Community entrepreneurship in north east Scotland

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Keywords Entreprenurialism, Group working, Community planning, Urban regeneration

Abstract Investigates an example of group entreprenuership as found in a project promoting social and economic regeneration in economically fragile communities in north east Scotland. Encouraging entrepreneurship in community groups is the basis of the Villages in Control (ViC) project introduced in north east Scotland in 1993. ViC was a joint initiative between the local authorities of the region and the Local Enterprise Company (LEC) and was aimed at encouraging rural and coastal communities to diversify away from existing economic patterns. The objective of ViC was to encourage entrepreneurial activity at community level through a process which involved a group of individuals from each village developing and implementing a strategic plan for the economic regeneration of their own community. Using one community as an example, the paper discusses the experiences and impact of ViC and illustrates the entrepreneurial ventures generated by the community group. The paper emphasizes the importance of co-ordinating community members into a recognisable group in order to produce the community strategic document, and also for the ideas for economic regeneration to come from the group itself. The discussion concludes that developing community entrepreneurship requires a supportive infra-structure and a long term commitment of people and resources to facilitate the process of releasing the entrepreneurial spirit of each individual community.

Introduction This paper considers the concept of entrepreneurship in community groups and contributes to the study of enterprise and learning by illustrating the diversity of situations in which entrepreneurship can be found. The paper begins by outlining the environmental background which first indicated the need to establish a project to encourage entrepreneurship in fragile communities in north east Scotland. Combining research from entrepreneurship and community economic development, a definition of community entrepreneurship is proposed. The concept of community entrepreneurship is then illustrated with evidence from a coastal community in the region. The paper is useful as it discusses a relatively unexplored area of entrepreneurship and also emphasises the relationship between environment and entrepreneurship.

The environmental background of community entrepreneurship in north east Scotland
The area of north east Scotland, usually referred to as Grampian, encompasses some 3,360 square miles and is bordered on two sides by 150 miles of rugged...
coastline with few natural harbours. The region is predominantly rural with many small communities that rely on primary industry, mainly fishing and agriculture. These rural communities have been disadvantaged not only by their rural location but also by European Union (EU) and government policies that seek to control and reduce the output of their traditional industries. These cutbacks have been more keenly felt in communities where alternative employment opportunities are minimal.

Rural development initiatives to strengthen and diversify rural economies have existed for some time and in the past have been involved in activities such as laying out industrial estates, building advance factories and releasing land for private industrial development (Blunden and Curry, 1985, p. 198). These development initiatives capitalised on the promotion of economic individualism favoured in the UK in the 1980s (Blunden and Curry, 1988, p. 106). In contrast to such an individualist approach, an alternative approach involves encouraging economic regeneration in communities by the communities themselves. The intention of such community economic development schemes is to provide both social and economic benefits for the community. This paper discusses a project designed to stimulate the involvement of communities in their own economic regeneration through the identification and mobilisation of community resources into potential economic opportunities.

Entrepreneurship

The traditional perspectives of entrepreneurship research either explore the traits and characteristics of the entrepreneur, or what the entrepreneur does (for example, Gartner, 1988; Venkataram, 1997). These two themes reveal an underlying assumption that entrepreneurship exists at the level of the individual as opposed to a group phenomenon. An alternative approach however recognises that entrepreneurial activity can occur at group level, and that in some cases it may be more appropriate to encourage entrepreneurial activity in groups of individuals. Entrepreneurship by groups of individuals may take the form of entrepreneurial venture teams or intrapreneurial teams. According to Cooper and Daily (1997), growth oriented, new firms are often built around a founding team in which the members of the team identify the initial venture and develop a strategy to exploit it. Muller-Boling (1993) refers to organisations formed in this way as “venture team start-ups” and applies the term to family and non-family teams. Also within the context of organisations, groups of individuals may be allocated to an “entrepreneurial team” to promote intrapreneurship among employees (Zimmerer and Scarborough, 1996, p. 483). Teams in these examples refer to groups of individuals in the context of an organisation, not in the community, which is the focus of this paper.

It is perhaps intuitively appealing to think of entrepreneurship as associated with the pursuit of economic wealth. However, such a perception ignores the potential social benefits generated for others that entrepreneurship can produce. Johannisson and Senneseth (1993) state that “entrepreneurs are strongly associated with the creation of economic wealth, both for themselves
and for society” thus emphasising the contribution of entrepreneurship to the broader economy. The social benefits of entrepreneurship are also recognised by Venkataram (1997) who adds that “entrepreneurship is particularly productive from a social welfare perspective when, in the process of pursuing selfish ends, entrepreneurs also enhance social wealth by creating new markets, new industries, new technology new institutional forms, new jobs and net increases in real productivity” (Venkataram, 1997, p. 133). Building on this framework, community entrepreneurship is presented as an example of entrepreneurial activity by groups with social and economic benefits for a community.

**Community entrepreneurship**

In discussing community entrepreneurship there is an initial need to define exactly what the term means. Following Schumpeter (1934), Peterson (1981, p. 64) defines entrepreneurship as the “un-programmed, innovative re-combination of pre-existing elements of activity”. The traditional perspective of business formation has been based on the initiative of one or two entrepreneurs (Lotz, 1989) however Peterson’s definition emphasises that entrepreneurship is a process, as distinct from the entrepreneur as a person. In defining entrepreneurship as a process, the term is not necessarily limited to individual behaviour and could therefore be applied to a group. Secondly, a community is defined as “a small basic administrative or statistical area, preferably as homogenous as possible” (Cunningham and Bollman, 1997). The definition uses area as a criterion, however, Barr (1995) comments that within any defined geographical location there are likely to be many different interests. Homogeneity of interests in a community implies commonality and in this light it may be useful to consider that “community is a sense of spirit and cannot be defined by geography, environment or activity” (Pardy, 1994, p. 4). In reality, the spirit of commonality of interest may itself transcend geographical boundaries so that in practice, it is the communities themselves that are able to identify themselves via a shared interest. Incorporating these comments, community entrepreneurship in this paper refers to the innovative re-combination of pre-existing elements of activity by inhabitants with shared interests living in a small basic administrative or statistical area. Community entrepreneurship attempts to use the process of entrepreneurship as a force for economic development by exploiting the resources and assets of the community.

**Community businesses and community entrepreneurship**

Community businesses can be distinguished from community entrepreneurship in that the former is a product of the entrepreneurial process. Community businesses are a form of economic self-help, where the local community attempts to create its own jobs by setting up self-sustaining trading ventures (Hayton, 1995, p. 170). The distinguishing characteristics of community businesses are that ownership and control is in the members of the community in which they are based and that any profits that are not re-invested are to be
used for projects for community benefit rather than for distribution to shareholders or directors. The stimulus for development can come from environmental conditions and in the absence of spontaneous development, locally authority-funded development staff employed to advise and assist community businesses start-up. In north east England, Hayton (1995) describes the development of community businesses as a process of initially identifying service gaps in a local economy, thus ensuring that such businesses offer a social benefit for the local community. However, in order to provide economic regeneration Hayton recognises the requirement to compete in a wider market. Two types of community businesses can therefore be identified, firstly those that provide local services (such as a launderette) and those that attract new wealth into the area. Thus a community business can be considered as one possible end product of community entrepreneurship.

Another example of community entrepreneurial behaviour can be observed in the Israeli Kibbutz which was studied as an example of entrepreneurship in community settings by Heilbrunn and Niv (1998). A Kibbutz is a community with a formal structure in which people live, and members can either work in the Kibbutz or outside it. Heilbrunn and Niv (1998) found that in the Kibbutz, societal considerations dominated decision making processes concerning the establishment of new ventures and that the majority of Kibbutz ventures were not related to the core competencies of the community and did not necessarily contribute to its economic growth. The rationale for Kibbutz membership was based on personal satisfaction and self-fulfillment, rather than “success” in the economic sense.

Community businesses and the Kibbutz illustrate that entrepreneurship outwith the usual individual and the organisational context already exists. However, community entrepreneurship is distinctive in that it refers to the process of social and economic regeneration for a community by the community. The Villages in Control (ViC) project is presented here as an example of community entrepreneurship and this is useful as it represents a further contribution to the study of entrepreneurship and learning by emphasising the diversity of situations in which entrepreneurship occurs.

**Community entrepreneurship in rural north east Scotland**

Younis (1997, p. 299) states that rural communities have a history of taking action over issues of concern to them, however these issues may be few and far between. The ViC project attempted to mobilise each community into action to tackle the decline in employment opportunities within their communities. In so doing, ViC recognised that rural development needs to involve the people who live and work there (Warner, 1996). In the absence of spontaneous community mobilisation, it was necessary for a stimulus to be provided by an outside agency. This support was provided by local authority personnel who were designated to a community for an initial six month period. For practical reasons it was also preferable for the responsibility for community entrepreneurship to be carried by a group representative of the whole community. This necessitated
the creation of some kind of “steering group” responsible for the community. This procedure is supported by Lotz (1989) who comments that a feature of community entrepreneurship is the creation of new social structures to stimulate economic development while handling social, economic and political tensions in a creative manner. Funds for ViC projects were initially provided by ViC, not through equity capital.

**ViC - an illustration of community entrepreneurship in north east Scotland**

The ViC project emerged in the early 1990s as a mechanism for trying to stimulate economic regeneration in fragile rural communities in north east Scotland. Using funds from the EU, the local authority and the Local Enterprise Company, ViC was introduced in 1993 in six fragile communities in the region. Fragile communities were defined as those dependent on a small number of large employers or on one economic sector (Grampian Regional Council, 1992), and it is likely that such communities would therefore benefit from attempts to stimulate economic development away from existing economic patterns. The operating procedure for ViC was that two council employees would work with a community for six months and facilitate the creation of a group of local people who were interested in the economic development of their own community. This community group, referred to as a “steering group”, was required to produce a report and strategic plan for their community’s future development. The strategy document for the community consisted of a SWOT analysis of the rural businesses in each community and identification of opportunities for possible economic development in each village. These opportunities were identified and evaluated by the community group itself, and not suggested or imposed by ViC. Thus, ViC aimed to stimulate economic regeneration by ideas from within the community, this is referred to as a “bottom-up” people-led approach (Barr, 1995; Younis, 1997) in contrast to the “top down” perspective on policy implementation.

**Illustration of ViC**

ViC was introduced into six communities during a two year period and three examples are presented here to illustrate community entrepreneurship in practice.

Village 1 is located in the Moray Firth, north east Scotland, and has a population of 1,850.

ViC entered Village 1 in late 1993 and after initial problems concerning local personality and group differences, proved successful (Beel, 1996). A complex association of community groups and projects evolved in which ViC had acted as a catalyst. Village 1 created a coordinating steering group to act as a fund holder for the various groups and projects active in the area. The steering group went on to produce and launch successfully a strategic plan for the village and surrounding hamlets. The entrepreneurial projects initiated in Village 1 were a village boat festival, a boat restoration project, an activity holiday project
centered on boat restoration skills, and a community Web program. These projects were designed to bring economic benefits for the community and also to “energise” the community into taking responsibility for their own economic future. Thus the outcomes of ViC were both social and economic. The economic benefits were generated from spending by visitors to the boat festival and holiday makers and students attending the boat restoration classes. The social benefits are much more difficult to quantify but can be evidenced by the momentum generated in the community such that they continued to progress their development opportunities when the ViC support ended.

Village 2 has a population of 2,280 and is located south of Aberdeen. ViC entered the community in mid 1994 and a very committed steering group was formed which had high expectations about the initiative. The efforts of the steering group were initially directed towards the creation of a new industrial site adjacent to the village. However, a combination of external factors concerning the reorganisation and alteration of the local authority and its finances lead to the site being cut from the new budget. This resulted in a decline in momentum and enthusiasm in the group to the extent that “development and maintenance of motivation was virtually impossible” (Beel, 1996, p. 23). When the ViC executives left the community after their six month attachment, momentum and direction towards furthering the development projects was lost and the steering group disintegrated.

Village 3 is a rural community north west of Aberdeen with a population of 860. The ViC team entered the community in mid 1993 and “were met with low response from the business community and very low attendance at public meetings” (Beel, 1996, p. 16). In response to this apparent apathy, the executives implemented a poster campaign to try and create awareness of the ViC project, however, this only served to create an adverse reaction which then received negative media coverage. The lack of success in creating a viable steering group and adverse community reaction led to a mutual decision by the community and the ViC team to withdraw from the village. Subsequent analysis of the failure of ViC in Village 3 revealed that in 1991, with the assistance of a community education employee, the community had already begun a process of community development and several small projects had been identified. The inhabitants of Village 3 were therefore unwilling to engage in yet another series of meetings and surveys.

**The contribution of community entrepreneurship to enterprise and learning**

The ViC project is useful as it illustrates the impact of environmental conditions on entrepreneurship, entrepreneurship in groups and the socio-economic benefits of entrepreneurship:

- The ViC project was a response to environmental conditions which had led to a decline in rural communities in north east Scotland. The economic decline in the environment, resulting from EU policies (such as
the Common Agricultural Policy and the Common Fisheries Policy) and
the impact of government policies in rural areas, therefore acted as a
push factor for the development of a project that would stimulate
community entrepreneurship. In creating ViC, the co-founders
recognised that some communities needed assistance to become aware of
the entrepreneurial opportunities in their community and to then exploit
these in order to diversify their communities away from existing
economic patterns. The stimulus and assistance to encourage
community entrepreneurship was provided by the ViC project.

• The operating procedure for ViC was to initially help each community
establish a steering group which would then identify potential
development opportunities. In Village 1, the community activities use
existing resources (the village harbour, boat building skills), and they
also identify innovative opportunities, (the community Web). In this way,
the outcomes of community entrepreneurship in Village 1 were a
combination of “remixing of existing resources” (Stevenson and
Gumpert, 1985) and an innovative idea project.

• ViC attempted to stimulate and facilitate community economic
regeneration by the very people affected by the downturn in employment
in their community. In encouraging development ideas to come from the
community group, ViC recognised that the inherent skills and assets of
each community could be used to create potential economic benefits.
Thus ViC could be interpreted as a mechanism for stimulating the
innovative recombination of pre-existing elements of activity by a
community group. The benefits of ViC include both economic
performance, such as the attraction of new expenditure into the
community, as well as social wealth creation.

Community economic development after ViC
In 1995 ViC was evaluated by an independent consultant (Beel, 1996) and
following its overall mixed success, was reformulated into a community
economic development (CED) strategy for the region. The CED strategy
maintains the importance of devolving responsibility for community economic
regeneration to the communities themselves and provides advice and some
financial support for this purpose. In Village 1, the community is still pursuing
economic regeneration through its historical and cultural roots. In 1996, the
community established a not-for-profit development company with charitable
status to pursue development activities on behalf of the village and its
surrounding communities. The company has accumulated property and
artifacts to form the basis of a “living museum” of mainly traditional wooden
boats. This infrastructure is the basis for new craft-related holidays teaching
woodworking and boating skills. In contrast, the end of ViC in Village 2
revealed that the community had not embraced the concept of community-led
development sufficiently enough to carry on the work independently. This
resulted in a period of stagnation and inactivity. At a later stage, the local authority returned to Village 2 and led a consultancy exercise to assist the community in returning to some of the alternative projects identified in the original strategy document, such as creating a local heritage centre, structural improvements in the Town Square and the redevelopment of the village harbour. A new community group has emerged and is occupied with working with the local authority to secure planning support for these longer term projects. In the summer of 1998, a small Heritage Centre was opened in converted retail premises in the village. The centre is staffed by volunteers and has already raised funds for the community. Finally, after the withdrawal of ViC from Village 3, the community was left to pursue its development projects with the assistance of the community education employee. Between 1993 and 1998, a complex of six village associations, a tourism group and a Community Web was created. However, in 1998 the CED consultant from the Local Authority was invited back into the community to try and co-ordinate the activities of the various groups into a cohesive redevelopment plan for the village and surrounding hamlets.

**Critical success factors for community entrepreneurship**

The continuing need for initiatives to promote job creation in rural areas, evidenced by schemes such as “Initiative at the edge” in Scotland (Press and Journal, 23 June, 1998), appears to indicate that there is still a need for community entrepreneurship to be promoted. Analysis of the ViC project identifies six critical success factors for a project to promote community entrepreneurship. First, the selection of appropriate personnel to implement a community entrepreneurship development project is fundamental. Individuals should have a combination of skills that allow them to act as a facilitator in the creation of a continuous learning process in a community and as a motivator to stimulate activity. The facilitator, referred to as a “community entrepreneur” by Johannisson and Nilsson (1989), is there to encourage the community to generate their own ideas and suggestions. Knowing when to act and when to listen is critical and experience of at least one similar project elsewhere would enable the facilitator to work confidently with a community. Second, thorough preparation prior to making contact with a community is a pre-requisite. This should involve a minimum of gathering information about the resources of the village, key inhabitants, and the current level of economic activity. Third, the entry mechanism into a community must be carefully managed in order to increase the likelihood of acceptance of both the project and the facilitator by the village. Experience gained from ViC and other CED schemes indicates that it is best to engineer an invitation into the community by someone from the community, such as a community councillor or local businessperson. Fourth, the success of community entrepreneurship is reliant on the ability to mobilise a community into action, and while this ideally would involve the whole community, the practicalities of organisation imply the establishment of a group of individuals sufficiently motivated to take on the challenge. It is
inevitable that minority interests will be present in the steering group and indeed this should be expected by the facilitator, however, it is the task of the facilitator to manage these minority interests and expand and broaden the base of ideas for development. Fifth, it is critical that the expectations of the community are managed and realistic. In the early stages, smaller projects are preferable as they allow a community to go through a learning process and develop skills. Finally, development of community entrepreneurship requires an environment in which entrepreneurial activity is both encouraged and supported in the long term, not just for the duration of a specific project or initiative. It is in this role that policy should be designed to foster the confidence in communities so that they are continuously involved in their own regeneration. The time scale of community entrepreneurship development projects should recognise that policy support should be withdrawn only when the communities have made the need for it redundant (Haugh and Pardy, 1998).

Conclusion
This paper has provided an example of group entrepreneurship outwith the organisation and as such has provided an insight into a relatively under researched area. Community entrepreneurship was used to describe the situation where a group of individuals from a community work together, initially without the formal structure of an organisation, to generate and progress ideas and opportunities with social and economic benefits for their community. The end products of community entrepreneurship in the examples presented primarily reflect business opportunities that capitalise on the skills and assets of the community. In the absence of spontaneous community entrepreneurship, assistance was provided by a jointly funded scheme designed to stimulate and energise a community into action. The critical success factors of ViC emphasise the need for thorough preparation and sensitivity to local issues when constructing a community entrepreneurship development project. However, of most importance is the need to acknowledge the long term financial and human resource commitment required to encourage entrepreneurship if it is to be self-sustaining. The success of the initiative in Village 2 is evidenced by the fact that when the project formally ended in 1995, the community was sufficiently motivated to continue with its own regeneration. Successful community entrepreneurship has thus generated both social and economic benefits, and in doing so has revealed the social and economic role that encouraging entrepreneurship plays in society.

References


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