

POLICY BRIEF

AKI RESEARCH GRANTS ON POVERTY ISSUES

Volume V, No. 2 2013

ISSN # 2094-3342



AKI

Angelo King Institute
for Economic and Business Studies

COMMUNITY BASED ENTREPRENEURSHIP: AN ALTERNATIVE SOCIAL ENTERPRISE MODEL FOR SMALL COMMUNITIES IN POOR MUNICIPALITIES

INTRODUCTION

According to theories, economic goal is the primary consideration of entrepreneurs when embarking on new ventures. The emergence of successful business districts or social organizations brought about a surging interest in combining the network of relationships, specifically at the local level, relative to entrepreneurial activities.

This research investigated on the suitability of community based entrepreneurship (CBE) as an alternative model that will unleash individual entrepreneurship in the several selected municipalities: Malimono and Carmon; Pasay; and the province of Batangas in the Philippines. The Community Based Monitoring System (CBMS) database was utilized in this endeavour.

Community Based Entrepreneurship (CBE) is an alternative social enterprise model geared towards the pursuit of a community's economic and social goals. It is managed and governed in a manner that is meant to yield short and long term sustainable individual and group benefits (Peredo and Chrisman, 2006).

Data were analyzed in terms of the conditions that trigger formation of CBEs. Results show that only Carmona and Batangas have reasons to exploit the benefits of a CBE, since they experience more intensive stressors and have larger community sizes than Malimono and Pasay. Despite having more reasons to form CBEs, Carmona has more income from wages than entrepreneurial activities. Based on the weighted average scores of the conditions for the potential existence of a CBE, unemployment and lack of opportunity to work are the major stressors for all areas under study. All municipalities, cities and provinces have little to unavailable social capital and incremental learning from programs implemented by either the government or the private sector. Furthermore, all subject areas have adequate

Written by
EMILINA R. SARREAL
De La Salle University

literacy, educational attainment, and work experience in tow. Since credit and health programs are prioritized, skills and livelihood programs are given lesser attention by household members. Unfortunately, all areas in this research endeavour have little to no engagement in entrepreneurial activities, except for Malimono, which manifests engagement in crop farming, fishery, and forestry. Finally, potentials for CBEs to take place in Carmona, Malimono, and Pasay have significant correlations with entrepreneurial activities strongly associated with wholesaling and retailing. Batangas has CBE conditions strongly correlated with fishery. As a result of the lack of conditions for CBEs to exist in these localities, policies in the local level are necessary to develop entrepreneurial capacities among community members, hence, unleashing individual entrepreneurship.

POLICY IMPLICATIONS/RECOMMENDATIONS

Despite efforts exerted by the Department of Trade and Industry (DTI) through its Small and Medium Enterprise (SME) Plan, benefits from the individual entrepreneurship programs have not yet trickled down to grassroots level. Such is proven by collated responses from the municipalities, cities, and provinces. Thus, non-traditional entrepreneurship models involving the community should be implemented for sustainable local development to take its course.

Policy interventions may encourage entrepreneurship and enterprise development in both rural and urban localities. Major issues this research unraveled include the lack of employment

opportunities as well as the willingness to look for jobs in all the areas covered by this endeavour. Similarly, the lack of engagement in entrepreneurial activities in Carmona, Pasay, and Batangas decrease the likelihood of building community based entrepreneurship. This is worsened by the absence of both physical and financial resources, social capital, and incremental learning from programs established by local government and/or private organizations.

Most policy interventions are concerned with the improvement of enterprise competitiveness rather than policies aimed at raising the entrepreneurial capacity of rural regions. The lack of dynamic and innovative enterprises in rural areas may lead to questioning the appropriateness of the current policy emphasis of improving competitiveness. Thus, this research looks into potential sources of entrepreneurship in rural areas beset with socio economic stressors (North and Smallbone, 2006).

POTENTIAL SOURCES OF ENTREPRENEURSHIP

Young People. There is a need to find ways of developing entrepreneurial awareness and ambition in young people in rural areas. The children of current entrepreneurs are likely to be future business owners. The challenge would be in the creation of conditions which will encourage the young to stay and operate their enterprises within the region. There is always the tendency for the more educated and skilled young people to relocate to urban areas.

Encouraging young people to become entrepreneurs in rural areas is difficult. The absence of the tradition leading to

self-employment is due to the historic dependence of the population to large industrial employers. Despite the decline in this type of employment, it is proven to be difficult to break away from the “employee culture”.

Role of Migrants. Migrants are an important source of entrepreneurs in rural areas. A significant proportion of the more innovative enterprises in these areas have been set-up by people moving in or relocating from other regions. Other people have set up “lifestyle” types of businesses with the motive of earning a reasonable living rather than developing a growing business. In addition, in-migrants of retirement age (and especially those that have taken early retirement) often bring with them entrepreneurial and management experiences which can be of value to younger entrepreneurs. Creative rural entrepreneurship policy could include incentives to encourage these people to take on a mentoring role for younger business owners, which in some cases may include investment as a business angle.

The Role of Experienced Entrepreneurs. Businesses owned by experienced entrepreneurs are more likely to have innovative products and services known to conform to national and global market standards, than firms owned by entrepreneurs with single business interest. A main problem in developing the entrepreneurial capacity of underdeveloped rural regions is the absence of such people. This is where the establishment of Action Groups, such as those supported by the LGUs, can play an important role in promoting the development of rural areas with weak social and entrepreneurial

structures. Apart from offering potentially valuable knowledge and support to enterprises it may also help bridge the gap between locals and “outsiders”.

DEVELOPING THE INFRASTRUCTURE TO SUPPORT ENTREPRENEURSHIP

Policy has a role to play in developing regional infrastructures needed to underpin and support entrepreneurial activities in rural areas.

Education and Training. In least developed communities of rural areas, there is a need to invest in education and training systems. The relatively low skill and education levels of the rural workforce and potential entrepreneurs have an adverse effect on the following: Supply of entrepreneurs, the form and scale of enterprise development, and the influence on the quality and chances of success of new enterprises. These require increasing the number of people receiving both secondary and tertiary education. Likewise, augmenting the succeeding items is necessary: Investments in the training provision for business owners; the ability to prepare business plans; financial management; and the quality of innovation management. Eventually, majority of training programs may be provided for by private organizations. In the same way, public intervention plays an important catalytic role in stimulating and supporting the services provided (e.g. through subsidizing the costs of training).

The establishment of an appropriate education and training infrastructure should include a widespread introduction of

modules of entrepreneurship in professional training courses; a greater supply of training for entrepreneurship promotion in areas of low population density and weak entrepreneurial culture; and greater flexibility in the eligibility criteria for training programs geared towards self employment.

Physical and Social Infrastructure.

The development of the entrepreneurial capacity of rural areas is unlikely to be successful, unless physical and social infrastructure improvements occur. Special attention should be given to education and training provision, market institutions, banking systems, and introduction of new technology. A precondition of rural economic development is the retention of the younger generation. This takes place via the creation of medium size urban centers with the necessary physical and social infrastructure (roads, schools, provision of health facilities, etc) to hold onto the young, who can potentially contribute to development of entrepreneurial capacity in peripheral rural regions,

PROMOTING A HOLISTIC APPROACH OF ENTREPRENEURIAL ACTIVITY

It is crucial for a community-based enterprise to adopt a holistic approach to local development while enhancing rural livelihoods. Entrepreneurial ventures are undertaken with the expectation of gain or profits as long as profits are effective in achieving other community goals, such as improvement of health conditions, empowerment and capacity building of local communities. However, a CBE should

reflect the multiplicity of local needs, hence, creating the potential for constructive local development (Solow, 2000).

The enhancement of capacity building and empowerment promoted by local enterprises suggest a shift toward the enhancement and strengthening of existing capacities of communities in participating through their village institutions. The link between participation, capacity building and empowerment has been underlined in the literature (Duncan and Thomas, 2000). The enhancement of community capacity building through grassroots commercial activities could be an effective response to the “structural and functional disconnection between informal, indigenous institutions and formal institutions mostly transplanted from outside” (Dia, 1996).

In other countries where rural enterprise policies exist, the emphasis is towards strengthening the viability and competitiveness of existing SMEs rather than focusing on what is the greater challenge in developing the entrepreneurial capacity of peripheral rural areas. In other words, entrepreneurship policy (as opposed to small business policy) is relatively developed weakly in all areas, including those in the highly urbanized area (Pasay). Few policy initiatives of any significance have been found to be primarily concerned with fostering a positive attitude towards entrepreneurship among young people and women, attracting in-migrants with entrepreneurial experiences and aspirations, and encouraging inspirational leaders capable of playing a catalytic role in entrepreneurial developments.

REFERENCES

Dia, M (1996). Africa's Management in the 1990s and Beyond: Reconciling Indigenous and Transplanted Institutions. Washington DC: World Bank.

Duncan, P and S Thomas (2000). Neighbourhood Regeneration: Resourcing Community Involvement. Bristol: Policy Press/Joseph Rowntree Foundation

North, D. and Smallbone, D. (2006). Developing entrepreneurship and enterprise in Europe's peripheral rural areas: some issues facing policy-makers. European Planning Studies. Vol. 14, No. 1.

Peredo, A. and Chrisman, J. (2006). Toward a theory of community-based enterprise. Academy of Management Review. Vol. 31, No. 2, 309–328.

Solow, RM (2000). Notes on social capital and economic performance. In Social Capital: A Multifaceted Perspective, Partha Dasgupta and Ismail Serageldin (eds.), pp. 6–10. Washington, DC: The World Bank.

CONTACT INFORMATION

DLSU - Angelo King Institute

Room 223, St. La Salle Hall
2401 Taft Avenue
1004 Manila

Angelo King International Center
Corner of Arellano Avenue and Estrada Street
1004 Manila

+63-2-524-4611 loc. 287,
+63-2-524-5333, +63-2-5245347 (Fax)
<http://aki.dlsu.edu.ph>
AKI@dlsu.edu.ph