

ABSTRACT

Many academics are disturbed by the suggestion that researchers should become more concerned with applied research that has an impact on society. Applied research is usually understood as serving large business corporations concerned with profit. In contrast, pure research is taken as the pursuit of knowledge for the sake of knowledge.

This paper seeks a middle path by presenting a method for Action Research that is both scientific and that results in practical social-economic impact on a local society. The method is divided into eleven systematic steps.

To illustrate, I take a case of university-based research dedicated to solving some local social-economic problems. I explain how universities can be agents in helping to rectify problems of exclusion in their local society. It discusses the notion of research, regional disparity, and how to organize community capital to achieve significant business objectives. Here the method is applied to BCA Holdings Ltd, a not-for-profit company dedicated to raising capital for local job-creating business in an area of high unemployment. Various theoretical notions of business come into play such as clustering, outsourcing, core competencies, e-commerce, etc.

The first part of the paper mainly concerns the notion of Action Research. The paper then applies the method to community finance. Both are in the context of community-oriented business.

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Action Research for Community Business Development

by Greg Macleod

Over the years there has been a debate about the utility of university research. A number of years ago, the president of SSHRC (Social Sciences and Humanities Research Council of Canada) suggested that academic researchers should become more oriented to the needs of the general society. He called on academics to “show how our research benefits our fellow citizens.” (Renaud, 2003.) Many academics such as the Canadian Sociology and Anthropology Society have strongly criticized this orientation, suggesting that such an approach could limit academic freedom. The issue is extremely important. (See <http://alcor.concordia.ca/~csaal/sshrcbriefcsaa.htm>.)

Should public money be used to support autonomous, investigator-driven research, or should it be used mainly to support research useful to society? One can argue that all research is at least implicitly useful to society, so I will restrict the question to explicit and obviously useful research. Some universities in Canada now speak of royalties on commercial patents as an important source of university revenue. Within the wide range of academic research, I can speak of two extreme opposites: pure research versus commercial profit-making research. Conventional business corporations often seek the help of academics to make greater private profits. This seems normal in the world today. The *Chronicle Herald* (2004) reported: “‘There is nothing wrong with being greedy,’ Edward Greenspan told a Canadian conference of corporate lawyers in Halifax on Tuesday.”

My paper does not dismiss either type of research. We can learn much from classical Greek philosophy but we are hard pressed when asked how this will create jobs. Rather, I argue for an additional kind of research that seems to fall between the two different poles: disinterested research or research sold to large business corporations. In contrast to these two types, I take a bit from each pole. Mine is based on sound disciplinary theory; yet it is oriented to society, not in the sense of mere private profit, but in the sense of innovative social improvement through the use of academic, intellectual resources.

The paper has two main parts. I first discuss the notion of “Action Research,” recognizing its various forms. Then I explain my experience of employing my method of social-economic Action Research. Each of the method’s 11 steps is explained through two components, the method itself and its application to a test case.

Action Research involves purposeful intervention in the society, in contrast to pure research and simple applied research. When we intervene as researchers to understand a problem in the world, it is never simply one isolated element that we are testing; it is impossible to filter out extraneous factors in the world of action, as is done in laborato-

ries.

In this case I have chosen to study the general problem of “economic exclusion.” This is an enormous challenge, so normally we break it down into manageable sub-sets. To be faithful to the reality of society, we must be as multi-disciplinary and as multi-dimensional as possible, because everything is connected to everything else. This paper describes particular experimental interventions focused on a community finance company called BCA Holdings Ltd. However, several kinds of experimentation, such as the following, are implicit in Action Research focused on local economic development. It is about:

1. Ways to modify the role of the university;
2. A certain kind of Action Research;
3. How to transform social capital into financial capital;
4. Disparity as spatially and not simply as socially structured;
5. Methods for economic development in marginalized regions;
6. Social enterprise and the social economy; and
7. Place-based development.

The University

I propose an activist role for universities in addressing some of the major social-economic problems of our day. However, the role must be more than simple activism through petitions and manifestations. It must be based upon sound theory and systematic empirical analysis that adds to the body of scientific knowledge. Otherwise such a role is not appropriate to a university. The main objective of this paper is to propose a methodology for Action Research which I shall illustrate with an empirical case. First I will discuss the notion of Action Research as such and then explain the methodology through eleven steps as applied to local community projects organized in Cape Breton, Nova Scotia, by a university-community group.

The context for this type of methodology is the changing role of the university and the changing nature of the economy. It is generally accepted that universities have become major partners in developing new products for major business corporations, especially the pharmaceutical and defense industries. This is particularly evident in the United States where MIT scientists have worked closely with the Lockheed Corporation. (Nusbaum, 2004.) Some academics have become very uncomfortable with this involvement on moral grounds. They consider that many such large business corporations carry on businesses that are harmful to many sectors of society. (Krimsky, 2003.)

Derek Bok, former president of Harvard University, contends that university-based science has become mainly concerned with the needs of large business rather than the needs of society. (Bok, 2003.) Universities need money, and wealthy industry needs sci-

ence, so it seems an irresistible marriage. On the opposite side are those who claim that the role of the university should be to seek truth and prepare young people to be responsible and democratic citizens. Is the university to serve big business or is it to seek knowledge for its own sake? Perhaps there is room in the university for both dimensions. I, however, would like to propose a third position.

Especially for those who see current university involvement as aiding and abetting economic exclusion and exploitation in the world, it is important to seek an alternative way of being involved in society. At this point, I make explicit a heretofore implicit assumption or value judgment. This paper assumes that universities should be involved in solving the serious social-economic problems of our day. This latter statement is a value judgment. It is difficult to justify complete withdrawal from world problems by universities in the name of pure science.

This paper is addressed to university members who believe that, at least, some parts of the university should be involved in seeking positive solutions to problems in society, especially the particular society where the university is located. Of course, there are many ways that the work of an academic does help society through all the disciplines from chemistry through poetry to philosophy and theology. Bertrand Russell argued that science always has the twin functions of teaching us both to know and to do. (Russell, 1953.) However, even though it can be argued that all valid science has at least an implicit impact on society, I will limit myself to university involvement in the economic sphere. My intent is to suggest methods such that the knowledge-power of universities can be directed to community improvement, especially to those communities suffering from harmful economic structures.

Action Research as a Method

The term Action Research has been used in many senses. Especially in the social sciences, terms such as “participant-observer” have been used to imply that the academic researcher is closely involved in a real world situation, as distinct from the classical abstract and objective role typical of many university disciplines. Involvement of a researcher was particularly difficult in the days when an absolute distinction was accepted between “fact and value.” Fortunately, prominent academics now agree that such a clear distinction is not justified. (Putnam, 2001.)

In developing my approach, I began with the model used by researchers at Cornell University.

Action Research is social research carried out by a team encompassing a professional Action Researcher and members of an organization or community seeking to improve their situations. ... Because it is a research practice with a social change agenda, it involves a critique of conventional academic practices and organizations that study social problems without trying to resolve them. ...

AR refers to the conjunction of three elements: research, action and participation. (Greenwood, 1998, pp. 4 and 6.)

Ananaja Mukherjee of York University put it this way in an unpublished paper :

Most simply put, AR implies a process of research where the purpose of the research is not only to study the existing reality but to engage in an effort to transform it. In this model, research assumes a catalytic role and produces both a new dynamic and concrete, studiable changes in the reality that can then be actively inducted into the process of knowledge creation. A requirement of AR is that the separation between “researcher and researchee” is dissolved—so as to avoid the weakness of conventional methods which view “affected persons and groups” as being passive and incapable of analysing their own situation and identifying solutions to their own problems. (Mukherjee, 2006.)

A group in Monash University in Australia has also developed an activist method in research. The primary goal of the Monash project is that of developing practitioner-scholars capable of bridging the realm of ideas and the world of action. The belief is that practice without theory is ultimately doomed to repetitious failure, and that theory unproven by practice remains sterile and meaningless. Burnett (1999) suggests the Collaborative Cohort Model (CCM) for research where the Ph.D. candidate combines work with part-time study. It is learning while doing.

Based upon a review of such experiences in Action Research as well as the assessment criteria used by the National Health Service in the U.K. for Action Research projects (Waterman, 2001), the work of the Princeton group (Greenwood, 1998), Monash University in Australia and, of course, my personal experience, I am proposing my own approach. This approach is especially oriented to the problem of economic exclusion in marginalized regions and developing enabling structures to help correct such exclusion.

Fundamental to the notion of Action Research is the “team.” Action Research is problem oriented, so it must be interdisciplinary to be comprehensive. Here the research quality of each discipline is important. For instance, if we are dealing with corporate structures, the input of a very good specialized law historian is important. If we are involved in Action Research regarding tourism, the role of a social science specialist in impact evaluation is important. Action Research makes it possible for discipline specialties to coalesce and become very important in solving real world problems. (Klein, 1990.)

I assume there is always a political dimension to economic exclusion. However, I set aside this dimension and focus on what local people can do in addressing a local problem. I propose a simple method consisting of eleven steps.

Steps in my Action Research:

1. Theoretical analysis of a problem as generalizable;

2. Determination of causes;
3. Formulation of specific theses to be tested;
4. Selection of causal factors to be altered;
5. Choice of relevant community partner;
6. Formation of initial committee composed of academics and community leaders;
7. Organization of a change-agent institution;
8. Development and implementation of an action plan;
9. Ongoing evaluation and rectification;
10. Impact analysis of the intervention; and
11. Dissemination.

In what follows, I will explain each step in the method and illustrate it with the BCA case.

1 Theoretical Analysis of a Problem as Generalizable

1.1 *The Method*

The first step in this kind of Action Research is to choose a problem that is manageable and generalizable. This process is usually initiated by one or more university researchers. The kind of problem chosen will depend upon the faculty members available and interested, as well as the context of the target area. In each particular context, the problem must be manageable and have some level of universality. The researchers must be able to point to other areas where a similar problem exists, so their solutions can be tested in other cases. The problem must be rich enough to allow analysis of significant factors in the problematic. Usually problems in society are many-layered and multi-dimensional. However, researchers have to limit themselves to some of the factors if the project is to be manageable.

A very important methodical distinction must be made here concerning causality. In the rationalist tradition we assume that events have causes that can be analyzed, but the causes are really infinite. Hence we have to choose causes that are more or less proximate. Also, we distinguish between causes that are necessary but not sufficient. For instance, for a business to be successful capital is a necessary but not sufficient factor. Quality management is also necessary but not sufficient; but the two together can be very effective.

My type of research is also thematic. The focus of research, as mentioned above, is economic exclusion and how to respond to such exclusion through the design and implementation of new kinds of corporate business structures which are often called “social enterprises” or “community businesses.” Thus, within the general problematic such as economic exclusion, we can tackle various causes such as capital drain, brain drain, knowledge drain; and I develop various experimental responses such as a new financial investment structure, a new kind of university, an educational system, etc. So we take

this general problem and during the course of years, we treat various sub-sets of the same problem.

The uneven distribution of wealth and resulting exclusion is a fact. The theories of why this is so are abundant from Karl Marx and Adam Smith in the nineteenth century to many more in the twentieth. (Machan, 1986.) From a theory point of view I will accept the general division of Habermas. (Reed, 1997.) Using his categories, I will consider governments and large business corporations as part of the “systems world” and community-based businesses as part of the “life world.” They are distinct in that they have different steering mechanisms. Large corporations are steered by profit and productivity. Community based business is steered by community service. These two aspects of society, in a Habermasian sense, are constituted and reproduce themselves on the basis of different forms of reason. On the one hand, the life world involves processes of cultural reproduction, social integration, and socialization based upon communicative reason. On the other hand, the systems aspects of society (e.g., the economic and administrative systems of modern states) entail processes of material reproduction and can be conceptualized in terms of a system guided by a steering mechanism (e.g., money, power) which operates on the basis of instrumental reason. Habermas points out that the growth of technology has been a powerful tool in making technocratic systems dominant. (Habermas, 1990.)

I theorize that it is possible to shift the basis of business from the systems world to the life world. To clarify, I would say that the Royal Bank of Canada is part of the systems world. It is governed or steered by simple quantitative measures of return on investment and benefits for shareholders. Community activist groups campaigning in favor of the unemployed and the poor are part of the life world. The steering mechanism of the community group consists of local needs and the common good. Of course, both kinds of rationality are present in any kind of successful business. The question is, Which will dominate? I hypothesize that it is possible to base successful business on social needs and local values.

I do make the assumption that business organizations are key agents of change in the world, at least in the economic order. (Bakan, 2004; MacLeod, 1997.) I do agree with Habermas’s notion that mechanisms are built into the organizational structure that guide the actions of the business corporation. If we change the mechanism from a purely self-centered one to an altruistic or communitarian one, we have changed the nature of the corporation. Pursuit of profit changes from being the main purpose to become a means to achieve explicit social purposes such as job creation. The difference between an activity being an “end” or a “means” is enormous. I am assuming that the dominant driving mechanism makes the corporation be what it is. That being so, one creates a new kind of corporation by changing its steering or driving mechanism.

1.1.1 *The Test Case*

I have chosen to address the general problem of “economic exclusion.” Some people benefit from business development and others suffer. All over the world, such exclusion is systemic and structural. Social exclusion or social disparity is a familiar notion. Most societies are divided into rich and poor. Progressive societies attempt to narrow the gap, while regressive societies allow the gap to widen.

There is, however, another kind of disparity or exclusion that is not so familiar. This second type will be my focus. This is geographic or spatial exclusion. (Amin, 2002.) “Places are seen as condensations of different social relationships coming together in the same time-space locations, with the density, variety and types of social relations that intersect there helping to define different types of place.” (Hudson, p. 25.)

Disparity may exist between nations, such as the well known North-South Divide. Certain places are poor while others are rich. Bangladesh could be considered poor and Canada rich. The same sort of uneven distribution of wealth exists in a single nation. The Northeast of England is poorer than the Southwest. (Hudson, 2000.) In New Brunswick the Northeast Acadian area is much poorer than the Southwest Anglophone area. Cape Breton Island, Nova Scotia, is poorer than it’s capital, Halifax. Capital regions tend to prosper and grow while the peripheral regions deteriorate. Rural and small-town areas decline for the benefit of increasing mega-cities. Thus it is a general problem. (Seers, 1979.)

In the context of the perspectives of economic geography, I will focus on the problem of excluded places in wealthy countries, specifically Cape Breton, Canada. The problem is place-based, so the challenge will be to develop a place-based agenda that can counter some of the negative effects of the current dominant system. Harvey Johnstone, a co-researcher at Cape Breton University, is in the process of researching similar regions across Canada to determine factors which are common.

The Place Anyone who has confronted the problem of exclusion in economically distressed places will soon realize that two processes take place that create a vicious circle, capital drain and brain drain. Capital tends to flow towards the highest return on investment. This is self-evident in a capitalist society. Indeed, many writers claim that the managers of business are legally and morally bound to consider their primary duty the increase of shareholder wealth. (Clark, 1986; Friedman 1962.) In their view, capital should flow to the winners and avoid the losers. Success should engender more success and failure should lead to extinction.

At the end of the nineteenth century, Cape Breton Island was known as the repository of billions of tons of coal. This was the chief source of energy and industrial development for Canada at that time, and it continued until after the Second World War. In the early days, wealthy industrialists from Britain and then New York created an industrial boom. (*Canadian Trade Review*, 1900; MacEwan, 1976.) New mines and two steel

plants attracted immigrants from all over Europe and the Caribbean. Until the Second World War, Cape Breton was the destination of the largest number of industrial worker-immigrants in Canada. Agricultural worker-immigrants went to the West while industrial workers came to Cape Breton.

The case of terrible exploitation of miners and steelworkers and their families was notorious during most of the early twentieth century. (MacEwan, 1976.) Twelve-year-old miners were common and soon labor unions began to form. Between 1880 and 1939, the Canadian army was sent to Cape Breton on an average of once every twenty years to put down worker uprisings. The British Empire Steel and Coal Company known as BESCO was dreaded and hated. (Frank, 1985.) It was a case of absentee control of capital and key business decisions. Ownership started in London, shifted to Boston, and finally ended up in Montreal with Hawker Sidley.

After the Second World War, cheap oil from the Middle East became the source of energy and coal gradually declined. Since profit was no longer easy, the owners of capital shifted their money from Cape Breton to other areas. As miners said, "They left empty holes in the ground and took our wealth." These absentee owners simply did not consider that they had any responsibility to reinvest in Cape Breton. (Bluestone, 1981.)

The last mine closed in 2001 and the steel plant closed in 2002. The result was unemployment and outmigration. Government set up various agencies and programs to create jobs, but they were never able to fill the economic hole left by the absentee investors. The preceding story of economic depletion and outmigration is common to many areas such as Durham in the U.K. and Gaspé in Quebec.

In spite of the negative forces of economic exploitation and the decline of the local economy, the Cape Breton community has developed an extraordinary level of social cohesion. There is clear evidence of deep solidarity. This is often expressed in the music and songs of the area. While Cape Breton is regarded as having one of the lowest levels of economic productivity in Canada, it has clearly the highest level of musical productivity. Cape Breton artists usually dominate the prestigious East Coast Music Awards.

In 1900, miners from Scotland organized the British Canadian Cooperative in response to exploitation by the infamous "company store." (MacPherson, 1979.) By 1930 it was the largest retail co-operative in North America. Throughout the 1930s Cape Breton workers led in forming labor unions and co-operatives of various kinds. (Frank, 1985.)

In the 1970s two trends developed in the United States in a parallel way. The first was the ability to disinvest and rapidly move capital to different locations in the United States. As pointed out by Bluestone (1981), the desire of business to be mobile was not new. What was new was the ability to move easily. One factor that facilitates such mobility is the enormous concentration of corporate power that was taking place. Power and decision-making was being centralized in a few major cities, and the needs of local communities were hardly considered. Businesses moved from the highly unionized Frost Belt of Chicago and Detroit to the non-union, less regulated Sun Belt of the South-

ern United States. The unemployed in the North eventually got jobs, but they tended to be of lower pay and quality. The movement of jobs has now become international.

The second trend is the disintegration of social networks. Robert Putnam (2000) points out that a striking reduction in social capital occurred during roughly the same period, the 1970s. In his empirical studies he found that individuals had become much more isolated. Those with jobs worked longer hours and had little time for social relationships.

While many people despair of economic improvement in peripheral regions which depend on resource-based economies, some commentators see a glimmer of hope. In 2002, a team led by Gar Alperovitz in the United States made a comprehensive study of community economic initiatives in the United States. While pointing out the complexity of the problem and insisting on the need for a radical change in public policy, they admit that “much important work can be done to advance the policies and institutions described in Parts 2 and 3 of the book even in the absence of substantial progress on trade and globalization-related issues, the potentially damaging impact of the current trajectory of globalization on both community stability and the ability of communities to introduce and implement an innovative, place-based agenda cannot be ignored.” (Williamson, p. 265.)

Thus, my general theoretical position is that businesses can be organized on a local level for social reasons and still be sustainable in a business sense, in spite of the ongoing existence of exploitative and exclusionary global systems. Particular to my method is linkage to a university.

While Cape Breton is certainly unique, the general problems of exclusion are found in many places in different degrees. I have been involved in three different and disparate communities and found many similarities:

1. In Mexico where Chapingo university collaborated with a *campesino* group in organizing a series of mini-farms based on ecological principles. The key partner is an agricultural school for *campesino* young people;
2. In Cape Breton, where Cape Breton University collaborated with a local community financial investment group. (See www.bcagroup.ca.)
3. While not an active participant in the Basque Mondragon experiment, I have found that some of the above is implicit in their approach. (MacLeod, 1997.) (See <http://www.mondragon-corporation.com>.)

2 Determination of Causes

2.1 *The Method*

There are many causes of real world problems such as economic disparity, and the causes can be analyzed at different levels, remote and proximate. I recognize that the deeper causes are historical and political, and that the solutions are long-term and com-

plex. I suggest that researchers choose causes that are proximate and lend themselves to immediate action. If done properly, the response to proximate causes need not militate against solutions for the more remote causes. Indeed, the proximate solutions may well lay the groundwork for more profound action to address the deeper and more remote causes.

In a sense, we could say that the global economy is the cause of most social economic problems. However, that kind of cause is quite remote from the everyday life of most people. Typical citizens in marginal areas are usually not close to the levers of power at the very remote level, even though such causes are real and have great impact. In my method, I suggest that causes be chosen that are relatively *proximate* and can be understood easily in the community concerned. To tell people that the cause is the “capitalistic system” is simply too remote and too difficult to tackle.

2.1.1 *The Test Case*

In the case at hand I focus on three proximate causes:

1. Capital Drain. Capital exists in all regions but disparity is caused when it is drained from one area to benefit another.
2. Brain Drain. Economic activity follows capital. Hence, younger, more technically qualified people leave to follow the capital to areas of greater opportunity.
3. Lack of the innovative R&D that is typical of the Knowledge Economy. (Isuma, 2002.)

The result of this triple phenomenon is lack of capital and skilled management cadres in a local marginalized community, as well as lack of linkage to technical knowledge centers. Studies in Cape Breton have shown that lack of investment capital has been a serious blockage to business development. (Johnstone, 2001.) Government sources report that hundreds of millions of dollars are invested every year by Cape Bretoners, but they are invested outside the area through the mutual funds of large brokerage houses. The brain drain is also obvious. Statistics Canada reports that in recent years almost 1,000 people have been leaving Cape Breton annually.

The other new element in the context is the role of knowledge as an economic asset. The term “Knowledge Based Economy” or KBE has been coined to indicate the shift from physical resources to knowledge as the basic asset. In 1999, the United States sold \$29 billion in aviation exports; but the export of knowledge, in terms of patents and royalties, was valued at \$37 billion. (Stewart, p. 8.) Universities have been the traditional custodians of all kinds of knowledge, so whoever controls the university systems will control the fundamental assets of the future. Areas that are spatially marginalized and under economic stress simply do not have the kind of expertise required to function in the modern global economy. (Amin, 2002.) Good will and hard work are simply not enough in the contemporary economy.

Stewart stresses the new importance of non-tangible assets. He is thinking mainly in terms of software systems and human-resource networks. I claim, however, that history and culture can become intangible assets if certain kinds of expertise are present, especially in the tourism and entertainment industries.

3 Formulation of Specific Theses to Be Tested

3.1 *The Method*

In order to engender a rational and testable method, one or more theses must be developed and articulated; otherwise, there will be no means of testing the validity of the procedures. The thesis can take the classical logical form: If we do X, then Y will occur. This could mean, of course, that X is a necessary but not sufficient cause. As pointed out above, a solution to the brain drain may well be necessary for economic growth, but it is not sufficient; capital and other inputs are necessary to generate economic change. We never really know with certitude what the sufficient causes are. If we get Y every time we do X, then it is highly probable that X is the sufficient cause to make Y occur. But it is never certain. There are always hidden variables, but that is true in any kind of empirical research.

3.1.1 *The Test Case*

My thesis is that capital exists in all communities, and that if local capital can be captured and if outside capital can be repatriated from other places, then this accumulation of capital will permit the development of local businesses, which in turn will provide opportunity for talented young people to stay in the local community.

In contrast to highly urbanized communities that have suffered from a reduction in social capital (Putnam, 2000), I am hypothesizing that communities that depend on resource-based industries, which are usually rural, have a high degree of Social Capital. Social Capital is generally defined as the relationships, networks, and norms that facilitate collective action. (Isuma, 2001, p. 6; *Horizons*, 2003.) The nature of industries such as fishing and mining suggests that great social interdependencies develop. In this sense, I am assuming that such economically depleted communities will have a greater sense of social solidarity. This kind of solidarity could then become a basis for capital accumulation if an appropriate structure were devised. In such communities people often have a high degree of loyalty and mutual trust. Thus we have another hypothesis: social capital can be converted into financial capital if appropriate local structures are developed.

4 Selection of Causal Factors to Be Altered

4.1 *The Method*

At least in the rational tradition, it is assumed that events have causes. Of course

there is always chance, but we can assume that generally occurring and repetitive events do have causes that can be analyzed. The causes will be multiple and complex. However, we have to simply choose one or two of the known causes if we are to act. Otherwise, we will fall into “paralysis through analysis.”

4.1.1 *The Test Case*

Capital circulates through institutions. Hence, we can regard financial institutions as a key factor facilitating the movement of capital from the poorer to the richer region. The large national brokerage companies resist accepting investors who wish to invest locally. They are quite hostile to what they call “off-the-floor” trading. In simple words, they prefer to invest the clients’ money on the stock market rather than in local businesses. The stock market is anonymous and completely impersonal for most of us. In contrast, success in the community business approach depends upon personal acquaintance and knowledge among the participants. It is interesting that in French a corporation is called *Société Anonyme* (Anonymous Company) or simply S.A. instead of Ltd. In stark contrast, community business depends upon personal knowledge. The local people know who controls the community finance company.

I consider the structure of banks and brokerage companies to be a cause of capital depletion in peripheral areas. With my team, I will thus endeavor to alter or invent financial structures that will encourage capital to remain local. The logic is simple. By changing the cause we change the effect. Of course, the effect could be better or worse, depending upon one’s viewpoint. For some, the preferable economic organization is a series of mega-cities which could maximize efficiencies. Obviously, the agents in the present experiment have made a different value judgment.

5 Search for a Relevant Community Partner

5.1 *The Method*

At times a relevant community partner may exist, such as a credit union or savings co-operative that wishes to assume a new function. Or it could be a local organization of citizens concerned with young people leaving the community. Each community will be different. Choosing the partner is a question of opportunity. The activist may be willing but nothing will happen unless a partner is found. The method here must be very flexible and non-ideological. The main qualities in a partner are good will and energetic commitment to the local community.

5.1.1 *The Test Case*

In the case of Cape Breton, we sought to enlist the credit union movement as a logical partner. We even involved Cooperators’ Insurance and the Credit Union League. Af-

ter many meetings and discussions, none of the obvious financial groups would agree to be our partner. In retrospect, this was understandable. They were provincial and national bodies, similar in procedure to banks in some respects. Their procedures must be general or national and, in a sense, impersonal without preference for any one local community. They have objective and impersonal criteria into which group applicants must fit. Habermas would say that they are in the world of “systems.” It seems almost impossible to organize a national or international business that is able to adapt to the needs of each particular community. We thus learned that effective and flexible structures have to be completely local. Since CBU had close ties to New Dawn Enterprises, a local community business corporation, we chose a group from New Dawn as our initial partner. That process took two years.

6 Formation of Initial Committee of Academics and Community Leaders

6.1 *The Method*

In general, a few representatives will be selected from the partner organization to work with the university-based team. Usually, this initial committee should consist of four to nine persons. This number is based upon studies of many successful community businesses such as Mondragon, Valencia, Mouvement Desjardins, etc. Also, those chosen should include some who have clear leadership talents in the field of specialized business. Here I’m referring to leadership. I have found that populist organizations tend to favor group loyalty rather than strong business competence. Socially-oriented groups have sometimes devised excellent structures for local investment. However, great difficulty was encountered in the early years because of a reluctance to grant authority to strong, experienced business managers. (MacLeod, 1995.) The right mix of leadership is hardly a formula matter. It is, rather, an art. Both visionaries and sound business types are necessary. The challenge is to find the right mixture. (Pitcher, 1995.)

6.1.1 *The Test Case*

In this case, the initial committee comprised professors from CBU and some select members of New Dawn Enterprises. Over two years, the membership fluctuated. Some of the socially-inclined members became quite concerned over legal liability in dealing with money. They were not accustomed to the normal risks associated with conventional business. The ones who persisted were the business types. The members of the organizing committee oscillated from twelve to three over the years. At first the committee was quite loose and involved faculty members from the School of Business, theology, and philosophy. On the business side we had several owner-managers from a construction company, an engineering firm, and a large farm.

7 Organization of a Change-Agent Institution

7.1 *The Method*

The initial committee spends time discussing the problems and tries to reach a consensus on the nature of the economic problem and the need to do something concrete. They then incorporate a new business structure devoted to collecting savings in the local community to be used for investment in business. A board of directors is set up, officers are named, and an administration is established. Often this begins on a voluntary basis. If the university is favorable, the board could use university premises.

7.1.1 *The Test Case*

In this case, the initial committee formed BCA Holdings Ltd., a not-for-profit corporation. It is equivalent to a co-operative but has more tax advantages. Surplus earnings are non-distributable to shareholders and must be used for general community purposes. At this point there was one academic and three business persons. Each invested \$5,000 to create an account.

The basic purpose of the company was to raise capital to be used for local business development. While such a mission looks simple, it is quite radical. Most business writers consider that the motive of a business corporation must be to increase shareholder wealth. (Friedman.) In our case we asked our board to use money not for the purpose of private shareholder wealth, but for the common good, namely to create jobs for the jobless. In our experience and according to many cases discussed by Quarter (2000), it is possible to organize a profitable business that has purposes "beyond the bottom line." Most university business authorities seemed to consider this impossible. They seemed to believe the dogma that the only motive for investment is to increase the wealth of the investor. Later, we organized a sister company called BCA Investment Co-operative Ltd. to expand the membership base and to take advantage of a new type of tax credit.

8 Development and Implementation of Action Plan

8.1 *The Method*

Especially in the sphere of business, there should be a plan of action that is clearly doable. I see two major dangers.

Over-ambition. Many community economic groups choose targets that are simply too ambitious. The world of business is complicated and learning must take place over time. It makes sense to begin with something simple and achievable in a short time. If more than six months elapses before any results are seen, then likely the business-oriented members will drop off and leave the academics to pursue ongoing discussions.

Paralysis by analysis. Many groups, inspired by values, tend to spend an excessive

time in discussions. Often it is what they know how to do best.

The board of directors is responsible for the plan of action and it will differ according to circumstances. Of course, action plans must be in function of the local area. Also, available resources, both human and financial, should be analyzed. Depending on the politics of the civil government, loans and/or guarantees may be sought. Capital must be raised, managers found, and opportunities identified. In most marginal communities, the initial volunteer group will not be able to afford a manager, so the board will have to carry out the management functions on a volunteer basis. If the board contains at least one or two experienced businesspersons, and if the original business project is simple, then volunteer management is feasible. A group can also begin with a part-time manager, possibly a retired person.

It is essential that any management plan be open-ended and flexible. Otherwise it is not experimental. In Action Research, *we learn as we do* things. There should be continual change and adaptation.

I would consider that there are at least three conditions for success in the development of the business: technology, finance, and formation. Each of them is a necessary but not sufficient condition for success. I take technology in the broad sense to include knowledge as well as technique. It is especially as a source of broad technology that the university link is of key importance. Formation refers especially to competent management. The need for finance is obvious.

8.1.1 *The Test Case*

The action plan was simple. We decided to raise money in the local community and look for business opportunities to invest in. We realized that we had two huge challenges: to bring money in as loans and put money out as investments. One is just as difficult as the other. Without a reputation and a track record, it is difficult to solicit investment from the general public. We decided that the initial board members must first invest and then seek loans from people we knew personally. Several of the board members were known to be successful in business, so that helped.

We developed a two-pronged approach. One was to seek personal investors and the other was to seek institutional investors. All of the institutional investors were connected with religious groups. Most were local but some, such as the Student Christian Movement in Toronto, were national. In raising money we did not emphasize ideological aspects; we simply asked others to help us to create jobs for the unemployed. We did, however, emphasize the competence of our board. We knew of the anomaly that, when it comes to money, the most radical and left-wing groups tend to invest in secure, right-wing institutions. We offered investors an opportunity to support their own local community. One restriction was that, according to the Securities Commission, we could not advertise publicly. We could use only informal networks.

Another important part of our plan was that we would not spend any of the capital raised in our campaign. We made a rule that operational expenses could not exceed the amount of money earned on our investments. Expenses had to come out of earned revenue. Thus it was that we could not afford to rent offices; we used university facilities for meetings. Community groups often use up their capital in paying for staff. They take a long time to distinguish between capital and operational budgets. If capital is used for operations, then it is like burning the wood in the walls of the house to keep the house warm. It is not sustainable. Capital, if well managed, should create revenue to pay for staff.

The other side of our plan was how to “put out” money. We kept the rules simple in this regard. We would invest in any business that looked viable and was majority locally owned. Concerning the nature of the business, we made the simple rule that it had to be good for the community. That latter rule, a matter of values, is extremely important. Asked what types of business they wished to exclude, the board members decided to exclude proposals involving gambling and military production.

Rather than advertize and wait for people to come to us, we relied on our own board members to identify opportunities. The business members knew the local world of business, and they were very effective in making linkages between ourselves who had money and those who needed investment.

Another operational principle used was that we would not simply invest money in a mechanistic sense. We became involved with the client either by advice or by naming a resource person to the board of the client. This is called “after-care.”

9 Ongoing Evaluation and Rectification

9.1 *The Method*

It should be understood that the method of “business Action Research” is based on the principle that “we learn in doing.” This means that all actions should be evaluated frequently. Structures and plans should be modified according to results. It is a healthy sign when the group admits past mistakes. The organization should evaluate itself frequently. However, it is extremely important to encourage outside evaluation. There are usually research centers across the country that are interested in case studies. The local group can and should invite this kind of outside analysis. Writing of articles and organization of conferences are also important to allow for criticism and correction.

It is also healthy to make comparisons. Mondragon Cooperative Corporation in Spain is considered one of the world’s best examples of social enterprise. The lead researcher has analyzed this multi-billion dollar worker-owned corporation in great detail and has adopted a number of lessons from this case. (Macleod, 1997.) However, for the present I will focus on the more modest local case.

9.1.1 *The Test Case*

The BCA group has been frequently assessed and written about. Tompkins Institute at CBU has been holding conferences for many years on the topic of community economic development. It has also been evaluated by a national body called The Canadian Labour and Business Centre in Ottawa, and Canmac, a private consulting firm in Halifax.

The fact that structures have changed in BCA is a good indicator of rectification. At first we were open to any kind of business proposal, but then we found that small proposals were just as time-consuming as large ones. A proposal valued at \$10,000 could cost as much to evaluate as one of \$1 million. Hence, as a general rule, we limited ourselves to proposals over \$100,000.

We also found that the not-for-profit nature of our incorporation excluded us from certain government programs, so we incorporated a sister company as a profit-making co-operative, BCA Investment Co-operative.

10 Impact Analysis of the Intervention

10.1 *The Method*

My method requires that success be evaluated in terms of results. I said that if we changed X then Y would result. We ask ourselves, "Did we change X and did Y result?" Hence, there must be clear assessment of the impact of actions. This should be clear and empirical. If the project is fundamentally economic, the measures must be economic. For instance, how much money was raised, how much business developed, how many jobs created, etc., etc.

10.1.1 *The Test Case*

We said that *if* we could stimulate university involvement *then* we could do successful business innovation. We did succeed in involving university members from a wide variety of departments, from engineering and business to philosophy and theology. The result is an innovative structure based on a study of both practice and the history of law.

We said that *if* we could change the local financial infrastructure *then* we would garner some local capital.

BCA Holdings Ltd and BCA Investment Co-operative Ltd. are now part of the local financial infrastructure. Together, they have raised over two million dollars.

We said that *if* we could garner some local capital *then* we could develop businesses and create jobs.

We did help in developing approximately twelve businesses and did create approximately 300 jobs. After a few years, we were able to organize the buyout of a rope company which an outside company attempted to buy and move to the USA. BCA also led

in constructing core buildings in two former mining communities; and BCA Holdings was able to initiate the construction of the first condominium building in Cape Breton. The latter project, worth over \$6 million, became possible through leveraging and partnerships.

BCA has come to specialize in buying bankrupt companies and making them successful through the injection of new capital and new management. A food plant went bankrupt and BCA bought it. The product line was changed so that this is the only company in Atlantic Canada making muffins. (See www.classicrozenfood.ca.) The vast majority of muffins consumed are imported by international companies. BCA was also involved in two cases where a small hotel went bankrupt. With new capital and new management, they are now successful and employing local people. (See www.brasdorlakesinn.ca and www.barrastraitinn.ca.) While the researchers are supporters of the cooperative philosophy, these cases turned into family businesses that are social enterprises in many senses.

We said that *if* we could develop our image as champions of local development, *then* we could convert local social capital into financial capital.

We did use the media frequently to publicize our achievements and succeeded in attracting approximately 500 local investors in BCA Investment Co-operative. Our appeal to investors has been based on the notion that the local community has some responsibility to solve its own problems, so we were using an appeal to what is commonly understood as social capital. Another interesting impact is that we actually reinforced and increased social capital by the mere fact that almost 500 citizens became part of a local investment organization. Also, the board and committee members of BCA became deeply involved in the process and learned a great deal about practical economics.

One of the more tangible impacts of this process is the abovementioned condominium. If the appropriate enabling infrastructure had not been established, this result would not have occurred. At least, that is our contention. (For economic analysis see "Canmac Economic Impact Study," available at www.bcagroup.ca.)



11 Dissemination

11.1 *The Method*

There are two main reasons why dissemination is important. One is to benefit similar communities facing similar problems. There is no point in reinventing the wheel. A local community group can save time and money by studying the experience of other groups in similar situations.

The second reason is scientific. There exists a body of scientific researchers, academic and non-academic, who study problems such as social exclusion. Parallel to the preceding comment is the principle that new science builds on old science. Science is usually cumulative, although there is always room for completely innovative breakthroughs. (Kuhn, 1970.) One of the outputs of Action Research should be a contribution to scientific knowledge.

Dissemination in both cases does have similarities. Community organizations have networks and publications. So also do scientific groups. The difference is in the level of rigor and method. If the research project does not add to the body of knowledge it has not been successful in the scientific sense. The test will be through the delivery of papers at academic conferences and through learned journals.

11.1.1 *The Test Case*

The Tompkins Institute, the research proponent, has maintained close connections with a variety of community groups in Canada and elsewhere. The lead researcher has been the invited speaker for many groups, such as workshops sponsored by the Yukon

Department of Economic Development, the Manitoba Department of Community Services, a social development group in Salt Lake City, and the Strait of Canso Chamber of Commerce.

On the academic side, the lead researcher has published widely, such as a chapter in a book by a group at the University of Illinois and in various learned journals. Other academics such as Darryl Reed of York University and Harvey Johnstone of Cape Breton University have also published on the results.

As a contribution to public education, communication with the public through local newspapers and by radio through the CBC (Canadian Broadcasting Corporation) have been constant.

Conclusion

I have described and explained a method for carrying out Action Research with business as the object of study. Other people may develop other methods and procedures. Certainly, Action Research in medicine and psychology will have differing procedures. What is important is that there be clear methodologies. The above is one simple case of involvement by a small university in a very problematic area.

I think that I am justified in calling this process Action Research. The findings involve principles and techniques which are transferable since there are so many similar communities with similar problems. It is connected to a diverse body of literature indicated in the partial bibliography. The standards of success have been very clear in that they are financial and audited. BCA Investment Co-operative passed the tests of the Nova Scotia Securities Commission. That the academic participants did learn something is indicated by successful publications and SSHRC grant proposals. This, however, is merely a beginning. A great deal more must be done.

It is shameful that many of our universities with the best technical and business minds in the country choose to devote their talents to the richest corporations rather than to the poorest communities. One hopes that some of our greater universities with greater resources will begin to orient themselves to our many local communities in Canada that are suffering from injustice. It is a great intellectual and practical challenge. I hope that I have demonstrated that it is possible for a university to become practically engaged in projects that improve the local community and yet maintain the kind of rigor and objectivity we associate with science.

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