



Forum

Adjacent Opportunities: Community Economic Action

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Creating community is difficult under the best of motivated conditions. Activating community to actually accomplish an aligned goal is something else entirely. Just ask any currently elected official about the intractable thinking of their compatriots and we can see where the problems invariably arise. But just because there are some over ego-fed politicians foraging through the public coffers, doesn't mean everyone operating in the world of community is acting likewise. Nor does it mean that there aren't viable ways of assembling community to actually get something done that will benefit everyone and not just the most powerful and greedy. (A social comment, possibly, but it is certainly one that would be hard to argue against).

A few years ago, I introduced within this column the notion of Community Social Performance, in which financial institutions, corporations, universities/colleges, non-profits, government agencies and local community groups would work together, utilizing the resource of their expertise and wisdom to solve social issues together. In building this community and bringing them all to the table, we create an interactive dialogue out of which something "new and now" (innovative) might emerge. Solving social issues with the same thinking that got us there... well we all know the adage, and by doing so we do nothing more than maintain and sustain those within our communities who are struggling rather than doing something innovative to shift the intransigence.

It was out of this notion of Community Social Performance that we developed what has become the neighbor-to-neighbor loan-guarantee process, which is at the heart of our micro-finance/micro-enterprise program, Lending4Change. The program utilizes:

- The support and expertise of students and professors from universities and colleges to work directly with the entrepreneurs, who come from the disenfranchised populations with which we work;
- Credit unions to provide the chartered loan mechanics; the experience and knowledge of those working within corporations to help train the entrepreneurial populations and work with them as their businesses get up and running, and;
- The knowledge and ability of the non-profits and community groups to support the entrepreneurs and get the word out about their businesses.

Lending4Change also requires that anyone making a loan-guarantee to support an entrepreneur also commits to directly helping that entrepreneur as a coach or a mentor.

It is within the interaction of these various players that real community is not only formed but activated, as well. Out of this intermingling of intellectual resource comes an innovative emergent shift in the intransigence of those stuck in the gyre of our social malaise. This is not a passive process. It can't afford to be, especially since our communal passivity and our misplaced social individualism may have gotten us into it in the first place. No business, without regard to how chauvinistically individual it perceives itself to be, can survive without a community of customers. Business is an interdependent action that excels through positive relationships.

By purposefully enabling those relationships, aligned around a common perspective, we move from a small contingent of participants, to the engagement of entire communities, not only helping those who are marginalized, but working together to improve their own local economic landscape. As we create small businesses within our disenfranchised populations, a number of things take place: First, we begin to draw back the social support mechanism for those creating the businesses, which in turn cuts back on the costs for those operating them, which reduces the drain on the public coffers which contribute. Secondly, as these businesses get up and running, they begin to return directly to their communities through taxes and trade. And thirdly, they begin to create jobs that employ local residents to develop and grow their business operations. None of this can happen unless there are constituencies that can help these seedling businesses establish their roots in the communal soil. Being an entrepreneur may feel like an individual pursuit, but unless it becomes a community effort it will fail.

Gary Perez, the CEO of the USC Credit Union (University of Southern California) is a hard core Credit Unionist. He firmly and passionately believes that his job is to do nothing less than support community and encourage and help capitalize the development of their engaged efforts. And while his field of membership,

credit union speak for those credit unions are chartered to serve, is the Trojan Community (USC Trojans), he is a very visible and recognized leader in the Los Angeles credit union community, because he knows and clearly understands the collective power of cooperative resource. When I asked him to describe the interactive opportunity and challenges he sees emerging from a community social performance program like Lending4Change, in which neighbors are helping neighbors, he produced a remarkably succinct description of what Lending4Change actually does, as well.

As we emerge from what we believe to be—and certainly hope to be—the worst economic downturn of our lifetime, community based micro-entrepreneurs are faced with a new reality: access to capital has never been more important, yet it has never been more scarce.

Lending4Change (“L4C”) represents a ‘peer-to-peer’ or, better stated, a ‘community-to-community-focused- entrepreneur’ solution to provide the critical capital needed to support small businesses and the communities in which they serve. In this novel model, community members pool their resources to provide low-cost micro-loans to current or prospective small business owners who have completed an exhaustive L4C training program, developed a comprehensive business plan (also with L4C assistance) and submitted their funding request to those participating in the community funding pool. If approved by the funding pool representatives, a portion of the funding pool balance on deposit at a local credit union or community bank will be used to guarantee a loan made directly by the financial institution to the small business owner. The lender will handle all of the regulatory and servicing responsibilities normally associated with a commercial loan while paying a premium interest rate on the funding pool deposit. The lender will also pay L4C a small portion of the interest revenue so that it can provide ongoing counsel, training and support to the borrower during the life of the loan. In the event of a default, however, the proceeds in the funding pool deposit account will be applied to the outstanding balance. As loans are repaid more capital will be made available to more micro-entrepreneurs, thus providing a true example of a socially- conscious, community-enabled lending program.

People helping people’ is the mantra of the credit union system. Never has this ideal been better applied to small business lending.

While Gary’s endorsement is whole heartedly appreciated, the key here is that neighbors helping neighbors is not a once off model, but something that can and needs to be replicated in communities throughout the country. We need to break away from this rugged-individualist perspective which has not only driven us apart, but created towns in which we don’t even know the names of our closest neighbors, and have no engagement in how we fit into the complex

interaction of that community, outside of the occasional and often awkward encounter in a local supermarket.

Building and activating community to support our economic well being by helping those who might need another chance or a restart because they have been serving the country or made some wrong turns along the way means that we have to be open to different perspectives. Many within our towns and cities view this ability to allow for another perspective as intransigent a social issue as poverty itself. And as long as we only come from a place of intellect in these discussions we may never get beyond our inability to meet another. So if the answer isn't the logic and reason of our thinking, what's left?

Ah, the unspoken in these discussions. It is, of course, the heart. We are not suggesting here that we start immediately with the "L" word (love for those afraid to even think it), a fate many would consider to be inappropriate and uninvited in our world of science, academia and business. But when we humans do finally get to opening our hearts, incredible things happen.

I was just at Oxford University for the Skoll World Forum, an annual event where Jeff Skoll (Co-founder of e-Bay) invites 800 or so of his closest social entrepreneurial friends to join him in three days of discussion and networking. This year's event was, from my perspective, the best to date, primarily for the presence of Archbishop Desmond Tutu who received a living treasure award from the Skoll Foundation. This is a man, who along with his colleagues, ended apartheid in South Africa, and when they did it, they didn't turn on those who had made their lives living hells, and slaughter them by the tens of thousands. They did something extraordinary, they forgave them. It was a remarkable example of the power of the heart to diffuse the intellect that maintained hatred and division. It is our thinking that keeps us stuck in the intransigent situations our communities face. But there is another way to face them.

As Ron Martin, former CEO of Mission Federal Credit Union, one of the largest in San Diego, and an icon in the world of credit unions, explains it:

Economic hardship has reached deep into our communities. The new face of poverty likely includes one of our neighbors or even a returning military veteran.

We cannot solve this problem with our heads alone. And in that context, the heart connection is the not-so-secret sauce that propels the entire neighbor-to-neighbor idea forward. We simply need to be bold enough to declare it. We may each define the source a little differently, but the interaction between the head and the heart touches our humanity at the core of who we are.

So how does this shift economic hardship? The answer is us. When we combine opportunity with our ability to interact with each other, it translates into worth and dignity. Neighbors often need a hand up, not a hand out. They need access to a community that offers capital as well as the experienced

among us being willing to teach and model business principles. We have all heard a version of the proverb ... it is better to teach a man to fish than to give him a fish sandwich. Better yet is to teach that man to start a small business selling fish. This does far more than improve an individual life. It touches the lives of everyone with whom they live by improving the economic well-being of the communities in which they create new jobs. A market opportunity like this can start with a microfinance loan. Lending4Change neighbor-to-neighbor approach has been formed as a local catalyst for building a community where those in need are seen as a partner, not a victim, in reversing the downward spiral of economic hardship.

This work gives us the high privilege to engage not only our heads but interact with others from the heart. My personal priorities integrate well with the cause of helping people, putting faith into action, and seeing small businesses become successful. As Archbishop Desmond Tutu said, 'We are not made for an exclusive self-sufficiency, but for interdependence, and we break the law of our being at our own peril.'

We understand that when people within communities interact to solve problems together, align around a common purpose, and engage all the various resources of the community: the intellect, the heart, the wisdom, the experience and its financial generation, amazing transformational things take place. What keeps us from unleashing the power of this interaction? Perhaps a better question is what gets us to a place where we can initiate these interactions? It's not our rugged individualism. It may be as simple as neighbor helping neighbor.