this should be noted out that there are important variations of intervention as suggested by the work of Pearce and Williams (2010). They present an action learning approach where community enterprises result from intervention that has been targeted at capacity building within the community that facilitates bottom-up initiative.

Another form of external dependence which can undermine grass roots initiative is the dependence on external finance. Renting (2008) reports that the examined group enterprises have been reluctant to be structurally dependent on donor finance and that this was the common example. In addition to arguing that rural enterprise is a result of intervention, Trebbin and Hassler (2012) point out that it usually relies on donor money especially when it is used by public policy to solve socio-economic problems.

Drawing on the above examples, it can be argued that both top-down and bottom-up approaches to community enterprise creation can be viable. Furthermore, their success or failure can be understood through the associated enterprises' functions and organisation.

1.4 Multiple objectives

Community-based enterprises have been conceptualised as organisations that pursue multiple goals that also are interrelated (Peredo and Chrisman 2006). Furthermore, they have a local range of impact and are geographically limited by the community. These enterprise objectives are attributed to the collective entity rather than to the individuals that form it. Correspondingly, the expected benefits are for the community as a whole. However, involved community members may also benefit individually and this may be part of the enterprise objectives. This perspective on collective business objectives suggests that they form as a result of a negotiation process, thus becoming another binding characteristic of the community.

Goals are often classified in the literature according to the area of intended impact – namely, economic, social or environmental. Peredo and Chrisman (2006) argue that financial objectives have an instrumental role as they serve as a means for achieving social and environmental objectives by ensuring the viability of the enterprises.

Handy *et al.* (2011) suggest that multiple goals are not a key characteristic of community-based enterprises. In their empirical example from India they identify the presence of economic goals only. However, the enterprise that is the focus of the study tackles poverty, which is a social as well as an economic problem and overcoming it can be a social as well as economic goal. The next section discusses poverty alleviation as an inherent characteristic of community-based enterprises.

1.5 Poverty

Owing to the historical development of the community-based enterprise concept in developing countries, poverty reduction has a role both as an enterprise objective and as a contextual feature. On the one hand, poverty reduction is a higher level goal for the development of these enterprises. On the other hand, income and resource poverty, often also described as economic and social stress, are among the triggers for the creation of the enterprises.

Such a perspective confines community-based enterprises to developing countries or poor communities in developed societies. As income poverty is a relatively smaller issue in countries like the UK, public authorities often use the concept of deprivation. It takes into account such factors as limited access to education, employment, housing, health and other social services as well as lower income levels in relative terms – i.e. compared to an average at the macro-level (Long and Woods 2011). Furthermore, community entrepreneurship has been seen as a tool for overcoming these social and economic disadvantages.

However, levels of poverty between these two country contexts are hardly comparable as they influence the livelihoods of individuals differently and it can be argued that poverty in a developing country context is relatively harder to overcome for the people who experience it. This argument can be developed further to suggest that these people (and communities) may have different motivations for taking part in group enterprises. Respectively, this has implications for the take-up and operation of these organisations and is in line with the argument of Peredo and Chrisman (2006) that there are distinctive differences in community entrepreneurship in developing countries that justify a separate framework for enterprise development.

It is useful to consider the key role attributed to income poverty within the community enterprise framework in relation to the multiple enterprise objectives. Peredo and Chrisman (2006) assume that non-economic objectives are more important than the drive for financial gain. However, this form of organisation is taken into account because of its potential to be a solution for overcoming severe income poverty. This inherently suggests the high importance of financial objectives. It also implies that the role of the enterprise in term of its objectives needs to be examined and discussed further. The resource and income poverty assumption is related to the discussion of the last element in the community-based enterprise framework to be considered, relating to the size of the community and respectively to the scale of the enterprise.

1.6 Community size

Peredo and Chrisman (2006) argue that community size as a contextual characteristic determining the creation of community-based enterprises has not been sufficiently taken into account in consecutive applications of the framework. Community size stands out as a key element because, on the one hand, it needs to be sufficiently large for the pooling of resources by the relatively resource-poor community members. On the other hand, it needs to be sufficiently small to allow the accumulation of social capital, trust and solidarity through close relationships.

If the enterprise is defined through the community that creates it and owns it, then its boundaries are framed by the extent of community control. However, other studies suggest that rural enterprises may have a multi-layer structure which corresponds to increasing geographical distance: neighbourhood level – village level – larger village level – town level – county level that usually is the county town (Cyriac 2008). Handy *et al.* (2011) employ the community-based enterprise framework by Peredo and Chrisman (2006) but do not elaborate on the community size aspect. However, their study presents an enterprise structure that expands beyond the boundaries of one community in one rural settlement. The results suggest that even within developing countries, community-based enterprises may exhibit higher diversity than this framework is able to capture.

1.7 Discussion of the enterprise framework

This conceptual model provides a useful analytical framework that takes into account how and why the enterprise has been created as well as the key prerequisites for its economic sustainability. The framework is held by Peredo and Chrisman (2006) to overcome the drawbacks of existing approaches to community enterprise development. However, it has not been tested empirically but uses cases of community-based enterprises developed by other researchers / practitioners as examples in support of the arguments made.

The proposed view of community enterprise lacks a consideration of two important characteristics of the enterprise members. First, it does not take into account the livelihood dependence of individual members on the community enterprise. The assumption that the community is in a state of income poverty suggests that the role of the community-based enterprise is to provide a primary means of making a living. This does not exclude situations where the enterprise provides only a partial contribution to the livelihood and respectively a part-time activity for its members. However, it suggests that the motivations behind the creation and participation in the business might be different.

Secondly, it does not discriminate between the differing stakeholder groups of individual community members and small business owners within the community. This enterprise framework assumes that both might take part in the group enterprise. Furthermore, they are interdependent both in terms of pooling the necessary tangible and intangible resources and achieving the enterprise goals. Respectively, the conceptual framework of Peredo and Chrisman (2006) does not clarify whether the community-based enterprise is primarily driven by needs of individual community members or the small businesses in the community. However, it suggests that in addition to achieving common goals it contributes to the individual gainful interest of community members. Thus the users of the benefits provided by the enterprise are the community as a whole as well as the individual citizens and small businesses.

2 Research approach

The community-based enterprise framework was assessed by developing a case study of one example of such enterprise in rural Wales (UK): 4CG, based in the town of Cardigan in the region of Ceredigion, Wales.² It allowed an analysis of the organisation through the accounts of the persons who have created it, participated in it and interacted with it. In-depth face-to-face interviews were employed for the primary data collection from stakeholders in the case study. This type and structure of data were selected for being able to capture different perspectives on the start-up and development of the enterprise.

All interviews and observations were implemented in the setting of Cardigan – a rural market town in South West Wales. The interviewed stakeholders included members of the board of directors, community members participating as shareholders, other shareholders from the community, tenants (representatives of the organisations renting some of the properties) and other customers using services from 4CG (e.g. local

² 4CG was incorporated in October 2010, assuming the legal form of an Industrial and Provident Society (IPS) – A Community Benefit Society. The name “4CG” comes from “*Cymdeithas Cynnal a Cefnogi Cefn Gwlad*” in Welsh, that translates into English as “Society to Sustain and Support the Rural Countryside”.

produce market stall holders). These were supported by participant observation of an annual general shareholder meeting. Additional data sources have been used to ensure multiple collection points. Secondary data on the enterprise have been collected from sources such as the Internet and newspapers.

3 Start-up and development of 4CG

The main purpose for the creation of 4CG was to enable the acquisition of real estate property at the Pwllhai area in the town centre of Cardigan. As a result, the property was going to be under the decision-making control of community members through their role as shareholders in the enterprise. It has indicated continuous growth in assets since start-up consisting of two main purchases. Initially, Pwllhai Stores was purchased at the end of 2010, followed at the end of 2012 by the purchase of the buildings of the former Police Station and Court House that were attached to the Pwllhai site. This has been accompanied by growth in the numbers of shareholders, thus involving an increasing number of Cardigan citizens in the initiative. By the spring of 2013 it had 660 shareholders, the great majority of whom resided in the town of Cardigan and the vicinity.

4CG has been managed by up to nine voluntary directors and at the time of this research had just one salaried employee. It was often referred to as a “community group” or a “community cooperative”. This suggested that the local community was a focal feature of the organisation.

3.1 Community entrepreneurship

According to the number and place of residence of 4CG's shareholders, the enterprise has so far been supported by a sixth of the Cardigan community³, being the main funder and the sole owner of the enterprise. Furthermore, the “local” theme headlined the conception of 4CG as well as its development and strategic plans. Its broad purpose has been centred and maintained on helping the local community through revitalising the town.



Picture 1: A view of the Pwllhai site in Cardigan that has been purchased by the community enterprise (February 2013).

The creation of the enterprise has been facilitated by several civic processes that have taken place in the community of Cardigan (4CG 2012). One of them was an opposition towards an application for planning permission for the development of supermarket-dominated shopping area outside of town. The other was related to another application for planning permission which was for social housing in place of the run-down Pwllhai site (Picture 1). Furthermore, a continuous outflow of small independent businesses from the town centre and the ‘high’ street in particular has been noticed by town citizens.

³ The population of the town of Cardigan amounts to 4184 people. Source: Data were compiled through http://www.nomisweb.co.uk/census/2011/key_statistics Accessed on 18 March 2013.

All these processes have been seen as undermining the town's economic power and further endangering its role as a market town providing vital business and public facilities to the surrounding community. Thus purchasing the underused properties in the town centre and taking control over them has been seen as a potential solution to these issues. Initiating a community enterprise has been recognised as a way to achieve this and to influence the development of the town centre for the benefit of the local community.

The process of creation of 4CG was characterised by a small number of individuals with some community support setting up and incorporating the enterprise which then attracted a much larger number of community members as shareholders beyond those who had provisionally pledged to participate. Specific steps in the enterprise creation have been captured in Figure 1. The five steps have been identified as a result of stakeholders' accounts of the enterprise start-up.

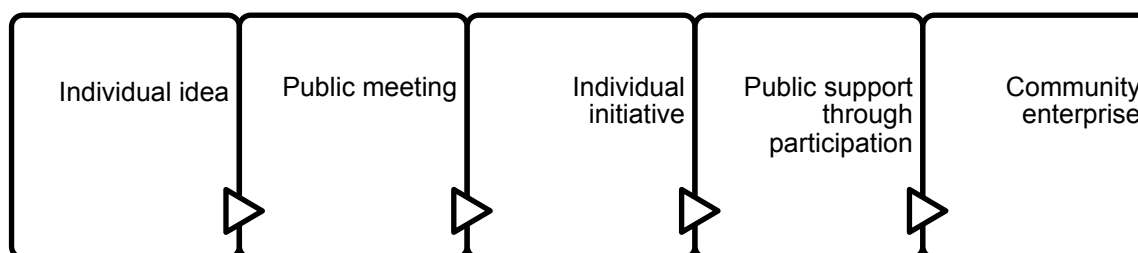


Figure 1: The process of creation of 4CG: includes idea conception, community engagement, and enterprise set up. (Source: authors)

An experienced entrepreneur and town councillor has been identified as a specific source of the initial idea and recognition of the opportunity, who then engaged a small team of committed individuals. Together they had managed to attract the support of a sufficient part of the local community through public meetings where the idea was presented and discussed. After having obtained some initial support, individual efforts continued to publicise the community enterprise idea until the initiative had gained a critical mass of pledges. Successful approaches to engaging the community included communication through word of mouth, newspapers and the Internet, as well as influential local people. This has made possible the formation of the community enterprise, which then attracted additional community members as shareholders⁴.

4CG's legislative form and founding documents provide each member with one vote irrespective of the size of their share. In this way it ensures that community interests are prioritised over those of individual people. This governance structure has been selected also because it allows maximum participation of each shareholder in the decision-making process compared with alternative legislative forms.

The resulting enterprise depended on different levels of engagement for different community members (discussed in more detail in the next sub-section). However, it did not require every shareholding member to be equally involved in its operation. Nevertheless, it heavily depended on a few strongly engaged committed individuals who ran the strategic and operational management.

3.2 Social structure embeddedness, social capital and cultural values

4CG's formal organisation and governance replaced the role of social structure and norms. The legal structure of the enterprise and associated documents provided a framework for the roles and relationships of the parties involved. Managerial roles have been distinctively defined and delegated. Shareholders took part in the enterprise governance through quarterly meetings. Members of the board of directors met on a monthly basis. These institutionalised governance processes accompanied by relevant documentation underlined the organisational decision-making and management.

The majority of the 4CG shareholders were not involved in the enterprise beyond the initial step of becoming shareholders. A relatively small proportion of about 10% took part in shareholder meetings where strategic ideas were discussed with the enterprise community before a decision being taken by the board of directors. A similarly small proportion helped as volunteers during various initiatives aiming at improving the real estate properties.

⁴ A very small part of 4CG's shareholders was not coming from the local Cardigan community but further afield. These have not been included in the current analysis and discussion as they do not have a key role in the enterprise creation and development.

Voluntary managing directors had the highest level of engagement with 4CG's affairs. Their number has varied between six and nine during the life span of the enterprise. Furthermore, there was a discernible pattern for increase in the number of managing directors throughout the life of the enterprise. This was associated with an increasing amount of management work that needed to be undertaken in relation to gradually increasing uses of the properties. It also was related with strategic pursuits of new income generating activities. For example, diversification in sustainable energy production and supply has been related to the joining of a renewable energy expert in the management board.

The provision of voluntary initiative and labour has been crucial for the existence of the enterprise, helping to maintain low expenses during the first years after start-up when income sources have still been under development. This is an indication of the presence of significant social capital. It does not serve the role of a provider of norms as conceptualised by Peredo and Chrisman (2006) and Somerville and McElwee (2011). However, it explains the observed desire for mutual support by creating conditions for local businesses to operate better and for local consumers to have better access to these businesses.

The importance of community-centred values was also evident through 4CG's corporate clients, who were businesses with a community ethos. This result suggests a different role of the concept of 'community value'. In this case study, the shared community values were a strong binding feature for the facilitation of the enterprise. Shareholders exhibit high levels of awareness on the purpose and objectives of the community enterprise despite having various levels of engagement with it. Furthermore, they shared the values of being concerned about the future of their community and assigning high importance to attaining common community goals.

3.3 Local and grass roots initiative

The bottom-up perspective assumes that not only the start-up initiative but also the finance, management, and decision making come from the community that has established the enterprise.

4CG combined diverse sources of finance from three main groups – shareholder finance, bank loans, and donor funding. Cardigan community members buying shares formed the key pool of resources as they contributed to securing the access to bank loans. These two sources of finance provided the critical funding necessary for purchasing the properties.

In addition, it used small amounts of donor funding in various operational applications. For example, at the start-up stage, in facilitating expert help on the choice and set-up of a legislatively appropriate enterprise form. Other grant funding sources have been accessed or sought during the development stages when the earned income was too small to cover the operational costs of the enterprise. These included hire of staff through employment creation scheme and application for grant funding to help the promotion of the local producers market.

However, donor funding represented only a small part of the finance used in 4CG. Heavy reliance on own resources slowed down the development of the enterprise. For example, lack of staff that could be delegated administrative and organisational tasks in relation to managing volunteers resulted in not making full use of the volunteer capacity of the shareholder community.

Strategic decision-making has been executed within the community since the conception of the enterprise. All of the 4CG voluntary directors were local and were elected among the shareholders on a rotational basis. Idea generation for various applications of the properties came from selected individuals. However, strategic decisions were taken and implemented after having broader shareholder support. Existing plans for employment of a salaried manager were not in contradiction with the above as key decision-making will be retained by the managing directors and only implementation of specific managerial tasks will be delegated to that manager.

3.4 Multiple objectives

The activities of 4CG had a local social and geographical focus as they were centred on the Cardigan community and surrounding rural area. Respectively, the main benefits from the enterprise were gained by the local community. Thus the provision for community needs was a leading objective of the enterprise.

One of the ways 4CG have set out to achieve this was by way of facilitating business through local channels and helping to keep revenues in the community, rather than letting it leave the area. This was translated into provision of a community-based outlet for local producers in the form of a weekly market hosted in one of the

Pwllhai buildings. Another example was the provision of car parking facilities. These were aimed to offer competitive affordable prices in order to allow local citizens and visitors to access the town centre at a lower cost. It thus facilitated the connection between potential customers and local businesses.

The financial structure suggested that the community enterprise aimed for economic viability in order to maintain its existence, implying the presence of financial objectives. Repaying the bank credits required a regular and stable cash flow; this was provided mainly through the collection of car parking fees. Further expansion of the car parking area in the autumn of 2012 suggested that this income source has been assigned high importance. According to this result, financial and social objectives of the enterprise were interrelated because one activity aimed simultaneously to achieve economic and community gain. The presence of future plans in renewable energy production and supply was in line with this finding.

3.5 Poverty

The community enterprise has been set up to deal with important socio-economic issues; however, it was not a key income source and occupation for the people or small businesses in the town. At the individual shareholder level 4CG provided return on the investment. Thus it competed with the saving opportunities offered by commercial banks. At the community level it provided important benefits and services in terms of improved business opportunities and infrastructure. Thus the enterprise contributed to mitigating various deprivations affecting the people and businesses in the community.

3.6 Community size

The preceding analysis of the 4CG start-up process showed that attracting a critical mass of shareholders was important for the existence of the community enterprise because it was interlinked with the access to bank loans. However, using bank loans means that access to resources was not limited by the community. Furthermore, the use of diverse sources of finance was related to the knowledge and skills of highly engaged community members.

The importance of human capital was also evident through the portfolio of people from the community that has been drawn into the enterprise team. Some of them have developed their skills and gained experience outside of the rural area. These specialist skills and expertise were key for the success of the enterprise. Examples included business skills; entrepreneurship; finance; renewable energy expertise; IT skills; social connections; and building mending skills.

The initiative has achieved a good use of other community resources as well. It has benefited from free publicity through local newspapers and other media. Obtaining the voiced and publicised support of influential members of the community like national government politicians and local town councillors has contributed to gaining shareholder support.

4 Community-based enterprise framework –similarities and differences

The analysis of the 4CG case study against the proposed conceptual framework has highlighted several important similarities and differences. These are associated with the level of economic development of the country in which the community-based enterprise is located. However, they are not related with the rural location of the community, although the enterprise has been started up because of an essentially rural issue. Thus the community-based enterprise framework is a useful tool for understanding the creation of these organisations and can be applied in different socio-economic and geographical contexts.

Some of the most interesting similarities and differences are associated with the community. Although it has an important role in the initiation of the enterprise, the entrepreneurial process has been driven by a few key individuals from within the community. These venture champions provided the necessary expertise to implement the undertaking. Thus the enterprise was not founded as a result of shared incremental community learning.

The process of cooperation was facilitated by presence of social capital as demonstrated in the analysis and this was associated with higher levels of trust within the community. However, the empirical example showed that the enterprise was not related to the social structure of the community. Conceptualising the community enterprise in relation to strong social embeddedness provides the necessary rules and regulation through existing social norms. In the 4CG case study these were provided by the existing legislation and the adopted formal enterprise organisation.

Peredo and Chrisman (2006) take community values into account because if the enterprise is not in line with these, it is not sustainable in the long run. However, the latter can be attributed to characteristics of enterprises that have been created through donor intervention and the presence of an assumption for a grass roots initiative helps avoiding the issues of inadequate top-down frameworks. The analysed community-based enterprise was an example of a bottom-up initiative from idea to implementation. Furthermore, it was in line with the shared community-centred values that facilitated cooperation between community members.

The presence of multiple objectives of the enterprise is another similarity between the empirical example and the conceptual framework. These have been explicitly stated. Furthermore, prioritising community needs suggests a leading role for social objectives. Interrelatedness of different objectives has been ensured through their implementation where an undertaking of the enterprise aimed to fulfil both some community need and the need for revenues that maintained the existence of the enterprise.

The pro-poor orientation of community-based enterprises is explicable and helps the understanding of these organisations. It is related to their problem solving characteristic as well as with the achievement of sustainable development through self-help. However, it can be a limitation when it is part of their conceptualisation because the present research did not reveal any evidence of poverty as a driver for the community enterprise creation. The data showed that the enterprise was created as a response to a degree of economic stress. The latter was attributed to the community as a whole rather than to the individual people in it.

The findings regarding community size demonstrated some important differences with the initial framework. An important issue was the size of the participating community, not the community in general. Furthermore, community-owned resources were not a limitation for the enterprise because there was an opportunity for raising investment capital through bank loans.

5 Implications of the community-based enterprise framework for other research

The framework by Peredo and Chrisman (2006) has been tested in other research and the main points have been organised in different ways depending on the emphasis authors have put on specific conceptual aspects (for example, Handy *et al.* 2011 poverty; Somerville and McElwee 2011 social capital). This research offers an extensive and detailed analysis of the framework as a tool for understanding community enterprise creation and by testing it in a previously unexplored enterprise context.

Sodhia and Tang (2011) argue that rural community enterprises aim to overcome income poverty of individual members within the community by giving them access to an otherwise unavailable economic opportunity. This research suggests opportunity creation is a useful characteristic of community enterprises that is applicable beyond the severe income poverty context. In this case, the creation of the community-based enterprise facilitates the access to the particular economic opportunity provided by the cooperative ownership of a large amount of real estate property.

Handy *et al.* (2011) found that the price forming mechanism was a key element in the sustainability of the community-based rural enterprise they analysed, because it guaranteed that the interests of the growers and the traders along the product chain were protected. It was self-regulating and stimulated conformance to the rules. Somerville and McElwee (2011) attributed the self-regulating role to social capital among the community members. These findings are important for community-based enterprises where there are both individual and group business objectives. However, they have not been confirmed through the study of 4CG where the enterprise objectives are overlapping with community objectives. Thus the enterprise benefits the community as a whole and individual shareholder interests have been secured by the institutional and legislative framework.

6 Conclusions

In the UK rural social enterprises often aim to overcome institutional failure to provide goods or services (The Plunkett Foundation 2011a) and community enterprises as an example of these organisations are in line with this argument. The phenomenon can be located within a wider trend for the creation of community enterprises across the UK where communities take the initiative to solve perceived local problem(s) through a business venture (IFF Research Ltd 2005). In the case of 4CG, the initial idea for the enterprise formation has been related to a desire for maintaining the town's economic role in the rural area, including conservation of the town centre and maintaining it as a venue for local economy. Owning and managing the properties in the town centre were expected to mitigate the diminishing functions of the small rural market town. Furthermore, they aimed to counteract the macro-level processes of cutting down public services in remote rural areas as well as offset effects of economic crisis resulting in withdrawing national chains and abandoning local outlets.

It must be acknowledged that the case discussed here is just one type in a range of community enterprise initiatives across the UK. Apart from cooperative ownership and management of real estate properties there also are examples of community food enterprises, shops and farms among others (IFF Research Ltd 2010; The Plunkett Foundation 2011a). Community enterprises focused on food distribution are also part of the perspective on alternative food chains that aim at reconnecting food production with consumption in addition to counteracting the aggregation of food supply through supermarkets as well as the globalisation and industrialization of food production (The Plunkett Foundation 2011b). This macro level perspective is reflected by the rationale and objectives at the level of the enterprise. Because of this diversity, further research is necessary across other sectors in order to develop an enriched understanding of these emerging institutions.

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