

Common goods and new local development process. The relevance of Community-Based Enterprises in Italy

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During the recent economic crisis, it has been widely discussed as to which policies and tools are most appropriate in order to come out from this negative period, characterized by a fall in GDP, rising unemployment and a worsening of social and economic exclusion. Moreover, the consequent dramatic reduction of public budget have increased the inability of the public sector to finance the traditional infrastructure-based services for the general interest and to deal with an increased and diverse range of societal needs. Facing these problems, it is clear that the potential development of local areas depends more and more on the ability of local actors to implement new initiatives and activities aimed at recognizing and take advantage of their specific local assets (natural, economic, human and cultural) in an ongoing interplay between endogenous and exogenous factors. (Becattini, 1989; Arrighetti and Seravalli, 1999; Trigilia, 2005). Only in this way is it possible to «promote the improvement of infrastructure and provide efficient economic and social services such as the influx of capital and business investment, whether it be local or external» (Trigilia, 2001, p. 429).

In light of this, a growing number of inhabitants began to take direct responsibility to finding new solutions to the specific problems and needs that affect their communities. Building cooperation among local inhabitants can be a way to produce general interest services and activities alternatively both to public intervention and to private market (Ostrom, 1990). Common goods and community are strictly linked and numerous experiences of ‘shared administration’ and ‘community management’ of commons or goods of general interest are developing in Italy (Sacconi and Ottone, 2015; Bombardelli, 2016; Labsus, 2017). These experiences help to overcome the traditional classification of assets based on public or private management, in favour of a classification (private good vs common good) that allows every citizen to benefit from their fundamental rights, and fostering forms of shared and actively participated management by inhabitants. Among this new form of collaborative economy and citizen participation, this paper wants to contribute to the literature on the governance of common goods and local collective action focusing on a specific type of local institution that has emerged in Italy in the last years: *Community-based Enterprises*.

Generally, Community-based Enterprises are organizations where the community acts both as an entrepreneur and as an enterprise to pursue multiple goals and activities capable of satisfying local needs and demands. In these enterprises the social foundation lies in the community and their impact is limited to a given location (e.g. a small village or a

neighbourhood) (Peredo and Chrisman, 2006; Vázquez-Barquero, 2003; Somerville and McElwee, 2011; Mori and Sforzi, 2018).

Community-based Enterprises represent a relevant phenomenon in both developing and developed countries since this model:

- (i) helps to overcome problems faced by many communities in poor countries or poor areas (MacLeod, 1986; Nelson, 2000);
- (ii) is a sustainable way to maintain autonomy of rural and indigenous communities (Sammy and Opio, 2005; Orozco-Quintero and Davidson-Hunt, 2010; Giovannini, 2015);
- (iii) represents an innovative response to the economic crises (generate economic growth), and to the worsening of social and economic exclusion (e.g. limited access to education, social services, housing, etc.) (Peredo and Chrisman, 2006; Somerville and McElwee, 2011).

In Italy, Community-based Enterprises are a grassroots phenomenon. They are the result of an intentional dynamic process developed by local actors that decided to implement different collective initiatives and cooperative strategies to provide new and shared solutions to emerging needs both in marginalized rural communities and in urban neighbourhoods struggling with different severe social and economic problems (declining population, lack of services, abandoned areas, etc.).

Community-based Enterprises have the following characteristic. They embodying values such as cooperation, reciprocity and territorial embeddedness since these organizations are owned, governed and managed by different local actors (e.g. inhabitants, local public administrations, private for profit entrepreneurs and third sector organizations) who belong to a specific 'place', share common interests, needs and goals. They implement cooperative strategies in order to produce and manage goods and services that are of general interest of a community. Their value driver is represented by the principle of *concern for community* (MacPherson, 2013), guaranteeing to the whole community the same access to goods and services produced or managed. In this enterprise model local actors act together to meet their needs: «we have not just a generic citizen participation [such as indirect citizen participation through political representation] but a specific kind of it, i.e. participation through a business organization they own» (Mori, 2014, p. 20). They are the same local actors who change their local environment. They are not passive spectators, but they act intentionally, communicate, interpret and manipulate the existing situations overcoming the path dependence and influencing the future institutional configuration.

Community-based Enterprises are usually multisectoral enterprises (e.g. agriculture, tourism, healthcare and social services, water or energy supply, cultural activities, etc.) and they produce goods and services in a stable and continuous way, drawing from processes of regenerating physical or immaterial common goods (EURICSE, 2016; Mori and Sforzi, 2018).

Common goods represent assets functional for the socio-economic development of both small towns in marginalized rural areas (i.e. regeneration of historical or naturalistic heritage for tourism purposes or uncultivated land for agricultural activities) and in urban neighborhoods (i.e. public spaces, abandoned industrial areas, abandoned buildings, etc.).

However, this type of goods are not immediately available to the community. After a long period of neglect and abandonment, in order to serve as infrastructures, enabling further economic or social activities, they need a process of renewal or reconversion, changing (sometimes) also their original function. A crucial aspect of these processes is the financing of investments needed, both in the start-up phase and later (maintenance and improvements). In addition, the implementation of a productive activity requires workforce, capital and the ability to generate an economic value that makes the financing and the exercise of the activity sustainable.

But how is it possible to ensure that common goods, able to generating economic value, are really used in the interests of the community and remain effectively on their own hands, preserving their destination for future generations?

Unlike traditional companies, Community-Based Enterprises are based on a voluntary agreement between different local actors who share goals and resources of the entrepreneurial action in the interest of the community and not for their own profit.

To ensure that, Community-Based Enterprises have to specific elements: they have a non-profit distribution constraint and an inclusive governance.

The non-profit distribution constraint, that can be either total or partial, is fundamental to ensure that the profits are reinvested in the enterprise or in new activities to satisfy the needs of the community. However, it is not enough to guarantee that the common goods are managed really in the general interest of the community. An open and inclusive governance is essential.

An inclusive governance structure means that all inhabitants have the same possibility to participate in the management of the enterprise and in the decision making process. They have direct access to internal information and they can contribute (i) to the definition on how to use the common goods; (ii) to economic support the enterprise; (iii) to decide which activities carry out; and (iv) how to allocate the profits generated by the activities. In this way, the Community-Based Enterprise allows the effective participation of all inhabitants who, directly or indirectly, benefit from its activities. The inclusive governance, characterized by participatory mechanisms of different stakeholders (employees, voluntaries, shareholders, donors, users, customers) and democratic decision-making processes, has many positive effects. First, it is necessary to correctly identify the needs of local inhabitants and to really pursue the general interest of the community, avoiding the risk of opportunistic behavior of specific groups (e.g. workers). Second, a governance in which all members of the community can participate helps to regenerating the relationships among local inhabitants and to developing new networks, increasing the sense of belonging to the community and social cohesion. Third, it contributes to develop greater responsibility in the use and management of the common goods both by inhabitants and local administrations, instead of eroding them, avoiding damaging consequences. In this way, the common good becomes the instrument for the local development of the community.

This is why Community-Based Enterprise represent, therefore, a new tool for the management of common goods by local communities.

The research has been conducted through a case study approach, a type of qualitative empirical investigation that explores a phenomenon in the context in which it is generated

and reproduced (Yin 2003). Through empirical example of different Community-Based Enterprises in Italy, the aim of this paper is two-fold. First, to describe and analyse the main characteristics and specificities of this new way of production, and their capability to create networks between different local stakeholders, foster citizen participation and act as new local institution. Second, to show the role of Community-Based Enterprises in managing common goods, promoting new development projects and innovative activities to improve the wellbeing and socio-economic development of local communities.

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