

## 4 The Difference Culture Makes: The Competitive Advantage of Reciprocal, Non-Monetary Exchange

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Increasingly, the relationship of business to the communities in which it operates is the focus of attention among management scholars. In this chapter, I wish to go beyond the view that communities should be seen as stakeholders and/or as the target of corporate social responsibility. I will argue that certain cultural endowments in certain communities may in fact contribute a sustained advantage to enterprises embedded in those communities. I will focus on a concentrated form of this embeddedness: ‘community-based enterprises’ (CBEs), or ventures in which communities act collectively as both entrepreneur and enterprise. An outline of the conditions in which they typically arise, the features they characteristically display – especially their blend of social and economic goals – and their participation in the global economy demonstrate the way that their cultural endowments contribute a rich supply of non-monetary resources to their operations. These resources constitute an important and sustained competitive advantage.

In this chapter, I will focus on CBEs as a concentrated example of a more general force in many business operations: the contribution of culturally derived, reciprocal, and non-monetary exchanges to sustained competitive advantage. I will argue that an essential element of this contribution is the way in which these forms of enterprise include social aims, often predominantly, in their goal structure. I begin by defining CBEs more precisely. I continue by outlining the conditions in which they arise and their characteristic features, and mention some of the many examples of this form of enterprise that exist around the world. I then discuss CBEs’ participation in the globalizing economy, including an interpretation of their operations that takes account of theoretical constructs such as embeddedness, gift economies, and social capital.

There are significant challenges to this kind of enterprise, as recognized the next section of the chapter. I make no attempt to predict the outcome of these challenges. I end the chapter with some summary conclusions and suggestions for future research.

### **What is Happening in Canaca?**

In early 1988, as a newly-minted graduate student, I began my first fieldwork in an isolated community called Canaca, in the southern province of Puno, in my native country of Peru. I was there to study how a recently-introduced program of agricultural loans to communities was developing on the ground. Canaca, a community at 4,500 metres above sea level, was the first recipient of such a loan. Villagers' houses were scattered through thick, brown hills, and ever-present and excitable dogs made them hard to approach. I knew it was harvest season, so I did not take anything to eat. When I became hungry, I approached people I encountered returning from their harvesting and asked if they could sell me something. They were invariably polite, but just as invariably replied, 'I am sorry. I do not have anything. Maybe the next person has.' The next person never did. It appeared no one could sell me anything, even if I offered a high price for their products. I knew food was being harvested. I was baffled by this apparent breakdown of the system of supply and demand.

A month later my relationship to the villagers was quite different. I was now working with them in the fields in the potato harvest, and their response to my nutritional needs had also changed. I was regularly and generously supplied with chuno (dried potato) and cheese, though no one would accept any cash in exchange. I realized that I was being introduced to a vital concept in understanding how Andean rural people survive. I called it 'the Andean insurance,' in which resources are circulated in keeping with deep and diverse cultural traditions of reciprocity. My expectation that the production and distribution of necessities would be governed by some version of market forces was simply an alien import.

My initial research on credit evolved into research on social networks and rituals as I came to understand that the credit resources I was studying were entangled with the social and cultural life of the community and its emphasis on reciprocity. Loans had become 'diverted' into looking after responsibilities that came from community membership, such as 'first haircut' ceremonies, weddings, funerals, or other events that

benefited others in the community. From the perspective of financial or government institutions, the program had failed. People were not taking capitalistic advantage of their loans.

Field work often presents the researcher with phenomena that are deeply puzzling, given an outsider's point of view. It was years later, many of them spent in remote communities in the Andes, that I began to understand the full potential of that network of reciprocity as the basis for the creation and maintenance of CBEs functioning in this community as well as in many others. Recognizing this kind of provisioning activity, deeply rooted in traditions of reciprocity, solidarity, and collective undertaking, changed my simplistic assumptions about the ways that economies could work, and the ways that business venturing could fit into them.

### **What is a 'Community-Based Enterprise'?**

The theoretical notion of the CBE is based on research in a number of Andean communities, and was shaped by an interdisciplinary literature concerning such topics as economic anthropology, network theory, and entrepreneurship. I define it as a community acting corporately as both entrepreneur and enterprise in pursuit of the common good. 'Entrepreneurship' itself is a keenly contested concept (Venkataraman, 1997), however, let us suppose that entrepreneurship is the linking of an inadequately met need or want with an under-used source of supply. The way in which this link may be forged varies according to circumstances, for example:

an alertness to profit opportunities (Kirzner); the exploitation of a new technological possibility (Schumpeter); a bet, gamble, or chance on some new idea (Brenner); the exercise of control over means of production (McClelland); a management discipline (Drucker); the creation and ownership of a small business or new business (Drucker; Reynolds, Hay & Camp); a purposeful task or practice (Drucker); and the acceptance of risk and/or uncertainty in the pursuit of profit opportunities (Cantillon). (Brenkert, 2002, p. 9)

No doubt there are more. For our purposes, it will be sufficient to say that the community acts as an entrepreneur when its members, acting as planners, owners, managers, and employees, collaboratively create or identify an opportunity to bring together some need or want with some

way of supplying it, and organize themselves in order to respond to that opportunity.

'Enterprise' is a less contentious concept, though there is a degree of ambiguity about it. Generally, enterprise may be understood as 'an undertaking, especially a bold or difficult one' (Barber, 1998, p. 466). More narrowly, it may simply be taken to refer to 'a business' (p. 466). For our purposes, it is best to mingle these two definitions, while broadening the definition of business to include activities that are not confined to profit-making for some individual or collective. That is, a community acts as an enterprise when its members work together to jointly produce and exchange goods and/or services using its existing social structure as a means of organizing those activities. In sum, CBEs represent both the entrepreneurial process of venture creation and the venture created through that process.

What delineates the communities in this discussion is geographical location, perhaps combined with culture and ethnicity and other shared relational characteristics (Molinary, Ahern & Hendryx, 1998). This distinguishes them from 'communities' that are formed on the basis of shared goals or participation in some productive activity. The communities in CBEs exist before they become CBEs.

The idea that members act 'together,' 'corporately,' or 'collaboratively' must allow for some differences in involvement. Some members may be more active than others, but most or all will have some role in developing and implementing the entrepreneurial initiative. Governance is corporate in the sense that most if not all members will take some part in overseeing the enterprise's activities. These operations are typically governed by the community assembly, of which all community participants are members. Decisions are made at assemblies concerning policy directions, and often with respect to more detailed matters concerning the community enterprise. Sometimes, there are sub-committees of the assembly with specific responsibility for monitoring and directing the operations of the enterprise, or for specific elements in the enterprise if its activities are complex. Some members of the community will also be directly involved in carrying out the work of the enterprise. But fundamentally, it is understood that community members will be more or less united in their commitment to their collective undertaking, and to taking some significant role in deciding upon its direction and in reflecting on its actual operations.

An essential feature of these undertakings is that while they must return some profit in order to be sustainable, profit is typically seen as

a means to achieving other community goals, such as health or educational services. Lower profits may be acceptable if that is the price for achieving other community purposes, such as wider employment. In CBEs, therefore, profitability is generally a means to serving other community objectives.

CBEs are not the same as organizations set up by government to operate in the interests of a community, or operations that may be put in place by a sub-group to benefit the community. However important enterprises like these may be, their dynamic is quite different from CBEs, which are owned, managed, and governed by community members themselves, and not by others on their behalf. CBEs are also distinct from co-operatives, though they can share similarities. The membership of a co-operative is a voluntary association of people who may or may not share community membership but decide to unite in co-operative pursuit of some goal. As mentioned above, CBEs begin in a shared community, and evolve from there into a collective undertaking. In certain circumstances, there may be co-operatives that are so linked with communities that they are hard to distinguish from CBEs, but 'The world is not perfectly tidy with respect to what is and what is not a CBE' (Peredo & Chrisman, 2006, p. 316), and that is not a bad thing.

### **What Gives Rise to Community-Based Enterprises?**

The emergence of CBEs are favoured by a fertile combination of at least five community characteristics: (1) some condition or event of stressful disequilibrium, (2) cultural traditions of reciprocity and generous deposits of social capital, (3) previous experience of collective, concerted action, (4) a repertoire of skills in the community, either traditional or acquired more recently, and (5) an appropriate size. Each of these deserves a brief explanation.

First, CBEs are typically rooted in the attempts of a community to respond to serious economic and social stresses. These stresses may be material, such as a gathering crisis in food production or economic circumstances; or they may be social and even political, such as the alienation of a community from mainstream society or political life. They may in turn be brought on by critical or accumulated environmental forces, such as drought or flood, soil erosion, or climate change. Or they may result from armed conflict, social marginalization, or political oppression. These factors are often, but not always, a reflection of macro conditions, such as large-scale environmental changes, national economic crisis, or

shifts in political ideology. At the community level, the aggravating factors are often multiple and inter-related. The main point is that a major factor in the emergence of CBEs appears to be an experience of community disequilibrium that threatens its sense of survival. The result is a drive to find new resources and new social arrangements.

Second, a factor that seems to focus this drive to gain or regain an acceptable way of life is a cultural deposit of co-operative social organization. In the Andean highlands, traditions of co-operative interaction are vital instruments of survival in an environment where the agricultural production that forms the backbone of the economy is precarious and government safety-nets are non-existent. The traditions of *ayni* (reciprocal work among two families), *minga* (among a group of families), and *faena* (involving activities for the benefit of the entire community) (Alberti & Mayer, 1974; de la Cadena, 1989) represent ingrained patterns of interdependence and reciprocity that are fertile ground for CBEs.

Third, and related to these traditions, CBEs arise in part out of an experience of collective action (Helmsing, 2002). The communities in which CBEs emerge have frequently had past involvement in combined political action, such as demanding access to basic services from the government, contesting government reforms, or protesting against such conditions as counterinsurgency or large-scale landownership. The experience of these activities results in the development of collective tacit knowledge related to marshalling and organizing collective energy to pursue community goals (Nahapiet & Ghoshal, 1998; Spender, 1994). It is easy to see how communities may draw on this resource and channel their motivation for community activism towards enterprise creation.

A fourth and crucial factor in CBE development is the existence of an endowment of skills that can be exploited in enterprising activity. As with any entrepreneurial venture, the start-up and success of a CBE require that the community possess, or have access to, sufficient resources (Chrisman, Bauerschmidt, & Hofer, 1998; Gartner, 1985; Katz & Gartner, 1988). The repository of skills and experience in the community is available as a resource that can be used in developing a CBE. Some of those skills are collective ancestral knowledge, assembled over generations of engagement in endeavours such as textiles, pottery, forestry, and agriculture. Others have been developed more recently, such as when community members are employed in industries such as mining or manufacturing, either when those industries enter the community or when members find employment elsewhere. The collection of these

skills and experience provide the raw material from which CBEs may be constructed.

Finally, size is a factor. As with any entrepreneurial start-up (Chrisman, Bauerschmidt, & Hofer, 1998), CBEs require a certain level of resource endowment (including skills, capital, and extended social networks) to support their launch and potential for success. Especially in relatively poor communities, the per capita endowment of these resources is not great, and so up to a certain point, an increase in size increases the likelihood of launch and the potential for success. At the same time, many of the factors mentioned above depend on the functioning of developed social networks and the exploitation of 'social capital.' As networks increase in size, they also become more fragmented, and the contacts on which they depend become less frequent. Kranton (1996) argues that reciprocal nonmarket exchanges are more likely and provide greater benefits in smaller markets owing to the likelihood of frequent future contacts. In general, the frequency and quality of contacts is a potent factor in establishing and maintaining the networks that undergird CBEs. So, as communities grow larger and surpass the levels that increase available resources, they reduce the support for factors that encourage the formation of CBEs. The outcome is that successful CBEs fall into a moderate size range – large enough to supply requisite resources, but small enough to encourage and maintain social networks. There are many external factors that influence what the viable range will be, but there is a general range within which CBEs fall.

That is not to suggest that each of these factors is necessary for CBEs to emerge, nor is it to propose that they are jointly sufficient. All I am suggesting is that these are events or conditions that are highly relevant to the emergence of CBEs as defined above. But however complete or accurate the list may be, it offers only a preliminary idea of what CBEs are like in operation.

### **What are CBEs Like?**

One fundamental feature of CBEs is their commitment to a configuration of goals in which profit-making is a means to other ends. Communities forming CBEs typically emphasize the need to achieve social, economic, environmental, and cultural goals simultaneously, for several reasons. To begin with, such communities are often poor or disadvantaged, with little or no access to the social and economic resources of a government or large industry that could provide aid. Frequently, they

must find ways of providing or supplementing a variety of things: health and educational services; seed resources for small, family-sized enterprises that form a web of local production; infrastructure such as roads and agricultural implements; the means of addressing soil degradation or other environmental challenges; the preservation of traditional arts or crafts that define their culture and way of life; local employment opportunities for young people; and more. Any or all these and more may urgently require attention, and they are often combined in a complex and dynamic way. Different sectors of the community will have different priorities in the cluster of needs that are evident, and so maintaining a variety of goals, with a flexible balance between them, is part of the operation of the CBE. This balancing act means that CBE goals tend to be holistic and multifaceted, and take into account the particular cluster of economic, cultural, social, and environmental needs that a community faces. Like any entrepreneurial undertaking, CBEs are aimed at economic gain. But that gain is meant to support the array of social, cultural, and material goals that the community has identified as requiring its collective action.

Second, the kind of economic activities adopted by CBEs generally draw on the local repertoire of skills and experience that pre-date the CBE. As indicated above, this repertoire is an important factor in fostering the creation of CBEs. Not surprisingly, then, CBEs are characteristically formed out of that repertoire, whether based on collective knowledge such as crafts or agriculture, or arising out of recent experience in industries of one kind or another. In general, the skills and resources acquired before undertaking a venture are important factors that both improve the chances of success (Bygrave & Minniti, 2000; Harvey & Evans, 1995) and provide a framework for seeking opportunity (Ardichvili, Cardoze, & Ray, 2003). Given that the community in this case is the entrepreneur, the creation and performance of a CBE is a function of the community's ability to combine and adapt in an innovative way its variety of ancestral and new skills, experiences, co-operative practices, and values. CBE undertakings are characteristically an inventive combining of the experience and aptitudes available in the community in relation to the needs and opportunities around them. Indeed, that stock of experience and aptitudes helps the entrepreneurial community identify what opportunities exist.

Third, the governance structure of CBEs has a characteristic form that emerges from the cultural traditions of co-operation and reciprocity noted above. Members of CBEs typically see their ventures as a naturally

evolved social and economic form, adapted to the realities and pressures of the market economy while integrating their own cultural traditions (Anderson, 2002; Peredo, 2001). Traditional community management and decision-making are frequently revitalized to play an important part in the communal life into which the enterprise is woven. In general, the governance structure of a CBE can be expected to be consistent with the structure of decision-making in its community, typically involving communal assemblies of stakeholders. Indeed traditional communal assemblies – the governance form for the community itself – are frequently the same body that governs the community enterprise. These bodies are collective in two related senses: all community members (called ‘commoners’ in the Andean communities that began this story) are members of the assembly/governing body and are expected to take their membership responsibilities seriously; and the decision-making process is highly democratic, with all members having a right, in fact a responsibility, to speak to decisions under consideration, and to vote in determining the resolution. There are several advantages to this arrangement. Community assemblies provide a vital mechanism for achieving that dynamic balance of goals referred to earlier, and in the course of that, dealing with power imbalances and conflict. Collective governance enhances members’ sense of ownership (Bendick & Egan, 1995; Hadi, 2001; Hodson, 2002), in contrast with ‘development’ projects that import solutions and resources or manage them on the community’s behalf. Community-based decision-making, with its pooling of experience and expertise, has been shown to improve planning perspective, including anticipation of ecological outcomes (King, 1995), which is crucial in these settings. It also provides a well-accepted and effective means of maintaining accountability in those executing the enterprise. Furthermore, it is important to recognize that while cultural tradition can become the launching pad for new enterprise, there is frequently a significant reciprocal action: the presence of collective enterprise can strengthen or create local social and cultural systems. The active involvement of local members not only reflects the sense of community that exists, but reinforces and recreates it (Bowen, Martin, Mancini, & Nelson, 2000).

### **Where are CBEs Found?**

This chapter began in communities in the Peruvian sierra, and branched out to communities up and down the Andean backbone of Latin America.

However, CBEs and their close relatives are found in communities around the world. These community-based ventures, where community is both collective entrepreneur and enterprise, display variations on the relation to a set of favourable conditions and characteristic features outlined above – and they exist on almost every continent.

In Peru, the self-managed community enterprise of Llapampa and the Community of Chaquicocha Trade Fair are paradigmatic cases of CBE (Peredo, 2003). Moving along the Andes, the communal enterprises of Salinacocha in Ecuador (Peredo, 2001) continue the pattern. The Walkerswood Community in Jamaica launched a community-constituted venture in the 1970s producing traditional cooking sauces, spices, seasonings, preserves, and canned vegetables for world-wide sales and using the proceeds to supply local water, schooling, and employment (Lean, 1995). The Nuevo San Juan Community Forest is community-based organization established in the early 1980s with the aim of promoting development through the use and management of forest and non-forest resources (Quintero, 2006). The database of the UNDP's 'Equatorial Initiative' contains numerous examples of communities organizing around traditional forms and expertise to initiate collective ventures based on environmentally respectful production aimed at enhancing community well-being (Berkes & Adhikari, 2006; Equator Initiative, 2009). The indigenous population of Bali sustains itself while maintaining its distinctive culture through an inventive form of CBE that depends on a dual monetary system, one part entirely non-cash and built out of ancient traditions of co-operation and reciprocity (Lietaer & De Meulenaere, 2003). The declining town of Amagase, Japan, decided as a community in the late 1970s to switch from uncompetitive rice production to co-operative floriculture, using its hot springs as a low-cost source of energy (OECD, 1995a). Community forest projects in Gambia feature an element of government initiative, but build in the CBE manner on existing co-operative traditions to create community-based ventures built on tradition connections with the forest (Dampha & Camera, 2005). The village of Ralegan Siddhi in India used its community traditions and resources to work collectively on projects that led to an abundant water supply, improved services in education and health, and co-operative agricultural production that fuelled development (Hazare, 1997). The highly successful Mondragon Co-operative Corporation in Spain bears all the marks of a complex CBE (Greenwood, 1992; Morrison, 1997). Even relatively prosperous parts of the world produce CBEs.

MacLeod (1986) has documented the ways in which communities in Maritime Canada, acting collectively, have advanced their well-being through communal ventures building on a co-operative culture and a shared store of skills (see MacLeod's chapter in this book). Elliot Lake in Canada, a community suffering from the collapse of its uranium mine, constituted itself in 1987 as a community corporation aimed at community betterment through the establishment of 'Retirement Living in Elliot Lake' (OECD, 1995b).

It is safe to assume that this is the tip of a very large iceberg. The phenomenon of communities building on their traditions to act corporately in pursuing community well-being is widespread, and in many cases has impressive results, at least in the short run. But how can we understand their participation in the complex, globalizing economies in which they are increasingly immersed? Can they survive, let alone prosper, in that environment? Do they have any hope of maintaining and building the traditions and ways of living that are precious to them?

### **CBEs in the Global Economy**

In what follows, I will argue that CBEs possess certain features that may, given other factors in the business and economic climate, equip them to survive and perhaps even prosper in this heated environment. In order to suggest this, I will appeal to arguments based on theoretical constructs that contribute to my case. An important result of that appeal is that organizational forms that are not necessarily CBEs, but share some significant features with them, and may well have the resources for a particular kind of competitive advantage. In short, I will conclude that resources in the form of traditions of reciprocal, non-monetary exchange often confer an advantage on CBEs and relevantly similar competitors in the global market-place.

In the globalizing economy, participants are exposed to intense price competition, and the ways most frequently adopted to compete in that environment are (a) to increase firm size, so as to take advantage of various kinds of scale, (b) to keep firms mobile, so that they may take advantage of shifts in factor costs, especially labour, and (c) to fragment production, to take advantage of differential deposits of production factors in different locations. These strategies together entail delocalizing enterprises. They tend to lower prices and intensify competition, but they also disconnect ventures from a particular place and community.

### **Sustained Competitive Advantage (SCA)**

What we are considering is whether, in this environment, CBEs might be said to have any potential advantage that would allow them to acquire and maintain a share of the markets they enter that provides them with the return they aim at. The business term for this is 'sustained competitive advantage' (SCA), classically explicated by Barney (1991):

A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. (p. 102)

Barney underlines two elements in this definition. First, it refers not only to existing competitors but to potential rivals. Second, the kind of sustainability referred to is not for a temporal period, but represents a kind of equilibrium position where the advantage persists beyond the closure of attempts to replicate it. While a SCA will not last forever, and may be overcome by other changes in economic or other relevant factors in the business environment, it is not lost by other ventures duplicating it.

It is worth emphasizing that this advantage need not enable an enterprise to eliminate all competitors. For our purposes, a venture possesses an SCA if its advantage enables it to achieve and maintain a market share that it finds satisfactory. An SCA need only be sufficient for the enterprise's purposes, however grand or limited those might be. An SCA is therefore relative to the aspirations of a particular venture.

The basis for developing an SCA is an enterprise's resources of various kinds. 'Resources' may be identified and categorized in a variety of ways (Hoffman, 2000), but Barney (1991) provides a useful and concise classification into three categories: physical, human, and organizational capital. Physical resources include technology, plant and equipment, geographical location, and access to raw materials. Human resources comprise the training, skills, personal capacities, and relationships of individuals in the enterprise. Organizational resources encompass the myriad aspects of organizational structure: methods of planning and execution, monitoring, and informal relations both among groups in the enterprise and between the enterprise and people in its environment. These are the potential sources of an SCA.

If any of these kinds of resources are to be the raw material of an SCA, they must not be accessible to competing enterprises (they are

heterogeneous), and not easily acquired by any venture that wants to lay hands on them (they are relatively immobile) (Barney, 1991). This means that whatever the sources of an SCA are, they may not be purchased on an open market. If they could be, any competitor with the purchase price could duplicate the advantage and it could not be sustained.

Barney (1991) has argued, convincingly, that a resource must possess four characteristics in order to be a potential source of an SCA. To begin with, it must be 'valuable,' or useful, in the sense that it takes advantage of some opening, or at least counteracts some hazard, in the business environment of the venture. Further, it must be 'rare' in the sense that few if any competitors have access to that resource, or at least to the same extent or quantity of that resource. Further still – and this turns out to be crucial – the resource must be difficult to replicate, 'imperfectly imitable.' What might make resources 'imperfectly imitable'?

The answer, according to Barney (1991), is some combination of at least two factors strikingly relevant to the forms of enterprise at the centre of our enquiry. Unique historical circumstances are one potent source of inimitability. The particular historical path followed by an enterprise may furnish ways of acquiring and exploiting resources that are simply not available to others with a different history. Second, 'social complexity' – the degree of intricacy and density that exists at all levels of an enterprise, may be a resource that rivals cannot replicate. Relations among those involved in the historical development, direction, management or conduct of the enterprise, or the relationship of the enterprise to its business, social, cultural, and political surroundings, may be and frequently are sufficiently complicated that attempting to reproduce them is futile. Even if competitors knew what it was about the enterprise's 'culture,' its relationship to its community of suppliers consumers and so on, that gives it an advantage, in many cases it is not clear how that connection could be replicated.

Finally, the resource must not lend itself to 'substitutionability,' i.e., it must not be possible to replace the resource with some other that is not rare and can be used to implement the same strategy. Obviously, if a competitor replaces a valuable resource with a different resource that is readily accessible, that resource cannot generate an SCA.

Next, I will argue that the circumstances and backgrounds of CBEs provide them with a rich source of potential SCA. In a nutshell, CBEs are typically supported and enabled by a deeply and tightly woven web of reciprocal exchanges that is extremely valuable, rare, and hard to replicate.

### Non-monetary Exchanges and CBEs

Consider the example of Llapampa, a community in the Andean highlands of Peru. The region has been occupied for more than a millennium by a people known as Wankas. Today's community members are fiercely proud of their lineage and of having both survived centuries of attempted domination by Incas and Spaniards. These are the people who, in 1975 launched and today operate the self-managed community enterprise (SMCE), a CBE under whose umbrella a range of productive activities are conducted, ranging from agriculture to tourism to marble quarrying and silica mining. The history of the SMCE's foundation and the methods of its governance illustrate the above account of favouring circumstances in history and tradition, and characteristic forms of complex goal structure and democratic governance. The mining operation is the most profitable, but agriculture and other operations have played their part in providing the community with a level of social, medical, and educational services, as well as an infrastructure of roads and public buildings that are quite remarkable in the area. At the centre of this network of activity is the tradition of *faena*: unpaid work contributed by all community members to community projects as a matter of regular obligation. *Faenas* built the school and the health centre, are fundamental to the agricultural operations, and their role in reducing costs has been essential to the productivity of the SMCE.

It is important to recognize that *faena* is a part of a complex network of reciprocal exchanges that undergirds life in these communities. These are grounded in an understanding of mutual responsibilities that exist between pairs of families, groups of families, and families and community at large. These reflect the interdependence and reciprocity that are the basis for countless transfers of products and services without a financial basis for exchange. There is a comparatively strong sense of 'community-orientation,' in which members experience their membership as resembling the life of parts of an organism; they tend to feel their status and well-being is a function of the reciprocated contributions they make to their community (Peredo & Chrisman, 2006, p. 313). Alongside this is the sense that members have a right to certain societal benefits, such as health, education, and safety. Individual rights, even to such things as private property and private use of time, are to some extent subordinated to this. This brings with it the impression that the community is not only a provider of benefits but itself has needs, and is a party to these reciprocal, non-monetary exchanges of valuable goods

and services. The practice of *faena* is continuous with the pattern of community involvement with their enterprise, including their active participation in governance.

Economic systems based on reciprocity and redistribution are neither archaic nor rare. This elaborate arrangement of reciprocal exchanges regulates the mobility of labour, work, and services in many communities worldwide. They are currently prominent in the economic life of not only the Aymara and Quechua people of South America, but also of the peoples of Papua New Guinea, the communities of Tristan de Cunha in South Africa, the Lio and Maneo of Eastern Indonesia, the Guarani of the Amazon in South America, the Salish and other First Nations people of North America, the Inuit of Rankin Inlet, the indigenous people of Bali, and many others. These networks of non-monetary contribution and exchange are a resource with potential basis for sustained competitive advantage that many CBEs have already seized upon, and other communities would do well to consider.

Non-monetary forms of contribution are a resource, and there can be no doubt they are 'valuable' in the sense outlined above. They are a powerful instrument in opening up and exploiting opportunities that communities identify in considering how to provision and sustain themselves.

Though these arrangements are not rare in the sense that they are found throughout the world, they are 'rare' in the sense that the competition CBEs face as they are confronted by the globalizing economy seldom if ever have access to the same resource, nor can they easily imitate or replace it. To see how 'rare' they are, let us employ the conceptual lenses of 'social capital,' 'embeddedness,' and 'the gift economy.'

### **The Rarity of Reciprocal, Non-Monetary Exchange**

It is well-recognized that what is called 'social capital' is an extremely valuable resource in enterprise activity (Flora & Flora, 1993; Flora, 1998; Flora, Sharp, Flora, & Newlon, 1997). Among those who made the concept popular, Pierre Bourdieu defined social capital as 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition' (1983, p. 249). Scholars found this a fertile way of identifying a resource, providing the avenues and lubricants of interaction available to those who wished to engage in transactions of various kinds. Interestingly for our purposes, J.L. Flora (1998) expands this notion to include what he calls equality, inclusion and a sense of

agency, to constitute ‘entrepreneurial social infrastructure’: a powerful resource for competitive advantage. There can be no doubt that these added features are among those that typically characterise the communities described here. Social capital, then, especially when it is understood as ‘entrepreneurial social infrastructure,’ is a resource; and CBE communities possess it in abundance.

But seeing social capital simply as a resource fails to recognize the factors that make it rare and inimitable. It was noted above that unique historical origins are a way of furnishing resources that cannot be accessed, and cannot be imitated, by those without that history. Social capital, or ‘entrepreneurial social infrastructure,’ is generally the outcome of generations of communal experience laid down in dynamic cultural traditions. One way of underlining the profundity of that accumulation is to add the concepts of ‘embeddedness’ and ‘the gift economy.’

One important use of embeddedness is as a tool to understanding the way that economic transactions are affected by the location of transacting individuals and organizations in networks of personal relationships. Granovetter (1985) highlights the degree to which economic transactions are, contrary to standard economic analysis, shaped not just by impersonal calculations of personal benefit but also by immersion in networks of personal relationship. Granovetter’s work has been hugely influential in bringing attention to the way that these transactions are the outcome, in part, of social interaction with others in our communities of significant contact.

A related but deeper sense of embeddedness (Krippner & Alvarez, 2007) was advanced earlier by Karl Polanyi (1977, 2001 [1944]), who argued that ‘economy’ is a broad term that includes various ways of providing for the needs of societies, and that exchanges are governed by a variety of prevailing institutions in the society. Markets are recent as a governing institution, Polanyi argues, but alternative institutions of reciprocity and redistribution are long-lived and deeply-rooted. From the viewpoint of an economic historian, Polanyi suggests transactions were generally undertaken in the context of a web of reciprocal obligations and understandings, and/or acceptance of redistributive rights of community authority. They were not determined by market prices or expectations of individual gain, but by notions of community benefit and one’s place in realizing that.

It is arguable that Polanyi’s view represents many of the communities engaging in CBE. They are, in this view, not fossils or historical oddities, but fully viable alternatives for conducting an economy. In practice,

they constitute the marshalling of resources from an alternative economy as it engages with the forces of a market economy in the process of globalization.

My argument is that these roots of the resource we are discussing, non-monetary exchange, run very deep. Their history and their depth are fundamental in rendering them rare and inimitable. The rivals of CBEs in the globalizing economy are not other CBEs. CBEs are, by nature, relatively small, local, and specific in their operations and resource consumption. What impinges on them in the globalizing economy are enterprises that are enlarging, de-localizing, and broadening in their scope. In that context, the resource of CBEs in non-monetary exchange, deeply understood, will not constitute a sustained competitive advantage no matter what other market conditions are. But it is, potentially, powerful source of sustained competitive advantage in certain identifiable circumstances. In that role, CBEs are a counter-example to the standard views of what is needed for 'business success.' The sustained competitive advantage related to traditions of reciprocal exchange point to the promise that other forms of enterprise that are not exactly CBEs may build upon.

### **Challenges in the Globalizing Environment**

I have argued that the CBEs typically have access to a resource with high potential for conferring a sustained competitive advantage in their attempts to survive in the globalizing environment. As discussed above, however, a sustained competitive advantage is not guaranteed to last forever. It is worth noting some of the challenges that CBEs and similar ventures face in their contact with an evolving market scene.

To begin with, increased emphasis on cash crops and migration, especially as a result of increasingly export-orientated national economies, characterize the realities of many villages in poor countries. Both have disruptive effects on the fabric of reciprocal exchanges as agriculture becomes more intensely monetized. For example, many households headed by women as a result of outward migration by males in search of employment find it difficult to engage in non-monetary exchange of labour on behalf of their reduced households. Major emphasis on cash crops led to increased wage labour. One Quechua women, in talking to me about her changing circumstances, referred to cash as 'the devil.' Similar patterns are found throughout Latin America, Asia, and Africa. Netting, Stone, and Stone's study (1989) in Africa documents the way in which patterns of abandoning traditional reciprocal co-operative be-

haviour leads to inequality and poverty among the Kofyar peoples. Their detailed investigation led them to contest the assumption that rural wage labour is cheaper than co-operative labour. However, labour scarcity gives young men an incentive to make demands and break customs concerning reciprocal work, which depletes the store of social capital that provides potential competitive advantage.

Not only have relationships within communities been transformed and weakened, but relationships among communities have as well. Historical records demonstrate local trade systems among communities based on reciprocal relations. However, many of those have been broken in the struggle for accessing cash and by large migrations into shantytowns in the outskirts of large cities.

Second, cultures do not remain static. They evolve and adapt to changing circumstances, and CBEs are one example of that evolution. One change seen in many communities, however, is that younger members, especially those educated at universities outside the community, frequently return with views that create tension with the cultural traditions on which the CBEs rest. It is remarkable to observe young people, particularly those studying business or economics, openly questioning the prominence of social and cultural goals in the structure of the enterprise, and the traditional management by community. At the conclusion of a general meeting in one community, I had the opportunity to meet with a number of students and hear their ideas. Their approach was reflected in the comments of various like-minded young management students from the community: 'We need to become professionals and we should not and cannot carry with social expenses in this community,' said one. Another said, 'We have to run this as a private business.' Yet another said, 'yes, we have to privatize, maybe through commoners' groups that can buy shares, and enter into joint ventures with other companies . . . To do things right means: community is one thing, enterprise another.' Or: 'We have to hire a manager here.'

No doubt there is a need for increased management skills in the communities, but it seems that management education, perhaps among other things, has the effect of cultural attenuation and disconnecting younger members from the values and cultural traditions of their communities.

Third, 'development' initiatives undertaken by nations or regions in which CBEs are located frequently ignore culture as a resource and fail to appreciate cultural and economic diversity. Discussing one tribal group in Nigeria, Bohannan (1955) writes:

Tiv pride themselves on their family abilities and their subsistence wealth. Today however their ideas of economic exchange and their traditional methods of investment and economic aggrandizement are being undermined by a new economic system which demands different actions, motives and ideas. (p. 60)

Unfortunately, similar things can still be said about other traditional peoples, including the Inuit and the First Nations people of North, Central, and South America. Ethnic groups and communities worldwide are under intense pressure to abandon their cultural and economic way of life in the name of economic development. An Inuit elder leader narrated to me the conflict and divisions that development programs created in his community of Rankin Inlet in the Canadian Arctic. He reported pressure to adopt and engage in 'entrepreneurial' behaviour, explaining that values such as personal gain and individualism being encouraged as part of the drive for economic development contradicted their traditional way of provisioning based on collective undertaking and sharing. Young people, he said, are no longer attracted to learning traditional skills; and if they do, it is only for leisure. The Inuit community of Rankin Inlet indeed are making efforts to build community-based commercial activities based on customary skills. However, there as elsewhere their efforts often go under-appreciated. There is frequently a clash between officials in charge of economic development offices and educational institutions on the one hand, and community leaders on the other.

As result of misunderstandings like these, CBEs' efforts are often constrained and even discouraged. Most of them, in many different countries, are not well supported by financial and legal institutions in their struggle to overcome other productive challenges such as under-capitalization and reduced access to technology. What lies behind the clash are different understandings of development and entrepreneurial activity.

Finally, CBEs not only have to manage in a global environment dominated by giant MNCs that have the advantages of mobility, outsourcing, and scale to cut costs, but they also have to deal with the ideology created by them. Globalization is not just about a set of business ideas and practices, as it also embodies 'a set of political ideas and beliefs coherent enough to warrant the status of a new ideology, but also constitutes the dominant ideology of our time' (Steger, 2005, p. 11). In fact, this ideology promotes values and norms of consumerism as constituting identity around world. MNCs with well-built marketing budgets decide what is produced and consumed everywhere. They define what is 'normal' and

‘authentic’ (Guliz, 1999). The products of TNCs are regarded in poor countries as modern, fashionable and consequently highly desirable, and as status symbols (Friedman, 2000). In this way, global competition can have the effect of threatening the survival of any local firms, including CBEs. A simple example is a CBE that produces local soft drinks while the young people prefer to buy Coca Cola.

### Conclusions and Further Research

I have shown that with their rich endowments of non-monetary exchange embedded in a tradition of reciprocity, CBEs possess a resource well-equipped to provide sustained competitive advantage. Three primary conclusions may be drawn from this.

First, CBEs, with their access to this resource, have strong potential as instruments of provisioning and improved well-being in communities that may be relatively disadvantaged with respect to other resources. They should be searched out, encouraged, and supported by appropriate financial and legal arrangements.

Second, CBEs have great potential, and we should recognize and take advantage of the diversity of economic logics that exists in different regions and locales. Too often, CBEs are seen as instances of one basic economic form in various stages of development, and in need of re-direction when they stray too far from the standard form.

Third, the arguments given above should underline for us the potential of culture as a resource, and not – as often argued, an impediment – in improving well-being for disadvantaged peoples.

There needs to be significant research in locating other forms of enterprise that exploit this same resource of reciprocity and solidarity as a non-monetary contribution to the common good. It is grossly under-recognized the extent to which the functioning of many contemporary societies and economies depends in elements of co-operation, trust, reciprocity, and the ‘gift economy’ (Offer, 2006). Features of reciprocity and gift economy are the basis for the functioning of families and communities in every society.

For example, rural families in North America as well as in the former Soviet Union engage in a wide range of alternative economic activities that exploit reciprocal exchange as protection from poverty. Alternative market arrangements, such as local currencies, community support agriculture initiatives and micro-credit create a context for the co-existence of monetary and non-monetary relations (Hinrichs, 2000; Pratt, 2007).

Even open source software is often cited as an outstanding example of the reciprocity-based gift economy, creating openness and relationships among people sharing and developing the software, while challenging digital commodification (Best, 2003).

The above are just a few examples of the role of non-monetary reciprocity in contemporary life. The volunteer element is also significant in the not-for-profit sector in Canada or in global institutions such as Habitat for Humanity. In business, research on immigrant ethnic enclaves in the last fifteen years has contributed to our understanding of the role that personal networks have for starting a venture (e.g. Fadahunsi, Smallbone, & Supri, 2000). What needs further consideration, however, is the extent to which communities, as collective units, may function as entrepreneurs and enterprises and may benefit from the gift economy and social capital at their disposal.

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