

Economic Development: A Pillar of Community Development

Economic development is one of the key elements in community development. Traditionally this meant looking outside the community to attract big business and industry. However, the links big business has to a community are tenuous and they can leave as easily as they came. And while no one denies the role that national or international corporations play in the economy, when it comes to developing community, encouraging local entrepreneurship has more stable results over the long term.

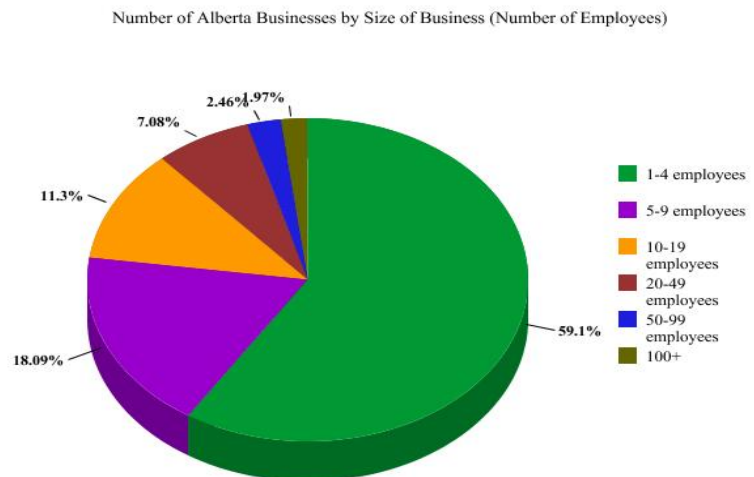


"This is our mainstreet showing the importance of an active business community in keeping the community going" (in response to the question "what represents sustainability in your town?")

Why is entrepreneurship important?

Direct Effects of Entrepreneurship and Small Business

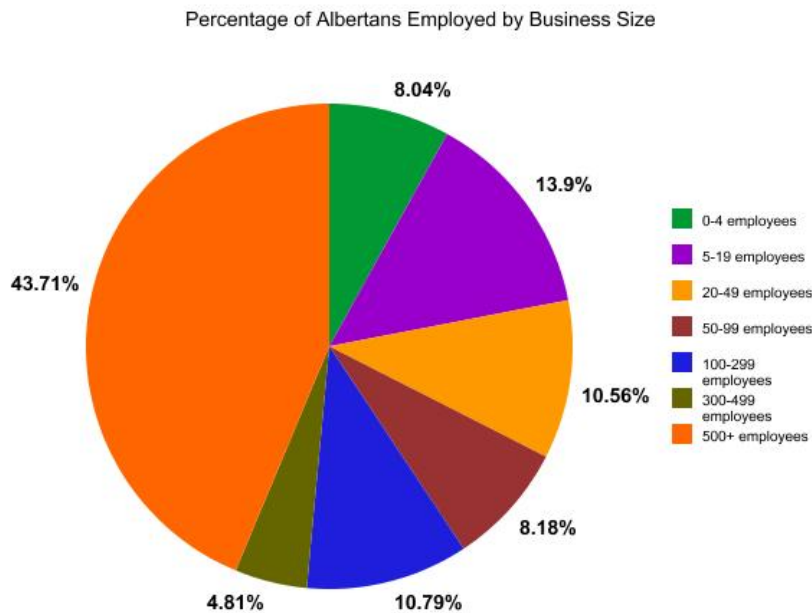
There is a powerful link between entrepreneurship and economic performance. Excluding self-employed entrepreneurs, in 2008 there were just over 1 million small businesses in Canada (those that have fewer than 100 employees). Those businesses employed nearly half of the total labour force in the private sector.¹ In Alberta, according to 2008 data, 98% of businesses were small business.²



¹ Industry Canada. July 2009. Key Small Business Statistics. http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/h_rd02395.html Accessed March 17, 2010.

² Industry Canada. August 2009. Business Establishments. Small Business Quarterly 11(2). <http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/rd02421.html> Accessed March 18, 2010.

Microbusinesses (those with fewer than 10 employees) are the foundation of the rural economy. An Oklahoma study found that one in every six households owns and operates such a business.³ Micro businesses employ local citizens and are an economic engine that causes cash to move through the community's economy. 2008 data show that 22% of employed Albertans worked in businesses with zero to 19 employees.⁴ In Saskatchewan, a greater proportion (between 56 and 82%) of rural home based business owners employed at least one person than did urban home based businesses (36%).⁵ Small and micro business clearly contributes to rural sustainability.



Indirect Effects of Entrepreneurship and Small Business

Communities characterized by progressive entrepreneurship are more likely to attract industry. Furthermore local business owners are likely to have a stronger sense of community than outside industry, and will remain in place, generating opportunities for both in-migration and further entrepreneurial development.

Rural home-based business (HBB) has a notable impact on rural economies as they are more likely than urban to have both customers and suppliers in other rural areas. Between 2-3 times more rural than urban home based business bought supplies from other rural areas, while up to 87% of rural HBBs had customers in neighboring rural communities.⁶ Local sales and purchases results in some cash staying in the local economy, where it recirculates to provide further opportunities for generating business opportunities, employment and income. Even where customers are from outside, there can be impact beyond direct expenditure in the HBB. Spending can spill over to other local businesses - an effect that

³ Muske, G., M. Woods, J. Swinney, C. L. Khoo. 2007. Small businesses and the community: their role and importance within a state's economy. *Journal of Extension* 45(1). <http://www.joe.org/joe/2007february/rb4.php>

⁴ Statistics Canada. 2009. Employment, by enterprise size, by province and territory (Alberta). <http://www40.statcan.gc.ca/101/cst01/labr83j-eng.htm> . Accessed March 18, 2010.

⁵ Ofosuhene, M. 2005. Urban connections with rural areas in home-based business: implications for sustainable rural development in Saskatchewan. Unpublished PhD. Thesis. Department of Geography University of Saskatchewan: Saskatoon, Saskatchewan.

⁶ Ofosuhene.

has also been found with farmers' markets -⁷ and visitors can end up moving to the area and make social, as well as economic, contributions to the community.⁸ The amount of impact a consumer or business can have in the local economy depends upon a number of factors, including the sector under consideration and the level of local/regional integration (i.e. where resources and products are sourced). None-the-less, the more the local business can capture customer dollars and re-invest those dollars in local employees, suppliers, and other inputs, the greater the positive effect on a community's economy.

Opportunities for Small Business Development

Between 2004 and 2007 there was an 11% increase in small business owners over the age of 50.⁹ Consequently, within the next 10 to 15 years over half of Canadian small businesses will need to be transitioned to new ownership or alternatively, closed down. A 2006 research found that two thirds of independent business owners were planning on exiting ownership or transferring control of their business by 2016.¹⁰ Building a local economy will be as much about developing and transitioning existing businesses as it will creating new ones. Looking to the future, one segment of small business entrepreneurs will be baby boomers who have retired from a job are looking for something else to keep them busy and support themselves and who can see small business as a way to follow a passion.¹¹ With rural Alberta having been the place many of these folks grew up, now is a good time to actively invite them back.

Entrepreneurship development requires a systems approach – a collaborative, regional approach of “connecting the dots” among resource providers within the public, private and non-profit sectors, between communities and schools, and from practitioners to policy makers. Encouraging, educating and supporting youth, as well as retirees, to take on entrepreneurial roles will have wide-ranging benefit for both individuals and communities.

Resources for Community Economic Development

The Canadian Centre for Community Renewal. The Canadian Centre for Community Renewal is a source of expertise and resources in starting and strengthening Community Economic Development (CED) organizations, revitalizing communities, developing community-minded businesses, CED curriculum design and delivery <http://www.cedworks.com/index.html>.

⁷ Guthrie, J, A. Guthrie, R. Lawson and Alan Cameron. 2006. Farmers' markets: the small business counter-revolution in food production and retailing. *British Food Journal* 108(7): 560-573. This study found that six shops within 100m of the market added hours to coincide with the Saturday morning market, identifying that such a move was worthwhile because of additional custom generated by market-goers.

⁸Ofosuhene.

⁹ Industry Canada. February 2010. The state of Entrepreneurship in Canada. http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/eng/h_rd01200.html Accessed March 17, 2010.

¹⁰ Bruce, D. October 2006. SME Succession: Update. <http://www.cfib-fcei.ca/cfib-documents/succession-2006.pdf> Accessed March 17, 2010.

¹¹ Campbell, A. 2007, January 25. Small Businesses of the Future. <http://smallbiztrends.com/2007/01/small-businesses-of-the-future.html> Accessed March 19, 2010

A tool that embeds economic development in community development more broadly, is the Community Capitals Framework. Communities have seven capitals to work with. Innovative approaches to entrepreneurship development are built on identification and recognition of the local form of those capitals, and the development of a system that makes best use of them. Community Development Practice has developed a worksheet for planning and developing community using existing capitals. The worksheet, with detailed explanation of the capitals, is available from <http://www.comm-dev.org/commdev/collection/2006%2013.pdf>

- **Natural capital** refers to resources, amenities, and natural beauty. Natural capital might include parks, farm land, and features of the landscape or of nature.
- **Cultural capital** includes what heritages are valued, collaboration across races, ethnicities, and generations, etc. Cultural capital influences what voices are heard and listened to; which voices have influence in what areas; and how creativity, innovation, and influence emerge and are nurtured.
- **Human capital** includes the skills and abilities of people.
- **Social capital** reflects the connections between people and organizations or the social glue that make things happen.
- **Political capital** reflects access to power and power brokers, such as access to a local office of an MLA or MP, access to local or tribal government officials, or leverage with a regional company.
- **Financial capital** refers to the financial resources available to invest in community capacity building, to underwrite businesses development, to support civic and social entrepreneurship, and to accumulate wealth for future community development.
- **Built capital** refers to the infrastructure that supports the community such as telecommunications, industrial parks, main streets, water and sewer systems, roads, etc.

Adapted from: Emery, M., S. Fey and C. Flora. 2006. Using Community Capitals to Develop Assets for Positive Community Change. *CD Practice*. Issue 13. <http://www.comm-dev.org/commdev/collection/2006%2013.pdf> Accessed March 18, 2010

The Centre for Innovative and Entrepreneurial Leadership (CIEL) is one organization that strengthens communities by helping them enhance leadership, community involvement and become more business-friendly. CIEL is a non-profit organization located in Nelson, British Columbia, a region where many communities are in transition as the global economy changes.

One of the practical community development tools developed by CIEL is the Business Vitality Initiative

(BVI). The (BVI) measures a participant community's business-friendliness, compares the results to other communities, and helps the participant community come up with strategies and actions for improvement.

Visit their website to see more about the BVI and other tools.

<http://www.theciel.com/index.php>

See how Alberta communities of Hanna and Vulcan are working on economic development in their communities. Go to www.rural.alberta.ca and click on the embedded video link.

Communities that have business vitality tend to possess the following characteristics:

1. Successful businesses want to **remain** in the community.
2. The education and business communities **work together** to provide convenient training.
3. The governing body is **committed to help existing** businesses or creating new businesses through **policy and action**.
4. There is a **vibrant, active downtown** area or community core.
5. There is an **up-to-date community vision** or plan which reflects the community's values and attitudes.
6. Entrepreneurial ventures and business creation are **encouraged and supported** by local governments.
7. The community has a distinctive or **unique brand** or marketing image.
8. Business **mentors and/or role models** are available in the community.
9. There is an **entrepreneurial development program** for elementary and secondary school students (K-12).
10. Businesses in the community /region **market** their products and services as a group.
11. **Quality rental space** is available to accommodate business expansion, attraction, or creation.
12. Groups with similar interests can form **alliances** and cooperate to achieve goals.
13. Local officials make it **easy/reasonable** for businesses to start or expand.
14. There is a recognized organization or individual **available to assist** people identify, assess, expand and/or create business opportunities
15. There are adequate **opportunities** (informal and formal) where business people and entrepreneurs can **network** with each other.

From: Stolte, M. 2008. Is your community business friendly? Tools to build entrepreneurial and vital communities. The Centre for Innovative and Entrepreneurial Leadership. Presentation to the Rural Matters Conference, July 2008, Edmonton, Alberta.