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Using group entrepreneurship to create new enterprises systematically

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This article discusses two innovative approaches to fostering group entrepreneurship to address the urgent employment and income needs of urban and rural workers in developing countries and countries undergoing privatization and structural change. One approach called 'group entrepreneurship projects' (GEP), is a rudimentary pre-cooperative approach to enterprise creation that is designed to assist the rural poor in developing countries. Another approach called 'co-operative entrepreneurship for enterprise development' (CEED), is designed to boost the economies and employment levels of rural and urban communities in both developing and industrialized countries through the systematic organization of modern worker-owned joint-production co-operatives in the industrial and service sectors. These two collective approaches to group entrepreneurship provide the basis for a dynamic employment and enterprise development strategy.

The most basic challenge of the coming decades in developing countries will be to create productive new jobs. Between 1987 and 2010, almost a billion new jobs will be needed in developing countries. Each year in the 1990s, developing countries will have to generate 36 million new jobs. (USAID, 1989, p. 90)

BECAUSE THE FORMAL economies in Third World countries cannot provide adequate employment and income-generating opportunities for much of their population, many workers are employed, underemployed or earn a meagre living from various self-employment activities in the informal economies. Currently, there are no visible solutions to the widespread unemployment and poverty. However, there are high expectations for what can be achieved by greater reliance on individual initiative and entrepreneurship.

Notwithstanding the importance of entrepreneurship and small businesses, individual entrepreneurs in any economy face formidable obstacles when attempting to start enterprises of any size or potential. The high failure rate of small business start-ups proves that entrepreneurship requires considerable technical skills and business judgment beyond the realm of microenterprises and self-employment. Too often the programmes used to stimulate and improve the survival rate of small enterprises are limited to the provision of incentives (investment tax credits, grants and subsidies), infrastructure (industrial estates, development banks), and markets (tariffs and duties on imported goods, local purchase preferences) which only the larger, better-managed enterprises usually utilize.

Designing new approaches to facilitate entrepreneurship

The shortage of individual entrepreneurs, the small number of entrepreneurship training programmes, the high failure rate of small business start-ups, and the lack of competent advisory services to aid these enterprises

The high failure rate of business start-ups proves that entrepreneurship requires considerable technical and business skills

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The co-operative
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approach

during their critical early stages suggest that the process of generating new businesses and employment is very difficult indeed.

The growing worldwide need for more enterprise and employment creation poses an important question: is it possible to organize ordinary people, even poor people in a Third World Country, with a desire to become self-employed or entrepreneurs, and teach them the skills needed to become successful entrepreneurs – to learn the skills of management, develop and market a product or service, and to organize and operate a successful enterprise – *as a group*? Conventional wisdom and some historical experience suggest that it is much more difficult, if not impossible, to carry out a 'group' approach to entrepreneurship. It is also true that because of this conventional wisdom virtually all entrepreneurship training programmes are based on the classical view of entrepreneurship; they are designed to promote and foster individual entrepreneurship. Little or no thought has been given or resources devoted to developing programmes to promote any other (heterodox) approach to entrepreneurship.

Fortunately, there is considerable evidence, based on valid historical experience, which suggests that the process of entrepreneurship can be carried out on a group basis; that the essential factors contributing to entrepreneurship can be successfully developed or made available in a systematic way to a number of people who want to engage in entrepreneurship as an organized group (Hansen, 1993b; Wales, 1941; Whyte and Whyte, 1992). This experience has demonstrated that the three factors of drive and leadership, ownership, and management, identified as being essential to successful entrepreneurship, can be made available to a number of people desirous of functioning as an entrepreneurial group; they can be both developed from within and induced from outside: by a person, a team, or a specially designed organization possessing the characteristics of entrepreneurship. This person, team or organization 'may function as an escort in the process of passing on these characteristics to another group which does not have them' or in which they may be dormant (Bogaert *et al.*, 1993, p. 157). The enabling organization may incubate and nurture the new group-owned and operated enterprise until it is able to proceed on its own and as part of an integrated complex of similar enterprises.

While one or a few members of the group engaging in joint entrepreneurship may provide the drive and leadership, the management factor may be shared with a larger number of the group membership, and the management shared with non-members hired as professional managers and consultants. The ownership and control of the enterprise are, of course, shared among all the members of the group, because they are financial investors, workers, and risk-takers in the enterprise.

The opportunity is now available to test this innovative entrepreneurship concept in a variety of settings today. Two models of group entrepreneurship, group entrepreneurship projects (GEP) and co-operative entrepreneurship for enterprise development (CEED), have been recently proposed to help meet the urgent need for greater enterprise and employment creation in today's world. These two models and the considerable experience on which they are based, also provide a serious challenge to those who maintain that group entrepreneurship is an aberration.

What are the essential features of group entrepreneurship for enterprise and employment creation incorporated in the GEP and CEED models? How are they initiated and implemented? A group, or groups, of people in a village or community who manifest the characteristics of entrepreneurship – a desire to be self-employed, a willingness to undertake something new, a willingness to take calculated risks and the ability to engage in a

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common productive activity and to take responsibility for financial resources – initiate the GEP approach. A specially created non-governmental support or escort agency assists them to organize and carry out the entrepreneurship process. The CEED group entrepreneurship approach integrates and expands the process and potential of the GEP approach. It is designed systematically to create new employment and income-generating enterprises on a larger scale and continuing basis using modern worker-owned joint production co-operatives, together with their specially designed entrepreneurship creating and business incubating organizations and their financial and educational institutions. CEED is initiated by a specially created non-governmental organization (NGO) which provides the leadership and support to identify, recruit, and help prospective group entrepreneurs in a community or region to organize, incubate, and operate new business enterprises which will become part of an integrated worker co-operative complex.

The principles underlying the GEP and CEED entrepreneurship approaches were independently conceived and developed by visionary and dedicated individuals who sought to improve the lives of poor and economically disadvantaged people in different parts of the world. Because of the potential of these two forms of group entrepreneurship to generate considerable employment and income for poor people in developing nations and for displaced workers in countries undergoing transition from command to market economies, their broader dissemination and replication is warranted.

Group Entrepreneurship Projects (GEPs) for the rural poor

The need for GEPs arose from the work of several academics who were concerned with the employment and income needs of the rural poor in India. In the mid-1980s, after 20 years' experience working with the rural poor in India, Father Michael Van den Bogaert and Sureswari Prasad Das at the Xavier Institute of Management in Bhubaneswar developed the concept of group entrepreneurship projects to start the process of rural industrialization and the alleviation of rural poverty.

They believe that 'attention [should] be given to group entrepreneurship as a possible manner of helping the rural poor in remaining or becoming again economically active in their environment, and develop a strong bargaining position *vis-à-vis* the market' (Bogaert and Das, 1989, p. 82). Examples of GEPs include helping groups of village farmers to organize to transport or market their produce, obtain credit, share a common resource, establish a milk scheme, and so on. Such a group approach could include the establishment of a client-owned supply or marketing organization for artisans, such as basket weavers, wood or stone carvers, who produce articles for local, national and international markets.

Based on Bogaert's and Das's previous development work in India, their concept of group entrepreneurship utilizes an NGO to assist groups of poor people to organize productive activities through pre-cooperative forms of organization. They state that 'to expect the rural poor to form co-operatives on their own and run them successfully, is not realistic' because co-operatives created under these circumstances are often subverted by unscrupulous individuals to achieve their own political or economic aims.

They believe that charismatic NGO leaders who espouse and practise the values of self-employment, innovation and creativity and have the ability to take calculated risks and financial responsibility can successfully promote the organization and economic development of GEPs for

The enabling NGO 'escorts the people through the process' of starting a group enterprise

groups of rural poor living in a village, or clusters of villages, who are tied together by a common lot, caste, and occupation and who depend on the same natural resources. The NGO staff must have expertise in entrepreneurship, trading, banking, marketing and other business skills.

In the 1970s, Bogaert and his associates developed a five-step development process consisting of people's awakening, education, organization, empowerment, and action at the Xavier Institute of Social Service in Ranchi (Bogaert, 1977). By using catalytic agents such as outside NGO agents to assume the roles of traders-middlemen-moneylenders in traditional Indian villages, a 'panchashila of people's development' can be initiated that 'escorts the people through the process till they reach a point where they can carry on by themselves' (Bogaert and Das, 1989, p. 6).

How group entrepreneurship projects are started

During the initial study and observation stage of a group entrepreneurship project, the NGO determines how the market functions, how the traders-middlemen-moneylenders operate, what problems are present, and how a new GEP could better serve the needs of the village or community. Then an NGO agent sits down with the group and explores with them the kinds of GEPs that could be started. A good GEP should be based on local resources in the form of locally available raw material, people's skills or the crafts they know. Together, the NGO agent and the group choose a business activity and begin making plans to take care of the primary backward linkages (inputs needed for the primary producers to start producing the products) and the forward linkages (marketing the goods produced).

Initially the NGO takes care of most of the backward and forward linkages. Secondary backward linkages might include improved technology, market information, research and development, and human resources training and development. Secondary forward linkages might include promotion, relations with government and other agencies, public relations, networking, and so on. Over time the NGO is expected to withdraw its initial discipline and professional management and hand over the arrangements for all backward and forward linkages to the members of the group. Bogaert and Das are of the opinion that the GEP model anticipates that 'co-operatives are the outcome of a group entrepreneurship project that has come to full maturity; i.e., where the people have assumed responsibilities for all the forward and backward linkages' (Bogaert and Das, 1989, p. 82).

During the first few months of production, the GEP moves forward carefully. Attention is given to policies that stress quality, discipline and steady action rather than profit chasing. Rules interlock the controls among the group in such a way that it is in every member's interest to observe them and see that others do the same. One rule is absolute honesty in the handling of money. Other rules might include depositing a small amount of the sales proceeds in a savings account for each participating member.

The final input needed to create successful GEPs is effective entrepreneurship training. GEP advocates believe that most of the training can be done in a non-institutional setting using participatory training techniques guided by a small team functioning as animators, educators and then as escorts of a group of people. The content of entrepreneurship training for a GEP includes three types of training components:

- *Motivational and achievement needs training.* This training should consist of: first, 'conscientization' – helping the group become aware of their problems, the opportunities available, the resources available,

The ideal of development using a GEP is self-reliance

and what can be achieved by working together; second, motivation – increasing people's desire to work together and building trust; and, third, strengthening and stabilizing achievement needs.

- *Technical and skill training.* This training can be accomplished through apprenticeships with skilled or retired persons, sending members to existing training facilities and eventually developing a training centre to serve GEPs in a cluster of villages.
- *Training in managerial skills and general information.* A group's managerial skills are developed through accounting, marketing and management training. Members who exhibit special abilities or inclinations in management and business and leadership should be sent on short courses and other training opportunities. Ultimately, some of them may even be sent for training in the Asian region or even to Europe and North America to attend specialized courses (Bogaert and Das, 1989).

According to Bogaert and Das, the ideal of development using a GEP is self-reliance: 'developing the ability and power of people, to make their own decisions, and to implement them; also to strengthen their bargaining relationship, with the market, so that they can obtain a good price for their products' (Bogaert and Das, 1989, p. 46–7).

Group entrepreneurship projects must address the question of the kinds of businesses to create and when and how to register them. Bogaert and Das believe 'the possibilities are very wide' concerning the types of income-generating programmes that could qualify for group entrepreneurship and that it should 'be left to the inventiveness of the supporting agency, along with the people, to find out what is feasible in a particular situation' (Bogaert and Das, 1989, p. 51). Concerning when and how to register a GEP business, they suggest that if after the initial start-up period a GEP demonstrates the promise of success, the NGO should consider launching it as a separate Registered Society or Co-operative Society. Though Bogaert and Das strongly support in principle the co-operative form of ownership for GEPs in rural villages, they believe that registering the GEPs in India under the Societies Registration Act is better, because co-operatives 'are subject to much more control and interventions by the Co-operative Department' and 'there is also a danger that the sickness that afflicts this department, including corruption, may affect the working of the GEP' (Bogaert and Das, 1989, p. 67).

According to Bogaert and Das, the *advantages* of the GEP over individual entrepreneurship include: it can reach the poorest of the poor; it conforms to the time-tested insight of Gandhi on village development – production by the masses for the masses; it helps the whole group and avoids exploitation by unscrupulous individuals; it enables people to maintain their traditional crafts and sources of income and helps to stabilize village economies; and it increases and spreads basic management skills among the rural masses.

The *disadvantages* of group entrepreneurship include: it is subject to the vagaries of the market, and the whole group could lose their livelihood if the enterprise fails; it could be killed by vested interests without a strong, independent (non-governmental) supporting agency; it creates a high level of dependency on the supporting agency, at least during the initial period; it may be rendered ineffective by a poor or bureaucratic supporting agency; and it may never become self-sufficient. A paternalistic relationship with a supporting agency may retard rather than promote the economic emancipation of the people, and their growth into a full-blown, independent co-operative society (Bogaert and Das, 1989).

A paternalistic relationship with a supporting agency may retard rather than promote the economic emancipation of the people

In addition to the potential problems of dependency and subversion cited by Bogaert and Das, another potential limitation of the GEP form of collective entrepreneurship is that it may not be able to generate the types and sizes of enterprises and levels of economic activity needed to boost the economy of a village or region beyond the subsistence level.

The CEED group entrepreneurship model

The CEED (co-operative entrepreneurship for enterprise development) model overcomes many of the disadvantages and limitations noted by Bogaert and Das of the GEP form of group entrepreneurship. The CEED model was developed after fifteen years of research on the historical uses of group and co-operative entrepreneurship for employment creation, the consequences of structural change and plant closings on workers and communities, the potential and limitations of business incubation projects, small enterprise development programmes, and community economic development efforts, and a review of recent studies carried out on group entrepreneurship and small enterprise development programmes.

Antecedents of the CEED model include the Indusco Co-operatives developed in war-torn China in the late 1930s, the Mondragon industrial co-operative complex developed in Spain in the 1950s, and a number of innovative entrepreneurial initiatives developed in Asia, Africa, Europe and North America in the 1970s and 1980s (Hansen, 1993b; Adams and Hansen, 1992; Haugen, 1990; Rensburg, 1984; Quarter and Wilkinson, 1990; Wales, 1961; Whyte, 1961; Whyte and Whyte, 1991).

The CEED model is an integrated approach to enterprise and employment development. It enlists group entrepreneurship in the form of a carefully designed system of new worker-owned joint-production co-operatives and support mechanisms to battle widespread unemployment and poverty in both rural and urban areas in developing and industrialized countries (Hansen, 1993a; Hansen, 1993b). It also promotes economic democracy by giving workers an opportunity to participate in the management of what Albert Thomas, the first Director-General of the International Labour Organization described as 'an organization of labour in agreement with the workers' deep yearnings' (Lambert, 1963, p. 191). The CEED model is designed:

- to address the urgent need for employment opportunities in developing countries;
- to provide employment and income-generating opportunities to workers and managers in countries moving from command to market economies and undergoing privatization;
- to provide a viable alternative to the failure-prone individual, *laissez-faire* approaches used or emphasized in most development programmes; and
- to use the concepts and principles of economic democracy, worker-ownership and co-operatives to address contemporary employment needs.

The basic CEED model consists of four interrelated steps: first, institutionalizing and systematizing the process of entrepreneurship; secondly, shifting entrepreneurship from individuals to groups, thereby emphasizing self-reliance through 'collective self-employment' and 'group entrepreneurship'; and thirdly, promoting the establishment of new worker-owned industrial co-operatives that encompass unique organizational and financial principles and are supported by specially designed

The CEED model is being promoted in the Asia and Pacific Region

support structures that enhance their successful start-up, growth, and employment-creating potential. Finally, the model advocates using the knowledge gained from small-scale enterprise development programmes and entrepreneurship training programmes to expand the pool of group entrepreneurs, increase their technical and business skills, and improve the survival rate and economic viability of the new worker-owned joint-production co-operatives.

Because of the urgent need for employment and income opportunities in many countries and the growing awareness of the potential of this group approach to new venture creation, efforts by the ILO to promote the CEED model in the Asia and Pacific Region are now underway (Hansen and Mogensen, 1994). The CEED model is also being introduced into central and eastern Europe as part of ILO/UNDP efforts to promote innovative approaches to local economic development in countries undergoing structural changes as they change from command to market economies (Hansen, 1995).

Extensive research and past experience in promoting co-operative entrepreneurship and worker co-operatives indicate that eight elements are necessary to launch a successful CEED model group entrepreneurship programme.

A suitable co-operative structure

The modern worker-owned joint-production co-operative is a unique category of co-operative. The specially designed capital structure of these co-operatives establishes a realistic, co-operative basis of ownership, equity, and the distribution of profits based upon the worker-owners' individual capital investments and labour inputs, and nurtures and retains a cadre of professionally trained managers. These for-profit co-operative business enterprises are owned by the people who work in them to produce jointly goods or services for sale in the marketplace. The worker-owners control the co-operatives on the basis of one person-one vote. They elect the board of directors who make the policies for the enterprise and hire professional managers to operate them successfully. (For a fuller explanation of modern worker co-operative principles see: Adams and Hansen, 1992, and Feldman, 1989.)

The capital resources needed to start and expand these enterprises come from the worker-owners' initial equity investments, loans from other financial institutions and subsequent loans from the enterprise's net profits allocated to the members' individual internal capital accounts. As a condition of membership, the worker-owners make equal capital investments. Their initial investments are maintained in individual accounts called 'internal capital accounts' which also accrue the worker-members' portion of the enterprise's yearly net profit (or loss). These internal capital accounts and the retained earnings deposited in them strengthen the enterprise's capital base and provide resources to expand the business, obtain new equipment and technology and remain competitive. Interest is paid on each member's internal capital account at a rate determined by the board of directors.

Unlike the traditional 'common ownership' form of workers' co-operatives, in which the worker owners do not accrue an individual share of the growing capital value and equity of the enterprise, when worker-owners of a CEED co-operative retire or leave, they exchange their membership certificates for their original capital investments *plus* (or minus if the enterprise lost money) the balances in their internal capital accounts. (When a companion credit co-operative or workers' bank is

The capital resources come from the worker-owners' initial equity investments

The CEED uses the concepts of economic democracy to address employment needs

The CEED model aims to avoid the failure-prone, individual *laissez-faire* approaches emphasized in most development programmes

The equity share increases the worker-owners' motivation and commitment

The Co-operative Entrepreneurship Teams are the heart of the CEED model

The team identifies suitable business opportunities and market gaps in the region

created as part of an industrial co-operative system, the members' internal capital account money is deposited in this institution where it can be used to finance the start-up of additional new worker-owned industrial co-operatives.)

This unique form of worker-owned co-operative increases the worker-owners' motivation and commitment and reinforces their adaptability and flexibility. It also encourages innovation by management and provides the money to build productive business enterprises and obtain the capital to create new ones. Most importantly, it has the capacity and mission to build stronger, larger industrial co-operatives and directly generate substantial numbers of jobs and greater income for the people who are prepared to undertake the risks and challenges of group co-operative entrepreneurship.

A mechanism for institutionalizing entrepreneurship

When a group of prospective co-operative entrepreneurs decides to undertake the process of establishing a new worker-owned industrial co-operative, they sign a contract of association with the CEED programme NGO. This agreement enables them to receive or obtain the entrepreneurial assistance, financial support, management assistance and training they need to incubate and launch a new co-operative business. In return for this assistance, they agree to put up the necessary equity, adopt the CEED worker co-operative ownership structure, abide by the financial requirements, make regular financial reports to the CEED financial arm and become active members of the CEED co-operative complex. With the signing of the agreement, a Co-operative Entrepreneurship Team (CET) and other CEED support institutions begin working with the group to start a new business enterprise.

The Co-operative Entrepreneurship Teams (CETs) are the heart of the CEED model. They are compact, dynamic teams of highly skilled professionals who are strategically located in communities or geographical regions to promote the concept of co-operative entrepreneurship, identify business opportunities and determine their feasibility. They institutionalize the entrepreneurship process and greatly increase the probabilities of successful business start-ups by providing guidance, business planning assistance, and support services to groups of prospective co-operative entrepreneurs.

The CET staff consists of a small cadre of full-time experienced business professionals who have expertise in at least one of three areas: organization and management, engineering and production, and business (finance, marketing, and accounting). They are capable of conducting feasibility studies, writing business plans, performing promotional work, assisting in product development, and carrying out other tasks associated with industrial co-operative enterprise creation and development.

Their objectives are:

- to increase the number of people with entrepreneurial characteristics and business skills;
- to evaluate resources and raw materials and to identify suitable co-operative business opportunities and market gaps in the communities or regions;
- to match people who have entrepreneurial characteristics and desires to become co-operative entrepreneurs with business opportunities and to facilitate the business formation process; and

The institutional framework must allow the members to solve their organizational problems on an ongoing basis

Education and training are critical to the members of industrial co-operatives

- to create economically viable for-profit worker-owned co-operative businesses.

A suitable legal and institutional framework

A suitable legal and institutional framework that enables the worker-members to meld the individual components of co-operative entrepreneurship and the co-operatives created through the CEED programme into an integrated functioning network or system capable of evolution and expansion must either exist or be established in the community or country. Co-operative legislation based on worker-owned co-operative principles and designed to promote the organization of modern workers' industrial co-operatives must be in place or be passed by the appropriate legislative bodies. The legal or institutional framework for the co-operative group or system must allow or enable the members to solve their organizational and business problems on an ongoing basis, to meet new challenges and changing conditions and to achieve the goals and objectives of the system.

A linked financial institution

Because systematically creating substantial numbers of new worker-owned businesses requires additional capital beyond that which the worker-owners can supply, all avenues must be explored when establishing an appropriate credit and savings co-operative, CEED development bank, venture capital fund, or other financial mechanism to support the CEED programme. A bank or CEED financial arm or institution (CFI) obtains needed capital through mobilizing savings in the community, obtaining grants from government small enterprise or co-operative development programmes, lending institutions such as the World Bank, foundations, international donors and commercial banks and financial sources.

The CEED financial staff, working in close co-operation with the CET staff, act as financial advisers, venture capitalists and bankers in securing or providing the necessary funding to create viable new co-operative businesses. They must have sufficient expertise to evaluate the financial aspects of any proposed business start-up, expansion or conversion. Under the terms of the contract of association each new co-operative signs, the CEED financial arm staff also serve as advisers to existing CEED worker-owned businesses by monitoring their financial health, helping them to remain financially solvent, and by assisting them to obtain capital to finance expansion, maintaining their competitiveness, to take advantage of new business opportunities.

A linked education and training institution

Education and training are critical to the members of industrial co-operatives. An educational and training institution created and controlled by the worker-members in the CEED system is needed to promote a co-operative enterprise culture among them and to help them become more efficient and productive as business persons and more democratic and participative in managing their organizations. A CEED-run educational and training programme is also needed to provide technical, business, and co-operative training to prospective co-operative entrepreneurs and selected groups of young people who are interested in becoming co-operative entrepreneurs.

A coherent set of values, goals and objectives

For the CEED worker-owned co-operative system to succeed over time, co-operative entrepreneurs must subscribe to a common, coherent set of

Cq-operative entrepreneurs must subscribe to a common, coherent set of goals and principles

goals, objectives and guiding principles. The owner-members must identify and articulate these principles and inculcate them in the present and future membership through an extensive, continuous educational process. The underlying philosophy for CEED-affiliated co-operatives should include such principles as job and enterprise creation, employment security, human and social development, autonomy and self governance, and solidarity (Whyte and Whyte, 1991).

The development of networks, groups or federations

As the CETs and CFI incubate a number of new worker-owned co-operatives in a community or region, they must establish linkages to provide the advantages of joint activities such as obtaining market information, marketing products and purchasing raw materials. Linkages among worker co-operatives reduce the costs of doing business and enable the enterprises to be more competitive in their industries and regions. At a later stage in their development, group arrangements may be established for research and development, joint bidding on large projects, joint production of goods and services, and the like.

CEED programme organizers and worker co-operative managers should explore the success of the small manufacturing firms in the Emilia-Romagna region of Italy and elsewhere in establishing networks and other co-operative arrangements for mutually beneficial group activities and introduce practices which are applicable to their own programmes (Pyke, 1992; Hansen, 1995).

It is anticipated that over time the CEED programme, either on a regional or national basis, will evolve into one or more fully fledged co-operative 'complexes' or 'systems', with the CETs, the financial arm and the training centre becoming second-degree co-operatives owned by and serving the needs of the CEED-affiliated worker-owned joint-production co-operatives.

A plan for implementation

The creation of a viable worker co-operative entrepreneurship system with its requisite support mechanisms, requires more than a contractual agreement between a group of prospective entrepreneurs and CEED programme officials, start-up financial resources provided by an international donor or lending agency, and the blessing of a sympathetic co-operative development department or government. It requires a substantial planning and organizing effort by competent, knowledgeable people, starting with the creation of a task force or steering committee, to bring it into existence. It cannot be done on an *ad hoc* basis by one or two individuals, regardless of how talented or dedicated they may be. Furthermore, experience suggests that a successful CEED programme cannot be developed if the promotion efforts are assigned to or housed in co-operative development departments or small business development agencies. These agencies are not equipped or suited to provide the type of leadership and support needed for launching a CEED programme (Abell and Mahoney, 1988).

Advantages of the CEED programme

The integrated CEED programme fosters employment and enterprise creation by:

- achieving a high rate of success in new enterprise creation;
- emphasizing work and self-reliance;

Mondragon has demonstrated the ability of a well-designed worker co-operative system to survive over time

- providing a buffer against economic difficulties;
- mobilizing resources;
- providing economies of scale and opportunities for networking;
- reaching populations not served by other public programmes;
- developing human resources;
- increasing the supply of group entrepreneurs; and
- incorporating the best features of private enterprise and co-operatives.

Potential problems with the CEED programme

Just as with the GEP approach to co-operative entrepreneurship, the CEED approach to enterprise development is not risk free. Some risk is always present in business ventures given the nature of a market economy. The capital stake at risk in worker-owned CEED-affiliated industrial co-operatives may be considerably higher than in a GEP-initiated enterprise due to the larger size and scope of the enterprises. However, Mondragon has demonstrated the ability of a well-designed worker co-operative system to survive and flourish over time (Whyte and Whyte, 1991).

The CEED model is designed specifically to promote group entrepreneurship and worker-owned joint-production co-operatives and not other types of co-operatives or other forms of business structures, important as they may be. Unfortunately, the principles behind this unique CEED programme for enterprise and employment creation are misunderstood by most people. Consequently, it may be difficult to communicate and sell the idea to prospective group entrepreneurs, potential donors, politicians, co-operative or small enterprise development departments, and financial lending agencies. Some may even view the CEED approach to enterprise and employment development as a threat to existing programmes for small enterprise or co-operative development (Hansen, 1993a). Considerable efforts would have to be made to inform and educate all the groups and constituencies whose support or approval may be needed to start and operate a successful CEED programme.

Because establishing a viable CEED group entrepreneurship programme would require considerable organizational ability and financial resources, it may be difficult to obtain adequate resources to establish the full complement of entrepreneurial mechanisms and support institutions needed to successfully launch it. Implementing only one or two elements or components of the CEED model may doom the whole undertaking to failure. Grafting it onto existing entrepreneurship development programmes, or using government-run co-operative development agencies or existing NGOs to develop and implement it, would probably result in failure because of the widespread lack of understanding the principles of worker ownership and the nature and operation of modern worker-owned joint-production co-operatives.

Well-meaning organizers imbued with knowledge and enthusiasm about other (client-owned) forms of co-operatives might be tempted to co-opt or redesign the CEED programme to create the kinds of co-operatives with which they are familiar. Such efforts could diffuse the entrepreneurial focus, reduce enterprise and employment creation, dissipate the limited resources, and completely discredit group entrepreneurship and worker co-operatives in a community or country. Unfortunately, the landscape in some countries is littered with the

Implementing only one or two elements of the CEED model may doom the whole undertaking to failure

The landscape is littered with the wreckage of failed would-be 'producer' co-operatives

wreckage of failed 'producer' co-operatives or the presence of isolated, weak, marginal enterprises which were started using conventional approaches to worker co-operative development in an attempt to promote economic development or serve some other purpose (Abell and Mahoney, 1988).

Because the CEED model is not easy to understand, organize, or operate, it may not lend itself to use by the poorest of the poor in rural villages. However, the Indusco experience in China demonstrated that competent, dedicated leaders, using a systematic approach and the proper support mechanisms, could successfully implement this form of group entrepreneurship and worker ownership among poor and uneducated people on a large scale (Wales, 1941; Alley, 1989). The Indusco and Mondragon experiences also reinforce the critical importance of having an educational component, and of implementing the full complement of support mechanisms and carefully integrating them in a coherent, dynamic group entrepreneurship system (Alley, 1989; Hansen, 1993b; Adams and Hansen, 1992; Meek and Woodworth, 1990).

The organization and implementation of a CEED group entrepreneurship system in any country would require a sustained effort over a long period of time – perhaps five years – before significant results would be obtained. Success would probably come slowly. (The highly developed Mondragon system in Spain incubates a new business enterprise for up to two years.) However, most donors and development agencies want to fund projects for relatively short periods of time and want to see quick results. Consequently, it might be difficult to sell the CEED model of long-term development, even if the results over time would justify the expenditure of funds and effort.

The potential of the GEP and the CEED models to generate employment and income

Although the GEP and CEED models are designed to promote systematically group entrepreneurship, self-reliance, collective self-employment and foster small- and medium-scale enterprise and job creation, neither of them is considered to be nor intended to be a panacea. In developing countries such as the Sudan or Somalia, survival in the midst of civil war and famine, inadequate rural infrastructure and the unique economic, cultural and social circumstances of the people and their communities may require different approaches to development and modified versions of the GEP or CEED models. However, based on considerable research and experience, these two models appear to have considerable potential to generate employment and income and foster economic self-reliance in many countries and economies.

The GEP model developed by Bogaert and Das is excellent for facilitating job and enterprise creation at the basic pre-co-operative level and on the smallest scale for the rural poor. It holds considerable promise for the rural poor in India and other developing countries who want to earn a living by undertaking small-scale entrepreneurship in a sustainable village economy.

If the objective is to create viable business enterprises to generate jobs and income on a larger scale and more sophisticated level in both rural and urban areas, consideration should be given to adopting the integrated CEED model which uses a dynamic combination of group entrepreneurship, business incubation and modern worker-owned joint-production co-operatives. When carefully designed and fully imple-

The implementation of the programme would require sustained funding over a long period

The group entrepreneurship model is appropriate for the pre-co-operative level and on the smallest scale for the rural poor

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mented using the CETs and the other essential financial and educational support mechanisms, the CEED model holds considerable promise for creating substantial employment and income, expanding economies, and improving the lives of people in rural villages, urban communities, and countries.

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