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Business Activities of Not-For-Profit Organizations

Surviving the New Federalism?

Robert Mier and Wim Wiewel

All over the country community organizations are starting new community based businesses designed to fight unemployment, generate needed income, or respond to their own growth needs. This article addresses the questions of whether these new approaches can be used to plan and implement economic development efforts, what their political and ideological content is likely to be, what impact they will have on their neighborhoods, and what roles planners can play. The analysis is based on the authors' experiences as planners and technical assistants to such efforts, and on a detailed analysis of case studies.

When an industrial sewing company on Chicago's west side moved its business to Mississippi in 1981, workers with twenty and twenty-five years of seniority were thrown on the streets without any severance pay or pension rights. For a few of them, however, the period since then has been one of renewed hope and enormous personal growth as they helped start a community-sponsored industrial sewing cooperative of their own, which grossed \$125,000 in its first year. All over the country community organizations are starting, or talking about starting, new community based businesses designed to fight unemployment, generate income to overcome budget cutbacks, or respond to the parent organizations' own internal growth needs. Some are setting up construction companies as outgrowths of housing rehabilitation training programs; others are starting supermarkets because chain stores have left their areas; still others are involved in auto repair, mill work, video and television, and a myriad of other likely and unlikely enterprises.¹

This phenomenon is important to planners for several reasons. The first has to do with the effect of these business activities on the low- and moderate-income neighborhoods in which most of them are being set

up, as well as on the parent community organizations themselves. Community organizations, it will be remembered, first became involved in business activities through the Community Development Corporations (CDCs) originally sponsored in the late '60s by the Ford Foundation and the federal Office of Economic Opportunity. However, even during the heyday of federal intervention, there were only forty relatively well-financed CDCs nationwide. Are the new, smaller scale, and more widespread bootstrap efforts likely to have any significant community impact? What does it take for them to be successful, however success may be defined?

The second reason that these new businesses are important to planners is that they reflect an important new policy trend, away from governmental intervention and towards a reliance on the market. President Reagan's policies have necessitated a trend toward self-sufficiency, popularly defined as freedom from external subsidies (Mier 1982b). This notion has traditionally connoted grassroots self-help efforts, but the Reagan-inspired variation puts particular emphasis on the market as a source of revenues. A specific example of this is the proposed role of community organizations in enterprise zones, where they are expected to take over many services previously rendered by government and to provide them on a for-profit basis (Butler 1981). Is "privatization" a rationale shared by the people engaged in implementing these new activities, or do they act out of different political and social beliefs? Do these new initiatives, as Boyte (1980) suggests, represent the

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conviction of community organizations that without control over productive enterprises they will always remain at the mercy of philanthropy and be reduced to irrelevance? Or, at the opposite extreme, do these initiatives indicate a renewed romance with free enterprise, an attempt, as Butler (1981) urges, to reinvigorate small-scale capitalism in areas thought to be forsaken by the market and most investors? Understanding more about the trend of neighborhood organizations setting up businesses will provide insight into both the potential for neighborhood development and the role of planning vis-à-vis that development.

From a policy perspective, then, the questions addressed in this article concern whether these new approaches can be used to plan and implement economic development efforts; what their political and ideological content is likely to be; and what impact they will have on the neighborhoods. These questions are intertwined for the authors, who at the same time realize that other planners may be interested in the implementation questions without concern for their political context. This article will first examine the political and programmatic background against which the current community based business development efforts arise, and then analyze data on several recent cases of such development.

Background

The ambiguous political content of business development efforts by community organizations reflects a similar ambiguity in the neighborhood movement itself. The neighborhood movement has popularly been cast as progressive, and its internal differences perceived mostly as ones of style or political tactics (Schwartz 1979). However, the movement has an equally important conservative and racist aspect (Philpot 1978; Goering 1979). On the progressive side, the diverse neighborhood movements of the '60s frequently fought for community control and autonomy as solutions to social distress and powerlessness (Levy 1979; Hampden-Turner 1975). The federally sponsored Community Development Corporations were a major result of these movements.² A significant aspect of such efforts was a focus on job generation within the community and control over the production process. Although such efforts became less visible during the latter part of the '70s, they by no means lost their intensity (Boyte 1980).

On the other hand, local organizing efforts with their roots in neighborhood homeowners' associations, the church, and long-standing voluntary organizations, have often been effective vehicles for preserving the fundamental institutions and values of modern industrial society.³ As has been demonstrated by the anti-ERA (Equal Rights Amendment) movement and tax revolts, community based organizations have often

supported a conservative political agenda.⁴ The latest evidence of the neighborhood movement's confused political agenda is its relatively weak opposition to President Reagan's urban policy of extensive cutbacks in social support programs, a yet-to-be-passed experimental enterprise zone program as an alternative to them, and a call for greater self-sufficiency through the market.⁵

Like the neighborhood movement itself, the practice of neighborhood oriented planning has also had a multifaceted nature. Traditional forms of community planning are rooted, in theory and practice, in the same ideological soil as the homeowners' associations themselves. The authors own premise in working with neighborhood organizations that attempt to set up small businesses, one shared by many of the organizations, is the belief that the organizations must begin to experiment with more democratically controlled and socially responsible forms of economic activity. Like Katznelson (1981) and Friedmann (1982), the authors believe that such activity is one important way for community organizations to work toward attaining political control over the process of production and distribution.

The tension between political and economic purposes also existed in the federally sponsored Community Development Corporations started in the early '70s. What lessons do their experiences hold for the current attempt? Did their business development efforts prove a viable route for progressive community development?

Originally, many of their proponents saw Community Development Corporations as political institutions as much as economic ones, arguing that the condition of poor neighborhoods was a question of powerlessness, not just poverty, and that economic and political development had to proceed apace (Goldsmith 1974). Evaluations of CDCs have always been hampered by the vagueness of the organizations' mandates, the magnitude of the problems they were expected to address, and the relative paucity of their resources. By private sector standards, CDCs have not been very successful. Michelson (1979) analyzed 136 for-profit ventures owned by CDCs that existed at some point during 1975, and found that at least 70 percent suffered losses. His conclusion was that the ventures may have been a relatively cheap way of creating jobs, but that as profit centers for CDCs, they were not very successful.

An early evaluation by Abt Associates (1972) was generally positive as far as employment and training benefits were concerned. Of all people employed in the ventures, 29 percent had previously been unemployed or underemployed. Their total wages increased after hiring by 17 percent over what they had received before. Similarly, employees were generally satisfied and felt they were learning new skills (Stein 1973). However, in the absence of comparative data from other firms, the significance of these findings is unclear.

None of the various evaluations of the CDCs provides any systematic information about their possible indirect effects. There is no assessment of the type of products or services they have produced, whether there is any increase in the local multiplier, or whether these considerations even played any role in the selections of enterprises. Nor has the issue been addressed of whether the CDC ventures have helped foster community power. In an interesting modeling of factors affecting these ventures' profitability, Cromwell and Merrill (1973) found that the more representative the staff and board are of the community, the more likely the CDC businesses are to be profitable. However, others have found that CDC boards are largely self-perpetuating (Kelly 1977); one researcher describes them as "the new rulers of the ghetto" (Berndt 1977).

Whatever the emphasis on noneconomic factors in the early years of CDC experience may have been, it became totally secondary as the Community Services Administration began to cut back its funding in the late '70s. Profitability became an increasingly important criterion. Under the Reagan administration, the Community Services Administration has been terminated altogether, so that the CDCs have now joined the legion of other community based organizations seeking funding from public and private institutions while showing, to a greater or lesser degree, an ability to support themselves from business-derived revenues.

Generally speaking, the CDCs' efforts to develop business activities clearly show the problems of trying to establish profitable enterprises in poor neighborhoods. At the same time, their history suggests that there is a strong tendency to establish profitability as the main yardstick of success because it is much easier to measure than any other type of benefit. Finally, the same history suggests that as profitability becomes the yardstick, the political and social significance of the organization and its ventures decreases (Tabb 1979; Michelson 1979).

Current community business ventures

In 1979, through their work with the Center for Urban Economic Development at the University of Illinois at Chicago (UICUED),⁶ the authors began to work with several community based organizations that were thinking of establishing profit-earning subsidiaries. They were engaged in housing rehabilitation, construction, and job training, and were interested in the business ventures for several reasons. They felt that their training programs had been fairly successful in developing marketable individual and institutional skills, but were having trouble obtaining agreements with building and construction trade unions to enroll their graduates in apprenticeship programs, partially

because the construction industry was not robust. As a consequence, these organizations began several efforts to generate their own employment opportunities for their graduates.

Around the same time, the Department of Housing and Urban Development (HUD) Self-Help Development Program was begun. Eventually, three of the rehabilitation employment and training organizations with which the authors worked (Voice of the People in Uptown, Bickerdike Redevelopment Corporation, and the Eighteenth Street Development Corporation) received HUD Self-Help Development Grants to set up subsidiaries.

To help the organizations sort out the complex relationships that develop between a profit-seeking subsidiary and its nonprofit, socially oriented parent organization, the authors looked with them at the various organizational structures that might be adopted by the parent or the subsidiary in order to minimize potential conflicts. In the course of doing this the authors surveyed six other Chicago organizations that had set up subsidiaries as well as six organizations from outside Chicago (Wiewel et al. 1982).

Then, in 1980, the authors worked with a local foundation and a public interest group based in Washington, D.C., both of which were trying to promote enterprises that employ significant numbers of youths as well as provide ownership opportunities to employees via employee stock ownership plans. The two organizations were looking for Chicago community organizations in which they could invest, and located about ten youth groups that had some interest in establishing profit-making subsidiaries.

Since then, based on these early experiences, UICUED has expanded its efforts to help community organizations set up businesses. The organizations worked with or surveyed, which are listed in Table 1, include the following types of subsidiaries: construction companies engaged in housing rehabilitation, a mill shop, home repair services, development companies, a housing insulation and general energy conservation service, an office supply store, a bookstore, a restaurant-bakery, a bulk mailing and distribution service, an industrial sewing contractor, housing management firms, a print shop, and auto repair shops.

Some of the efforts are off and running, others remain a dream, and most fall in between. None is "high tech" (although, the authors *did* discover the world's greatest onion peeler). Few depart very far from the basic services their parent community organizations were already providing. Based on what is known of experiences elsewhere, the cases involved are thought to be representative of similar efforts nationwide (Williams 1982; Cagnon 1982). Before general conclusions are discussed, three of the cases will be presented in greater detail.

Table 1. Business activities by not-for-profit organizations

Organization	Business activity	Organization	Business activity
Alternatives, Chicago (social service)	Printing shop (not implemented)	Latino Youth, Chicago (social service)	Latino Youth Home Remodelling (not-for-profit program)
Bethel Housing, Inc., Chicago (housing development and social service)	Stitches Unlimited, industrial sewing contractors; (producers cooperative) New Life Unlimited, Housing Management Company (not-for-profit wholly-controlled company)	Native American Educational Services (NAES), Chicago (college)	NAES Bookstore (not-for-profit program)
Bickerdike Redevelopment Corporation, Chicago (housing development)	Humboldt Construction Company (wholly-owned for-profit subsidiary)	South Side United Development Corporation (Los Sures), Brooklyn (Community Development Corporation)	Housing Management Co. and Construction Co. (both wholly-owned for-profit subsidiaries)
Blue Gargoyle, Chicago (social service)	Blue Gargoyle Bakery and Restaurant (not-for-profit program)	The Neighborhood Institute, Chicago	The Neighborhood Crew, construction company (wholly-owned for-profit subsidiary)
Eighteenth Street Development Corporation, Chicago (housing development)	CALACCO, Construction Company (wholly-owned for-profit subsidiary)		South Shore Energy Store (not implemented) South Side Auto Co-op, auto repair shop (user-owned cooperative)
Fifth City Industrial Promotion Corporation, Chicago (commercial development)	Fifth City Auto, auto repair shop and car wash (wholly-owned for-profit subsidiary)	The Woodlawn Community Development Corporation, Chicago (Community Development Corporation)	The Woodlawn Home Improvement Corporation, Inc. (wholly-owned for-profit subsidiary)
Greater West Side Development Corporation, Chicago (business development organization)	Onion Peeling Company (not implemented)	Tri-City Citizens Union for Progress, Newark (community organization)	Housing Management Company and Maintenance Co. (wholly-controlled not-for-profit subsidiaries)
Inquilinos Borincuas en Accion, Boston (social service)	Emergency Tenants Council (wholly-owned for-profit development corporation)	Union Sarah Community Organization, St. Louis (community organization)	Union Sarah Economic Development Corporation (51 percent owned for-profit development corporation, which in turn owns majority interests in other for-profit corporations)
Jane Addams Center of Hull House, Chicago (social service)	Spread the News, mailing and distribution service (not-for-profit program)		
Jeff-Vander-Lou, St. Louis (community development)	JVL, Inc. Development Corporation (50 percent controlled not-for-profit organization)		
Lakeview Citizens' Council, Chicago (community organizing)	Building Lakeview's Urban Environment (BLUE), housing development (free-standing not-for-profit organization)	Voice of the People of Uptown, Inc., Chicago (housing development corporation)	Voice Millshop (never implemented)

South Shore energy store

Chicago's South Shore community is a black working- and middle-class neighborhood, attractively situated along Lake Michigan about seven miles south of the Loop. Most of its housing stock consists of large multi-unit buildings that are increasingly showing the negative effects of the disinvestment that has been taking place since blacks began moving to the area in the late '60s.⁷ One of the area's main community development institutions is the South Shore Bank, which

has gained national prominence as a model of community oriented banking (Grzywinski and Marino 1981). It is owned by the Illinois Development Corporation, which also has another subsidiary, The Neighborhood Institute (TNI). This not-for-profit organization implements social service and economic development projects in South Shore. Early in 1981, hurt by cutbacks in social service programs, TNI staff began to look around for a potential profit-making enterprise that would still be compatible with its main social purposes. Having already set up TNI's construc-

tion training program as a for-profit construction company, they decided to try the same approach with their weatherization program. This program had previously been funded by the City of Chicago, which paid for labor and materials for weatherizing the homes of low-income residents. TNI's program coordinator had previously worked at an "energy store" in another city where energy saving devices, weatherization materials, and installation services were sold to the general public. TNI asked the Center for Urban Economic Development to prepare a feasibility study for a similar business in South Shore.

The study found that interest in energy conservation existed in the community, but that few homeowners were ready to buy any of the equipment or services. In any case, the market of owner-occupied homes in the community was too small to sustain a business. On the other hand, the managers and owners of the large apartment buildings, potentially a significant market, were even more reluctant to invest any money. They had already embarked on a course of disinvestment, or at best a course of trying to hold the line in what many of them perceived as an area with little future. They were also being approached frequently by companies from all over the metropolitan area who were marketing energy saving devices and were thus well-served, in contrast to the homeowners who tended to be poorly informed about how to save energy.

These findings were disappointing to the TNI staff, and they temporarily shelved the idea of the energy store. They later concluded that energy conservation was a worthwhile purpose to pursue since it could potentially improve the cash flow of investor-owned buildings in the area and increase the buildings' chances of survival. Second, they saw energy conservation as worthwhile because, if implemented, it might help low-income residents save money. Since the feasibility study had shown a basic interest in energy conservation but a lack of knowledge, the TNI staff decided to develop an educational program which would develop the market and ultimately allow a business to be set up. The program would offer information on energy conservation, materials, and equipment, and act as a referral source to the weatherization crew, which would continue to work in the city's program. The selling of materials and installation services would meet some of the costs of the total program, although it would not be a money maker and, in fact, not break even. Rather than being totally dependent on grants, this valuable community program would meet some of its own expenses and hold out to funding sources the promise of increasing self-sufficiency.

Whether the business will succeed or not has yet to be determined. It is clearly based on substantial current organizational experience in a particular programmatic field that has allowed a fairly rapid assessment of market potential and a timely reassessment of community

needs rather than a total abandonment of the initial idea. This flexibility was helped by the fact that energy conservation complemented the overall program of the organization. This example illustrates the approach of a mixed-model enterprise, straddling the gap between business and social service. In addition, it illustrates the importance of preliminary market research to avoid costly mistakes.

Spread The News

Spread The News is a fledgling mailing and distribution service operated as a not-for-profit enterprise by the Jane Addams Center for Hull House Association, a multibranch social service agency in Chicago. It is located in Lakeview, a gentrifying neighborhood on the city's fashionable north side, but which still contains a substantial low-income population of many different ethnic backgrounds. The Jane Addams Center operates a job readiness program that takes in about forty young persons every month. It includes basic skills training, interviewing skills, and assistance in finding employment.

Frequently the gap between what the program teaches and the demands of a real job has been too wide, and the staff looked for a program that would create a bridge. Since they already received numerous requests from local businesses for help from their program participants in distributing advertising flyers, a mailing and distribution service looked like a good business opportunity. They already had much of the necessary machinery used for the Center's own mailings, so they could immediately start attracting customers. Through Hull House contacts, they landed a contract with a Holiday Inn for monthly mass mailings. This gave them a foot in the door of the industry. Simultaneously, the program participants conducted a telephone survey of businesses in the neighborhood to find out what kind of services were needed, who currently provided them, and at what rates. Contrary to their expectations, they found out that there was a greater demand for door-to-door leaflet distribution than for mass mailings; this fit the program's purpose well since the former is more labor intensive. The program's staff person was taking business courses at a university and was able to use her newly acquired skills to analyze the venture. Along with the youths, she collected and analyzed information on competitors in the neighborhood and elsewhere, gathered basic industry information, and prepared a three-year business plan. The whole enterprise was helped along by an advisory board that had more business expertise than the social service-oriented board of Jane Addams Center itself.

The business now operates marginally on revenues from the big Holiday Inn contract and from occasional smaller contracts with area firms. In order to get more customers, the business needs to expand its handling

capabilities; this requires more machinery. From charitable sources the directors are raising some of the money needed to buy it, and they may also borrow from a financial institution. Once they have the machinery, they expect to nearly double their volume each year for the first three years, and break even by the third.

Like the first case, this enterprise, even though it developed from ongoing activities, required a fair amount of market and organizational analysis before it was ready to be launched. Fortunately, a promising niche in the market was found. Unlike The Neighborhood Institute, the Jane Addams Center did most of the research itself. In the process, the program's staff person developed her understanding of the business and her business skills and now has access to a new career ladder within the organization.

The fastest peeler in the west

The previous two cases hardly look like they will make anyone rich. One way in which a business *can* become a big money maker is by the utilization of a new, highly efficient, technical development. The third case falls into this category and concerns a new machine which can peel onions with only about 7 percent waste instead of the customary 25 percent.

An entrepreneur on Chicago's west side who was already running a food processing business was interested in purchasing this machine and starting a new company to process onions for the food industry. He needed help raising capital and training employees, and he was working with a business organization and the Center for Urban Economic Development. He was interested in funding from the special sources of capital for employee-owned new businesses mentioned earlier, and was willing to invest \$50,000 of his own to obtain a minority position. As he pointed out, reducing waste as much as the new machine did would allow very competitive prices and large profits. He would manage the company because he had extensive background in the food industry, especially with onions.

The enterprise was never implemented because the expected special funds never materialized. It is mentioned here because it is one of the few examples seen that appeared to hold the potential for significant profits. This business, unlike the others, would not have been a spin-off by a community organization. It would have taken the form of a joint venture of some type, in this respect resembling many of the projects that have been undertaken by the Community Development Corporations and sponsored by the Ford Foundation and the Community Services Administration.

Analysis

By examining the cases listed in Table 1, some common features of which were highlighted in the detailed

descriptions above, four areas of analysis can be identified as important: the meaning of success, which relates to the impact of these ventures; the catalytic elements and the question of how they may be used to organize an economic development program; the nature of the start-up process and the role of planning assistance; and organizational and political questions.

Success

If success is defined as the generation of significant profits (the most common criterion), the chances of achieving it are very slim. This is not surprising; most small businesses do not generate large cash flows. Their profits are only a few percent of sales, with much of it going to finance the working capital needed for expansion. In addition, their managerial salaries tend to be a greater-than-average proportion of operating costs (Robert Morris Associates 1981).

If success is more modestly defined as breaking even, i.e., having market-derived revenues cover costs rather than generate profits, then the odds get better. (Of course, which costs are included as being covered is itself a complex question.) Finally, in mixed models such as the South Shore energy program, where revenues are partially derived from subsidies and partially from the market, there will be even more opportunities for financial success, which in this sense simply means being less financially dependent on charitable funding than traditional social service programs are. In sum, there are revenue opportunities in the market for community based organizations, and some of the businesses listed in Table 1 are operating successfully by one of these three standards.

While this emphasis on financial success is perhaps inevitable at the present time when community organizations are being forced to try to survive with less (or no) outside government help, it nevertheless obscures more important concerns about their reasons for being. For all but three of the seventeen Chicago cases, job creation rather than profits was the primary reason for contemplating the development of a business activity. In over half, the need to create jobs was linked directly to the fact that funds for training programs were running out and the organizations hoped to support the trainees through business operations. In other cases, job creation was the main economic development strategy the organization had pursued from its inception. In these cases, the organization often had to come up with a business idea with which it had no previous experience. Examples are the onion peeling operation, Fifth City's autoshop, and Bethel's industrial sewing operation.

Exceptions to the primacy of job creation included the American Indian college, which was interested in its bookstore for the sake of promoting Indian culture, and the auto repair cooperative planned by The Neighborhood Institute. In both cases, the primary consid-

eration was the desire to serve the community, particularly the geographical neighborhood. Although community service was not the primary rationale in the other cases, it was generally an important consideration. For instance, most of the organizations that entered construction related businesses argued that reliable contractors were scarce in their areas. They planned to focus marketing within their neighborhoods rather than seeking construction work in higher-income areas of the city, even though there might be more business to be gained outside. Such considerations were unimportant only in the cases of the sewing contractor, the onion peeling operation, and the mailing and distribution service, all of which of necessity had to rely on much larger markets than their own neighborhoods.

The importance of these organizations' desire to serve their neighborhoods' needs is also reflected in the fact that most of them used their ongoing operations as the basis for launching their businesses by converting into businesses programs they already thought of as worthwhile. An important further advantage of doing this, of course, was that their personnel were already experienced in some aspect of the business and did not need to start from scratch.

Only in the case of the energy store was the initial motivation to generate extra cash for the parent organization, although in most other situations it entered into people's considerations at some point. However, even in the case of the energy store it soon became clear that such an expectation was unrealistic. Thus, most organizations saw business development as a way to survive the New Federalism rather than to generate profits that could be used for not-for-profit purposes. In short, they pursued in the market place what could no longer be pursued on a fully subsidized basis.

In evaluating businesses begun by community organizations, it should be pointed out that some failure is to be anticipated. Public and philanthropic organizations, after all, often apply a double standard when evaluating community groups. They demand a virtually 100 percent success rate among new small businesses sponsored by community organizations while readily accepting an 80 percent failure rate among new small private sector businesses. The authors think that among the seventeen Chicago cases looked at, three or four (20 percent) will indeed be successful by private sector standards.⁸ An additional six or seven are expected eventually to operate successfully, if judged by the other standards discussed.

Catalyst

A second issue concerns the spark or catalyst that gets community enterprises going. One catalyst is confidence on the part of a community based organization that it has a good handle on its operations and the ability to try to do new and different things. This was

clearly the case with the construction related companies that emerged from the rehabilitation employment training programs. A second catalyst is the availability of equity capital. This was particularly noticeable in the authors' work in trying to stimulate the formation of youth-oriented businesses and suggests that the formation of an equity pool could be an important vehicle by which public bodies, or public-private partnerships, could stimulate new business generation. Such efforts are currently underway in Lincoln, Nebraska, and in Wisconsin, with planners playing important roles in initiating them.

Start up

A third issue concerns the business start up process. It was found that a significant nurturing period is required to develop a revenue-generating venture. This period generally lasts from one to four years and is required for a variety of reasons. First, organizations need to increase significantly the scale and complexity of their operations. For instance, the Jane Addams Center youth training program, precursor to Spread The News, Inc., had an annual budget of approximately \$50,000, only \$2,500 of which was generated by sales of mailing and distribution services. The minimum sales needed by a financially self-sufficient business was found to be \$150,000. In addition to obvious increases in scale, entirely new administrative functions such as marketing and management of accounts receivable were required. In every situation the authors have observed, this problem inevitably necessitates reconsideration of every aspect of the existing organization and its proposed business. Everything from the relationship to the constituency to employee qualifications and pay scales becomes an object of scrutiny.

Another reason for a nurturing period is the need to find or develop a niche in the market. There may be a need for a product or service but little initial actual demand. People may not be ready or able to spend money on energy conservation products, important as they may be. In other cases, it is necessary to gain an understanding of the actual and potential market. In the Jane Addams case, the would-be entrepreneurs had to sort out where they were going to be positioned in a market that already existed and was reasonably competitive. This required a comparison of direct mailing versus door-to-door distribution services and evaluation of the relative advantages of serving one neighborhood or developing a citywide clientele.

A final reason why a nurturing period is needed is that it takes time to transform social service management skills into business management skills. For instance, in the social services a clientele can often be assumed and customers don't need to be actively recruited. Since performance is hard to measure, individual and collective inefficiencies also show up less than in a business. While social service agencies fre-

quently experience the same cash flow problems that businesses do, overall margins for error appear wider. Although it may be possible to hire new staff who already possess the needed business skills, it may well be worthwhile for an organization to invest in helping its own staff make the transition because it may offer them new career paths.

Organizational questions

Finally, the important organizational and political questions need to be resolved during the kind of nurturing period identified above. It takes time to resolve organizational questions surrounding the relationship between the parent organization and the business activity. This is often also the ground for political debate. Should the business be operated in-house or as a separate entity? If the second, how much control should be retained, and for how long? Might the different missions of the organizations cause friction between the respective staffs and board members? Should the new activity be operated on a for-profit basis or can not-for-profit status be justified? If not, how will that affect the parent organization's legal status, image, and mode of operation? These are not just legal problems, but concern the image and self-image of the organization. Consequently, it will take considerable effort from staff and board members to resolve them.⁹

The organizational formats contemplated for the new ventures reflect their varied origins and purposes. In some cases extensive analysis of a wide variety of organizational structures and variations was pursued (Wiewel et al. 1982). Only four were seriously considered: operation of the venture as a regular program of the parent organization; operation as a wholly-owned for-profit subsidiary; operation as a workers' or consumers' cooperative; and operation as a business with an Employee Stock Ownership Plan (ESOP). (A number of organizations looked at the idea of a youth-run ESOP because such an organizational form was required by one of the potential funding sources.) Some of the other organizations also considered the ESOP approach, but were put off by the effort and expense of setting one up, especially for a fledgling business. An even more important reason for organizations' reluctance to pursue it was their desire to maintain control of the enterprise. The parent organizations of the construction companies in particular were concerned about the possibility of employees, or outside board members, deciding that the companies should work in more profitable neighborhoods or participate in large gentrification projects. Therefore, they set up wholly-owned for-profit companies.

The two cooperatives studied were initiated with the assistance of a local philanthropic organization with a special interest in co-ops. This was one instance among many of the enormous influence funding

sources have on the decision to start an enterprise and on its format.

Retaining a business activity as a program of the parent organization can serve the purpose of giving the venture more time to find its place in the market or to develop a market where none exists. This was the course taken for the millshop, the bookstore, and the home remodeling business. The mailing and distribution service was also maintained as a program because the board of the parent social service agency was uneasy about the idea of a profit-making business, and wanted to emphasize the primacy of job training and creation.

Finally, throughout this entire nurturing period, technical assistance may often be helpful or even necessary. In many cases, planning and management assistance is required to sort things out and assist in the process of thinking through complex decisions. Technical aspects of the process include market and financial feasibility studies, organizational planning and the development of management systems, physical planning and design, and education about the nature and impact of the new ventures. Because the organizations starting the businesses are not solely driven by the profit motive, but rather by complex social and political motives, traditional business consulting has limited applicability. Often the organizations assemble teams of technical assistance providers from diverse sources such as their own boards, local law and accounting firms, financial institutions, and local universities.

How the cooperation between planners and community organizations in this process gets structured reflects both the technical and organizational sophistication of the organization and its political direction. For a less sophisticated organization, a close, continuous relationship, where the planners raise questions as much as they answer them, is appropriate. A sophisticated group may be able to ascertain its needs quite specifically and may be interested only in a short-term, traditional client-consultant relationship. However, the more interested the organization is in the political implications of its entering the economic arena, the more planners will have to deal with the political implications of their analytical contributions. This, in turn, requires a close involvement and extensive discussions of goals and means.

Conclusion

What follows is a summary of the authors' views on the agenda set out at the beginning of this article: the impact of these business activities on the neighborhoods, their political content, and how they relate to work of planners. Clearly, the business activities discussed are being used by the organizations as part of their overall attempts to have an impact on their neighborhoods. These attempts are often very political in

nature. As such, the business activities emphasize not only some combination of job creation and service for the neighborhood, but also a particular approach to community politics. This approach more directly confronts economic issues through the local, small business, or neighborhood economy.

When organizations first consider this strategy, the revenue motive is often also considered, and sometimes it is paramount. However, in many cases it soon takes on a theoretical character, aimed at potential funders and investors. The greatest limitation on the profitability of community businesses is that low-income neighborhood people may simply not be able to purchase needed goods and services. Nevertheless, some opportunities still exist for organizations to achieve their social purposes with less dependence on subsidization and more reliance on the market. It has been shown above that expectations must be very modest in this regard: in most cases other good reasons must be present in order to justify the large effort involved.

Some of these good reasons may relate to the social benefits. The more organizations and businesses are created in a neighborhood, the more and better the communication and information coming into the neighborhood will be. As a result, more diverse and creative approaches to community problems might emerge (Galaskiewicz 1979). Also, a multiplication of community oriented institutions provides more career paths for organizational staff. Many good people coming into the community movement burn out in five years and move on. The authors would prefer to see them stay on and become, for example, president of Neighborhood Construction, Inc., rather than move on to become public relations officer for an oil company.

Venturing into business also has progressive political connotations. Business activities provide an interesting alternative to other organization-building strategies such as direct action and community organizing. They provide a much clearer link to the economy, the sector where most of the problems that community organizations typically address originate. The business activities by community organizations could be useful for changing these sectors, eventually bringing a greater proportion under community control. In addition, they might serve as a model for others of how economic activity could be conducted differently. In this respect, these activities play much the same political role as producer and consumer cooperatives and worker owned enterprises (Shearer and Conroy 1981). The development of business skills also makes them more competent counterparts in their dealings with governments and businesses, a valuable asset in an era of increasing privatization and emphasis on public-private partnerships.

Several caveats are in order. Involvement in business activities requires community organizations to become increasingly sophisticated. Without conscious and con-

tinuous effort, they can become strikingly similar to other businesses (witness the history of large Community Development Corporations such as The Woodlawn Organization, which retained one of the nation's foremost anti-union law firms to break a strike by its security guards) (Thomas and Forrester 1982; Park 1982). Beyond the level of the individual organization, there exists another type of risk: what is politically progressive at a very small scale may not be at a larger scale. The recent Chicago mayoral campaign of Harold Washington included a commitment to start a citywide waste recycling program (*The Washington Papers* 1983). If implemented, one result would be substitution of close to minimum wage recycling jobs for well-paying, unionized sanitation department jobs.

The progressive aspects of the politics of community controlled businesses are unlikely to fit with the economic development plans of local, state, or federal agencies. However, at the current scale, the quite moderate goals are not at odds with the privatization pursued by the current administration. In the short run, then, opportunities exist for planners to work with these efforts. As they expand in scale and become more political, it may be necessary for planners to work on a volunteer basis or out of relatively sheltered environments, such as universities.

As this analysis has shown, there are several roles that planners can play in voluntary or formal capacities. First, at a number of stages in the development process, there is a need for technical analysis, market and financial feasibility analyses, and organizational development plans. Second, there may be the possibility of playing a Freirian or Habermasian role—participating with groups in thinking through their decisions. As was emphasized earlier, a major spark in the development process addressed by this article is organizational self-confidence, which requires grounding in reality. Finally, there are additional opportunities for planners emerging in the implementation stage. It is at that stage that progressive formulations about new ways of conducting the economy have to be given concrete shape. How a new business activity is controlled, how it operates, and whom it responds to determine whether it will meet any of the political and social considerations presented above, such as providing a model for economic democracy, considering community needs before profits, or training community leaders. Obviously the experiences are still limited, but they allow a guarded optimism that the political potential is quite real.

Notes

1. For examples other than those presented here, as well as for general discussions, see Williams (1982), Center for Policy Research (1982), Neighborhood Development Collective (1982), Cagnon (1982), and Wilson (1982).
2. A corresponding expression of planned community self-suffi-

ciency is the seminal work on Harlem by Thomas Vietorisz and Bennett Harrison (1970).

3. Saul Alinsky, the prototypical neighborhood activist, was a vocal proponent for the preservation of traditional institutions such as the church, schools, and family.
4. For example, see the series of studies on the roles of mediating institutions sponsored by the American Enterprise Institute, beginning with Berger and Neuhaus (1977). For a clear expression of the symbiotic anti-planning sentiment, see The White House (1982). For similar observations on an international scale, see Ward (1982).
5. See for instance Savas (1982); Mier (1982b).
6. The center, a unit of the School of Urban Planning and Policy, provides technical assistance to neighborhood organizations engaged in economic development efforts. Information on the efforts and experiences of UICUED is available on request.
7. See Molotch (1972) for an analysis of the racial transition in South Shore. Giloth (1982) presents data regarding the disinvestment strategies used in South Shore.
8. These seventeen include the Chicago cases; the others were excluded from this analysis partly because they were known to be reasonably successful. The reader must remember that these cases were not chosen so as to constitute a statistically representative sample.
9. These issues are discussed in detail in Wiewel et al. (1982).
10. The choice of the expression "nurturing period" is an attempt to distinguish the community organization business start up process from the traditional small business start up process. It is well known that it takes a small business three or more years to become profitable. The nurturing period is perceived as preceding and only partially overlapping with the business growth period.

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