

# **Exploring Social Entrepreneurship in San Juan Nuevo, Mexico: The Role of Social Enterprises and Leadership in the Management of Communal Resources**

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## **Abstract**

The commons is well represented by cases in which the commons is a source of raw materials harvested by the commoners and then consumed directly or marginal surpluses sold through a commodity chain to buyers, processors and marketers. Such indigenous, or peasant households, it is assumed, are rarely able to undertake the collective action necessary to undertake other functions in the commodity chain of a product. This has firmly framed the commons as an area of administrative interest in how a commons is managed by individuals, households, collectivities and states and how the benefits of such commons are allocated. However can an enterprise also be considered as a commons?

In this paper we consider a case in which both the enterprise that purchases, transforms and sells the products of a commons is owned by the commoners. We argue that the impetus for such a strategy is one way to confront internal and external pressures on a commons. In order to understand this case we found it necessary to utilize literature regarding social and community-based enterprise to understand this form of a commons. Community-based enterprises are a specific form of social entrepreneurship in which a defined community uses the entrepreneurial process and collective action to identify and establish a venture or enterprise, using, whenever possible, available common property resources to generate local social value for the common good.

We present our results in considering the distinctive features of a long standing (28 years), indigenous community-based enterprise, San Juan Nuevo, and its role in commons governance and management. Through an iterative process of reviewing existing literature and empirical fieldwork we develop an analytical framework that considers the internal characteristics as well as the inspiring and enabling factors of community-based enterprises. We use this framework to organize our empirical findings specific to the San Juan community-based forestry enterprise. Much of our findings extend current literature. We add to the literature in identifying the importance of entrepreneurial leadership grounded in collectively held core cultural values and the

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challenge of succession that faces community-based enterprises in transmitting such values between generations of leaders.

**Key Words**

Indigenous, Mexico, Social Entrepreneurship, Community-based Enterprise, Forestry

## **Introduction**

The commons is well represented by cases in which the commons is a source of raw materials harvested by the commoners and then consumed directly or marginal surpluses sold through a commodity chain to buyers, processors and marketers. Such indigenous, or peasant households, it is assumed, are rarely able to undertake the collective action necessary to undertake other functions in the commodity chain of a product. This has firmly framed the commons as an area of administrative interest in how a commons is managed by individuals, households, collectivities and states and how the benefits of such commons are allocated (Dietz et al. 2003; Ostrom et al. 1999). The question of the rights of the commoners is paramount and if trade and commerce are analyzed it is in the context of how such activities have displaced the commons with production systems that allocated the resources and benefits to individual actors (persons or firms). In contradiction to this theoretical framing by scholars some indigenous and other rural societies have used enterprises as a form of collective organization as a means to counter the threats from states, markets and their fellow commoners to a commons system (Peredo 2005; Peredo and Chrisman 2006).

The purpose of this paper is to draw upon the literature of social and community-based enterprises to understand the linkages between such enterprises and the commons in an effort to bring these disparate sets of literatures into dialogue. We utilize the existing literature on social and community-based enterprises to create a frame of analysis and then use that frame to discuss empirical findings obtained through research with the San Juan Nuevo Forestry Enterprise located in the State of Michoacan, Mexico. We attempt to ground our analysis in the commentary of two key initiators of the enterprise by bringing forward their perspective on the key items identified in the analytical framework. This is a case well known in the commons literature rooted in community forestry (Bray and Merino 2004). We conclude with a discussion of key characteristics of community-based enterprises and challenges that they face in appropriating the benefits of resources and markets for the good of the commoners of the enterprise.

## **Background of the San Juan Case**

The San Juan forestry enterprise (<http://www.comunidadindigena.com.mx/>) is a 28 year old enterprise created to exploit timber and non-timber forest resources present in the communal land of a Purhepecha indigenous community. The enterprise is comprised of more than 20 productive areas with total annual sales of up to US\$11 million, approximately 1,400 employees of which about half are direct employees and half part-time and seasonal employees, and thousands of beneficiaries. The communal forest management system in Nuevo San Juan has received national and international recognition for its vertical integration of forest production (use of product and byproducts), scale of operations, innovative management system and use of profits, among other achievements. The forestry enterprise of San Juan, initiated in the early 1980s, represents one of the most important large-scale socially driven forest exploitation initiatives in Mexico. At the first stage of its development, in the late 1970s, San Juan exploited its communal resources through a Union with other communities

and ejidos, but subsequently, because of management challenges in the Union, San Juan withdrew from the Union to start its own community-based strategy at the beginning of 1981. This same strategy soon helped the community to establish its own community-based forestry enterprise in 1983. In the process of establishing the enterprise, the renewal of the community's resource use and management rules also took place. These progressive steps were also reflected in the community's success in maintaining its resource base in the face of increasing pressure from surrounding communities that were systematically engaging in illegal logging.

## **Methods**

This case was part of a larger initiative led by the Canada Research Chair in Community-based Resource Management based at the Natural Resources Institute, University of Manitoba (www.umanitoba.ca/institutes/natural\_resources/nri\_cbrm\_projects.html). The initiative, funded by the International Development Research Centre, focused on winners of the Equator Initiative Prize (www.undp.org/equatorinitiative/) given to community initiatives that focused on conservation and development. San Juan Nuevo was one of the winners and became the focus of the research presented in this paper. Field research was carried out in the community of San Juan Nuevo, Michoacán, Mexico, by A. Orozco-Quintero, over a period of three months. The research primarily involved the gathering of data through semi-structured interviews on various aspects of self-organization, cross-scale and institutional structures characterizing the emergence and consolidation of community-based resource management initiatives. Upon returning from the field an analytical framework was developed through a review of the social, community-based and indigenous enterprise literature to provide an analysis of San Juan not simply as an administrative undertaking but as an enterprise. In this paper we draw on interviews with the lawyer Francisco Ruiz Anguiano who, together with the first Community Commissioner for the Forest Exploitation, the engineer Salvador Mendez who were key leaders in the development of the community-based enterprise. respectively. We now turn to the literature out of which the analytical framework was developed and then turn to the results of this process.

## **Social Enterprises**

Social enterprises (SEs) are distinguished from other enterprises in that their internal management strategies and governing structures are founded upon a social and/or cultural mission and collective objectives. SEs combine market and non-market forces to achieve their mission-related impacts and goals (Alter 2004; Orozco-Quintero 2007). In this regard, the central criterion of social enterprises is the investment of profits or created wealth to generate social and/or cultural value and achieve collective social development/empowerment. Borzaga and Solari (2002, p 335) addressing the hybrid nature of European Social Enterprises state, "... neither the public sector, the for-profit nor the non-profit literature on management provides models and approaches which can account for the specific nature of social enterprises." As indicated by Defourny (2002), the general concept of social entrepreneurship has been partially adapted from and

embedded in the definitions given to third sector organizations<sup>2</sup>. Social enterprises, for their social nature and particular institutional and organizational arrangements, certainly present features common to the third sector (Borzaga and Defourny 2002). However, they can be distinguished from third sector development approaches by the following: their particularly diversified resources and sources of funds, which can include not only revenue from market transactions, but also public funding and donations/volunteerism; their innovation in institutional arrangements, both in multi-stakeholder governing bodies and organizational rules, which are born from and supported by collectivities with shared aims; and, their brave nature to tackle unfavourable conditions and fulfill new or largely neglected demands (Borzaga and Defourny 2002; Seelos and Mair, 2005; Orozco-Quintero 2007). Borzaga and Defourny (2002) mention economic decline and new policies trends as possible factors inspiring the creation of social enterprises in Europe. They explain how the economic crises faced by European countries in the 1970s, and the new policy trends on service provision and decentralization and privatization of public services arising as a consequence of such crises, affected the generation of employment for disadvantaged and low-skilled people and increased the gap between met and unmet essential public demands. Social enterprises then, together with private service providers, emerged to fulfill such demands. In addition, they indicate that disappointment with labor policies could also have been the reason workers started new development initiatives.

Borzaga and Defourny (2002) suggest the following as critical factors in European SEs: trust generated by their 're-distributive' role; social capital generated through their innovative engagement of affected people in local development processes; and, the direct impacts on employment and other areas of local social and economic growth. Identifying the challenges being faced by these new forms of collective development, they highlight: the lack of conceptual and legal frameworks signifying and attending to their unique nature; misconceptions on their role as development agents; the inadequate and/or outdated policy environment limiting or hindering their potential to be legitimized and consolidated; lack of awareness on their important role; high governance costs; limited size; and, isomorphism. In the face of these challenges Borzaga and Solari (2002, p.339) identify the importance of maintaining "a close relationship among values, missions and organization" in order to promote transparent decision-making, real leadership and committed ownership among the various stakeholders, including workforce and beneficiaries.

Social enterprises as such, are not just a new representation of a set of characteristics belonging to one or another of the for-profit, public or non-profit sectors, they emerge as new community-based or group-based initiatives with similar forms but innovative and representative internal characteristics. Among the exponents of these new forms of entrepreneurship are indigenous and peasant communities, whose impacts from colonialism, and political and economic oppression from mainstream governments, have

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<sup>2</sup> The definition of the third sector includes both organizations belonging to the Social Economy and to the non-for profit sectors. These two sectors - comprising a diverse group of organizations - variably differ on the kinds of goals being pursued, the constitution of governing bodies and the profits distribution constrains (Defourny, 2001).

often left them in conditions of poverty and social, cultural and economic disempowerment, but have also triggered their interest in leading their own development processes (Peredo and McLean 2006).

### **Community-based and Indigenous Enterprises**

The idea of community-based and indigenous enterprises has emerged as a specific form of social enterprises (Anderson, Dana and Dana 2006; Peredo and Chrisman 2006). Similar to other social enterprises they utilize market and non-market strategies to improve socio-economic conditions and generate social value for their members. Often the membership of such enterprises is based upon a mechanism by which an individual is recognized as a member of a collective. In many indigenous cases this means they have legally recognized membership in an indigenous community as specified by the State of which they are a part. This issue of membership is important but at the same time will be specific to each case and not something that can be easily generalized outside of a specific context.

More general characteristics of community-based and indigenous enterprises are that they are often seen as a mechanism of autonomous grassroots development. Such enterprises often emerge out of a social mission in which cultural values are mixed with socio-economic objectives and where profits are the means to achieve social and cultural goals and not simply a return on investment (Anderson, Dana and Dana, 2006). The social missions and objectives of such enterprises address the social and financial needs of diverse groups within a society while embracing values integral to their cultural identity and recognizing their dependence upon specific resources necessary for their collective survival in a specific place (Cornell, 2006; Anderson, Dana and Dana, 2006). The organizational structures and institutions of such enterprises are directed to strengthening cultural practice and achieving socio-economic empowerment. Such enterprises recognize the linkages between institutional, political and administrative empowerment, and, trade and commerce. As such, implicit to the mission of the enterprise is the goal of legitimizing their appropriation of resources for both subsistence and trade (Cornell and Kalt, 1998). Given that the inputs needed by the enterprise are a common good its success is dependent upon its ability to create or strengthen the institutional structures and trust needed to collectively organize for its internal operation and growth while maintain the political control of the resources (Cornell and Kalt, 1998; Orozco-Quintero, 2007). The enterprise can be seen as the means by which the society organizes its interactions with other actors while maintaining its collective identity and the resource base it needs for its survival through both direct consumption and trade. Community-based enterprises are increasingly been considered by rural and indigenous communities as a way to maintain autonomy by decreasing their dependence upon transfer payments from central authorities and as a way to negotiate with corporations.

Long term research on socio-economic development, carried out in Indian reservations in the USA, has provided insights into factors that are important for enterprises to be a successful mechanism for development rooted in collective action. As Cornell and Kalt (1992) have found, Native American enterprises have been successful when the following factors are present: they build upon collective institutions (governing bodies)

rooted in cultural values and individual actions based upon rules that serve common aims; the partial or total control over land and/or resources; create their own human capital; and, draw upon their own systems and strategies for economic success. Other external factors that can influence the success of an enterprise are: the political and legal jurisdiction over land and resources; assets for economic success such as linkages with existing or emerging markets; and access to other resources, such as financial and in-kind capital (Cornell and Kalt, 2002). Through over ten years of research Cornell, Curtis and Jorgensen (2004) have concluded that practical and capable local community governing structures emerge when there are conditions of effective sovereignty and a cultural match between governance institutions and local conceptions of political power. Such institutions combined with strategic leadership that searches out diversified sources of revenue, instead of depending upon transfer payments from the central state, and pursues the expansion of decision-making jurisdiction over resources, will provide a favourable environment for autonomous community development.

In reviewing literature we drew out what seem to be the important internal and external enabling conditions for community-based enterprises in Table 1. We then utilize this analytical framework to organize our presentation of the empirical data from the case study of the San Juan Nuevo Forestry Enterprise.

**Table 1.** Factors for success – identified in the literature – which generally comprise community-based or indigenous social enterprises, and some of the key challenges enabling/hindering the emergence and consolidation of CBSEs or ISEs.

Main Features of Community-based Social Enterprises	Factors Increasing changes for success	Challenges
Holistic Vision, Mission and Values	strong connections with land and traditions, and shared values strengthening cultural practice and collective memory, long-term holistic goals (Cornell, 2006; Anderson, Dana and Dana, 2006)	Institutionalized vision and goals, independent of politics (Cornell, Curtis and Jorgensen, 2004)
Institutions, Governing and Managerial Structures	Governing institutions emerged from culture and traditions and have genuine decision-making, Institutional bodies exercising “de facto” sovereignty, bodies overseeing nations’ political issues and long-term goals without interfering with management tasks (Cornell and Kalt, 1992; Cornell and Kalt, 2003; Cornell, Curtis and Jorgensen, 2004; Cornell 2006);	Establishing culturally harmonized bodies (Cornell and Kalt, 1992; Cornell, Curtis and Jorgensen, 2004); establishing effective self-governance mechanisms, including accountability measures, achieving internal and external legitimacy (Cornell and Kalt, 1998; Cornell, Curtis and Jorgensen, 2004)
	Skillful management supported by visionary indigenous institutions (Cornell and Kalt, 1998); Effective accountability measures (Cornell, Curtis and Jorgensen, 2004; Cornell 2006)	Separating politics from administration, establishing effective accountability measures (Cornell, Curtis and Jorgensen, 2004, Cornell, 2006); developing human resources capabilities (Cornell and Kalt, 1992)
	Culturally supported standards to moderate peoples’ behaviour (Cornell and Kalt, 1992); Clear, agreed upon verbal or written set of laws or constitutions (Cornell, Curtis and Jorgensen, 2004)	Establishing effective institutions of governance (Cornell, Curtis and Jorgensen, 2004)
Capitals and Capacity building	Partial or total jurisdiction over land and/or resources, material capital, skilful workforce increases chances for success; important to develop market relations, the ability to establish legitimate institutional structures and acquire external financial support (Cornell and Kalt, 1992)	Diversification of sources of funding, reaching new or established markets, ongoing training; improvement of workforce skills (Cornell and Kalt, 1992)
Regulatory Framework	Increased legitimacy attracting investors and public and/or private funding (Cornell and Kalt, 1992);	Influencing policy to more effectively support indigenous development, developing relations with investors (Cornell and Kalt, 1992)
	Regulatory framework influenced by internal and external legitimacy, practical sovereignty and effective governing institutions (Cornell and Kalt, 1992);	Establishing competent bureaucracies, dividing nations’ political matters from entrepreneurial endeavours (Cornell and Kalt, 1998)
Land and Resource Tenure	Jurisdiction and control over land and resources Increases chances for economic success (Cornell and Kalt, 1998)	Acquiring legal jurisdiction (Cornell and Kalt, 1998); establishing legitimate land and resource use and management rules (Ostrom, 1999; Orozco-Quintero, 2007)
Informed Leadership	Having a “strategic orientation”, good leadership an asset for good institutional performance (Cornell, Curtis and Jorgensen, 2004);	Indigenous leadership (Cornell, Curtis and Jorgensen, 2004); establishing internal and external legitimacy (Cornell and Kalt, 1998)

## **Analytical Framework: Key Features of the San Juan Community-based Enterprise**

### ***Holistic Vision, Mission and Values***

The perception of belonging to and being part of the land embedded in the vision of San Juan elders allowed the community to maintain a close relation with their communal territory after the eruption of the Paricutin volcano in 1943. This same holistic vision reinforcing indigenous livelihoods, community cohesion and cultural practice three decades later, became instrumental, together with the increasing gap between poor and rich and the mismanagement of the communal resources by a few, in triggering the interest of community leaders to establish a community-based forest management system. As indicated by the engineer Salvador Mendez, whose knowledge and expertise directly contributed to the establishment of the enterprise, *“... then, it is when a large division appears in the community, where a group advocates for the re-appropriation of the land through the establishment of private property – as a way of having access to credit and therefore development and progress, and another group, which was the one I always identified myself with, the one supporting the figure of common property land tenure, as a way of advancing all at the same time, the population as a whole. And this was our predominant position to establish and maintain the enterprise for the first ten years...”*

This process of the community appropriation of the forest exploitation, faced by numerous challenges, is particularly remarkable for its primary goal of generating social cohesion and development through the capture of economic value. Economic objectives were seen as a means of promoting community well-being more than as an end themselves. As the lawyer Francisco Ruiz, the community representative leading the creation of the social enterprise, indicates, *“our strategy with those community members identifying themselves with the private property sector was to negotiate, showing them the bounties of belonging to the communal regime, of maintaining the land as communal, our way of life as a forest community and the importance of generating employment and collective development.”* In this manner, even opposing community interest groups were still being considered part of the project, acknowledging in this way the multiplicity of actors and interests at the local level and, with this, the multi-stakeholder nature that such a large communal project had to recognize and embrace. Similarly, engendering a “sense of ownership” became the instrument of achieving entrepreneurial success, as Ruiz indicates, *“The objectives were, first, to show to the people that we know how to work— having after a year positive results, profits, even if they were minimal; to create a real source of jobs with all the legal benefits, but we first had to create a work discipline, which was at that time still foreign to our community, through making people conscious little by little...it was necessary, because what we were doing was for us, we developed the sense of ownership which was vital to survive.”* In the organic process of implementing the economic strategy and foreseeing the long term implications of the community project,

as the lawyer Ruiz indicates: *“... we also understood something else, the need to train and guide our own people, in our people there was no long-term vision of saving and acquiring new knowledge. After we started talking to them, things started to change, they started to improve their homes, make long-term planning, improve hygiene, health, etc. Meaning, we were addressing the other important aspect of our project, to promote social development, which was what we wanted from the beginning, not just improve economic conditions, but also general living conditions, education, training, all of that. We started providing training on our own native language to avoid losing it, because it comprises our own indigenous identity. Unfortunately it was almost lost at this time—new generations are not as proud as we were of our indigenous origins.”*

Because of the increasingly bigger national and international markets for products such as avocado and peach, the San Juan community, as many other communities in Mexico, has also experienced a continually growing pressure to modify land use strategies, particularly to convert forests to farm land. However, guided by the same values of promoting collective instead of individual or family development, the community has maintained the position of protecting the forestry nature of the communal land by exploiting timber resources in a sustainable way and promoting natural regeneration and reforestation to maintain the forest cover. In this regard, as one elder and member of a community institution indicates, *“...they – private property owners and government programs keep trying to make us change our forest for avocado farms, but with avocado trees you provide for a family, with a forest you provide for a community.”*

In visualizing the importance of separating the political from the managerial aspects, the Commissioner for the forest exploitation, the engineer Mendez, and the Community Representative, the lawyer Ruiz, put in place a synergic partnership to allow economic growth to be framed but not handicapped by the communal nature of the enterprise. As Ruiz indicates, *“...it was that way, we committed ourselves to work without obstructing each other's work, but with coordination to have positive results in the short term, but we also decided to meet to develop a long-term vision.”*

The implicit principles of the above quotations, which extend what has been addressed in the reviewed literature, give account of a holistic vision regarding maintaining a close proximity to land, community cohesion, and traditional livelihoods activities, and with this cultural identity. In this manner community socio-economic development and empowerment became the instruments to generate social value. The primary conception of the community as a whole with very different factions that could work as a team was reinforced in three ways: by acknowledging the multi-stakeholder nature of the community and the enterprise and by gaining the trust both of direct beneficiaries and also of opposition groups; by maintaining unity of purpose but also independence between communal political matters and productive matters; and by engendering a strong sense of ownership through particular labour arrangements and linkages with local businesses. In addition, core cultural values and intellectual inputs also structured what would eventually become both a successful collective development model and one

of the largest business ventures almost entirely run by indigenous peoples in the world. The subsequent sections elaborate on the way in which this same holistic conception of the community-based management system became the guideline to follow in the development of the necessary structures and approaches to strengthen the enterprise during the first decade.

### ***Institutions, Governing and Managerial Structures***

The San Juan community organization process, shaped by community inspired values, is characterized by three particular aspects: local leaders acknowledged, supported, and submitted to local governing and decision-making bodies framed within legal parameters, in order to establish the necessary synergy between managerial structures and institutional structures, achieve internal and external legitimacy and subsequently the community development goals. As the Community Representative, the lawyer Ruiz indicates: *“we had a structural model that was small but very effective, and in that same way we presented it to the government, trying to explain all detail and under the parameters established by law, but adapting legal frames to our local institutional structures, that is why we created the Communal Council, as an organ representing each neighbourhood of our community, elected by the community, to be able to have a consultative body that can be called at any time and that represents the views of all the sectors of our community. That way we did not have to tire our main decision-making body, the General Assembly, making them to have extraordinary meetings to decide emerging matters but still having their ‘go ahead,’ at the same time not supplanting the General Assembly, whose key role was clearly defined and also carried out. That is why we developed a successful structure, and efficient system where we maintained transparency and had the required ‘go ahead.’*

The model to follow was both conceived and overseen by institutional and managerial leaders, as the head of the forest exploitation venture, the engineer Mendez indicates: *“at the beginning I also participated in the direction being given to the community, in terms of creating the Communal Council and helping the General Assembly to meet regularly. Before 1981, they used to meet just to change representatives – who generally were becoming wealthy by mismanaging communal resources, or to attend to special visits from government agencies. Then, we established them as ordinary and regular meetings, without changing what was established by legislation. We participated in generating that kind of commitment that was emerging at the community level.”*

In relation with the inherent characteristics of the social enterprise and its separation from political structures, Mendez, its mastermind and first manager indicates *“.../ established the rules of a private enterprise, they were not written but practiced and jealously followed. How do you realize that? Well, with your control reports, registry, work time, sales criteria, etc. That was completely my responsibility...”* *“There is an element to consider, the dynamic, the certainty that the money is going to be there for everyone the day it should be, to pay the chainsaws*

*operators, the people working at the sawmill, for everyone. After ten years of total certainty, when there is not a single day of late payments for the worker or for the family whose trees are going to be cut, everything up to date, working like a bank. Ten years give that security, where everyone can start thinking in improving their homes, their social and economic conditions, then a circle of certainty and confidence is generated. Now, if one happen to have the judgement and the fortune of making well balanced payments, based on working hours, risks, nature of labour, etc., if the work place remunerates properly and if you are able, as we were, to pay 1.8 to 1 ratio of what was received in other parts of the state; if you maintain equilibrium, paying properly also to the less skilful but nevertheless hard working people, to give them also the opportunity to construct their own well-being. This was the system we rigorously followed during the first ten years, because we had Communal Council Deliberations – functional and active institutional bodies – that maintained their independence from the enterprise’s administrative structures.”, “...the employer-employee interaction was also different in the enterprise, because the community members working in each management area had regular consultations among themselves and with the general manager, and they proposed changes when there were problems with the heads, taking the enterprise as theirs and therefore trying to ensure its success...local transporters and other cooperatives and local businesses were better organized and also integrated to the enterprise as partners and contractors”*

**The strategy of establishing independence between community governing and managerial structures through putting in place a transparent organizational process, becomes of particular relevance for a project that had strong opponents and needed to be legitimized at the local and higher levels, as the lawyer Ruiz explains:** *“Even though the opposition came from the local catholic institution and the economically powerful small property owners, who strongly influenced people in different government agencies to make us stop our project, our General Assembly members by majority supported the continuation of the productive project, which left the opposition without much to do but to witness how our community was starting to drive their own development...they defamed us at higher levels to force agencies to carry out audits, so we had surprise auditors’ visits who were trying by all means to find cracks in our system and stop us. At one time they were for a month looking at each document and making us to be sitting there to respond to anything, then they left to be replaced by a second commission that after fifteen days started to accept that we had everything up to date, correct payments and proper benefits, carefully managed financial resources, etc. Then, they convened a meeting of the General Assembly in order to present the result of the audit. They congratulated us, because our mistakes came from the kind of reporting systems we sometimes used, but not from mismanaged funds...we were triumphant. I felt fully satisfied, because we demonstrated to our people that we were able to do things...because of the way resources were historically poorly managed by our representatives that at different points in time were more incline to supporting the increase in private property, or personal wealth, but not in improving our community as a whole, our people lost their faith in achieving any kind of improvement. So, when we*

*start to see that or people started to gather in larger numbers we were very happy...look that in our subsequent Assemblies we started to use the local cinema. The people around labelled us as "crazy" for our decisiveness in what we wanted to accomplish, and we were successful...after generating profits in our first year we decided to distribute them to let them enjoy the results, thinking little by little to help them to see the need of reinvesting...people congratulated us on the streets, even though many were drunk, all were very happy for the success. In our second year our own people decided to reinvest, after we showed them the other productive projects that could accompany the forest exploitation."*

Local institutions, as a consequence of the demonstrated leadership, became strong. The General Assembly passed from about 40 participants who decided to go ahead with the communal exploitation to 400 in the second year of communal exploitation, even before having the enterprise, but after having some positive results and profits to present (at around the middle of 1982). In a similar fashion, the parallel process of trying to engage community opposition groups eventually yielded fruits for the establishment and consolidation of the communal enterprise. Highlighting the original positions and interests of some of these groups, the engineer Mendez indicates, *"There were powerful community groups, such as the small sawmill owners, already in existence before the creation of the enterprise, which were very demanding and with total power, to the point that it was this group where the Municipal Presidents always came from; however, there was a moment when they lost strength and were left aside, when the model of communal way of living re-emerged, because this powerful group originally advocated for the development of land titles..."* However, the acknowledgement of the multi-stakeholder nature of the community and the power and influence hold by the various interests groups, as the lawyer Ruiz reiterates, helped in the establishment of the enterprise and the reunification in the search for the common well-being: *"These groups – interest groups in the community – can become a problem when directing a community, because they can be highly influential in undemocratic elections of communal representatives, for their economic interests, and that is what has sometimes happened here. But if these groups are properly managed there is no problem; on the contrary, these groups, well-managed, represent a support and we have proved that. We started the enterprise with them around and instead of becoming a problem they were of support. The problem comes when these groups overstep and one makes them economically too powerful, they will then defend their interests at any price, but it would also be a problem if one doesn't attend to them within the parameters of justice, not too up not too down, indicating that they are important, but the community is more important, the collective interests over the individual interests, but making clear to them that they are also important, because they are part of the communal project."*

The organizational processes taking place in San Juan testify to the way individual leadership achieves the institutionalization of community goals, for both the long-term survival of the communal way of living and the satisfactory managerial performance of

the enterprise. To this testify figures such as the increase in workers involved in the exploitation process from “*about a hundred*” before the creation of the enterprise (1981), as Mendez indicates, to “*more than six hundred*” after just three years of existence of the enterprise and six years of communal exploitation (in 1986). Similarly, in 1986 the key productive areas that together, with the industrial sawmill, form part of the communal enterprise, were already in place. These areas included the Technical Forestry Services of the Communal enterprise of San Juan that, based on the legislative parameters of the Mexican Forest Act, is required to carry out silvicultural studies, which are required for approval of the exploitation of timber resources. To the entrepreneurial success if added the commendable institutional performance that let San Juan to be counted as one of a few communities that has been able, in the middle of a large deforestation and illegal logging in the State of Michoacán, to maintain its forest resource base by enforcing rules on locals and outsiders.

As indicated in the literature, harmonizing governing institutions with culture and developing effective mechanisms for accountability and inclusiveness in decision-making structures are among key aspects contributing directly to success. Among the aspects more noticeable in the San Juan case are the important investment local leaders made in strengthening local community and managerial structures and ensuring their harmony with the community’s perception of decision-making chains and overall structures for collective development. Again the separation between communal and productive matters, together with the particular labour arrangements in which workers were also owners gave impulse to a successful forestry exploitation venture. Of particular relevance in this process, moreover, were the synergic linkages between local businesses and the enterprise. These linkages worked in favour of both an almost complete control of the production stages (from acquisition and transformation of raw materials to distribution and commercialization of products), and to the improvement of the local economy and the community’s social value through the economic strengthening of local business. This strategic direction, foreseen and carefully applied by the leaders of San Juan, also contributed to establishing effective accountability measures and managerial performance that in turn results in increased legitimacy, strong management performance and consolidation of the enterprise.

### ***Capitals and Capacity Building***

Remarkably, a community faced by numerous challenges including serious constraints to having legal jurisdiction over its own land and resources and opposition from economically strong local interest groups, brought about a business venture at the industrial scale by exploiting its main assets, its human and social capital. As the engineer Mendez clarifies, “*so, if the question is ‘where did the money for our sawmill come from?’, we can say that about 95% of the amount required to construct and operate it was generated at the local level, money from our profits from 1981 to July 1983, the other 5% came from the contributions given by our maize farmers, from the advance payment made by our clients (the ones buying our*

cellulose and fresh wood), and from the in-kind contributions made by the community interest groups, whose communal labour contributed to the development of facilities and to the start of operations in July of 1983...from there the industrial exploitation of our forest was not interrupted during the next twenty-one years. After the industrial sawmill was constructed we continued adding new productive areas." Again Mendez explains, "After receiving the moral support from the friends of the community to construct our sawmill, the community groups, particularly the chainsaw operators owning or working for community small-scale sawmills, and the truck drivers, came and with their expertise built artistically carved pillars for the building structure." Emphasizing the constraints, the lawyer Ruiz indicates the merits of the venture when saying, "Why did we start to become famous at the national and international level? It was not because of having a successful indigenous enterprise, because there were already other successful forestry enterprises in Mexico at that time, but which received financial support from the government and other external sources to start. We, on the contrary, started with our own dead wood, with a system that consisted initially in generating jobs through the use of the fallen branches and other dead wood to a paper company, and after by selling timbers logs, which helped to construct our communal enterprise without external economic support and without a Presidential Resolution." The strong human capital represented in emerging informed leaders whose scientific training and traditional values would soon lead San Juan to have an industrial community-based forest exploitation, strengthened, increased and subsequently guided the generation of the community's social capital.

The social capital present at the beginning of the communal appropriation of the exploitation was multiplied by hundreds after the first years of the creation of the enterprise. This social capital was reflected in the improved performance of communal institutions, in the increased number of small business ventures working in synergy with the communal enterprise, in the voluntary work and communal labour that helped to reforest exploited areas and land affected by the volcanic eruption, to materialize new productive areas, to protect the communal forest from illegal timber extractions by surrounding communities and from forest fires, and to construct facilities for the Municipality's infrastructure development.

Another important asset for San Juan was the linkages it developed with key institutions and individuals of almost any kind. These linkages allowed the enterprise to access its resources without having official legal jurisdiction. In this regard Mendez indicates, "The Institutional Revolutionary Party is indeed a strong political institution at the local level. It happened since before the creation of the enterprise and continued as part of a favourable linkage. Through this political affiliation a symbiosis started to take place, where political leaders and government institutions benefited from the successes of the community project, but also the community benefited coincidentally at the beginning. The political institutions have been key in the development of the enterprise. Among the outsider friends of the community, there was a Subforest Secretariat delegate that believed in our project. He was part of a stream of thought that believed in helping and

*providing all necessary tools to communities for them to manage their own forest resources, he opposed to allowing the industry to exploit community resources without benefits for communities...peoples from that ideology were the ones supporting our initiative, in the sense of helping to convince others, to advocate for the approval to exploit our forest, supporting in the path taken by our community that wanted, in a responsible way, exploit its own resources. Then, they—agencies and others—supported not by bringing financial resources. I think if they would have done that they—(the community—would have put me aside and started fighting to get as much as they could—completely normal when you see a community that has come from total deprivation to almost total deprivation, in such circumstances all you see is avarice—. Then, we were orphans of money but not of people, they were not the most important people in their agencies/organizations but had positions from which they were able to facilitate processes.” “...then, outside institutions were instrumental in our appropriation of the forest exploitation. However, at the first stage was the Federal government the one that through the Forest Sub-Secretariat... this office was our refuge, the hand from above that appeared for our help. The State government, on the contrary, was focused on creation a large enterprise to centralize the exploitation of resources. Then the first phase was characterized by a fight with the state government and in general against the Federal government...then we had our heroic period in the community.”* As the ones with political institutions and government agencies, there were an increasing number of linkages with businesses and companies that helped the enterprise to develop strong market relations, to diversify its productive activities and to be capitalized, in this regard the visionary community representative, Ruiz, indicates “...we started to get to be known and to be respected, because we demonstrated we can do things. We started to be included in forestry and other programs from the Federal Government...we worked in every kind of productive activity we could...we even exported charcoal to Germany and we started to construct our various productive areas. At the time I left—because of sickness—we had a solid social enterprise that had faced the strongest attacks from the opposition groups.” He, again, clarifying the importance and scope of political linkages explains, “the political affiliation to the PRJ was something for convenience – being the main and almost only political party in Mexico, and hegemony. Our main problem has not been to have had identified ourselves with a political party, our major current problem is that now that we have been able to obtain our Presidential Resolution, it should be enough for us to become autonomous and let our comuneros to vote their conscience, we should base our decisions on people and ideas not on parties.”

The San Juan leaders, moreover, identified the importance of ongoing training programs as a way of strengthening its workforce and becoming fully autonomous from external technical support. In this regard, its well-known approach of offering short term contracts to outsiders in order to assign them a community member to accompany them in their daily activities and to afterwards take over their activities allowed the enterprise to have more than the 95% of the workforce coming from the community. In this respect Ruiz

indicates “...as part of our policies, we established permanent training of our community members, to avoid having irreplaceable people and areas not managed by our people.” The control of management process by locals, moreover, increased the number of local beneficiaries and contributed to the establishment of a truly indigenous venture.

In agreement with what has been mentioned in the literature on the importance of accessing varied resources and developing key linkages and human resources capabilities, the steps taken by San Juan to strengthen institutional structures in combination with the development of linkages and exploitation of all available resources was of particular relevance for operationalizing the San Juan business venture. The far-sighted strategy of establishing key linkages and exploiting all available capitals to deal with the emerging challenges associated with community-based development initiatives demonstrates the potential that such an approach has to contribute to empowerment and the generation of wealth. In other words, to create a wealth that far from being limited to the acquisition of financial resources and improvement of economic conditions, also comprises the fostering of local networks of support to generate social transformation and perhaps also a more holistic community development.

### ***Regulatory Framework***

There is no doubt among the founders and other members participating in the community organization process about the venue and impulse that a friendlier legislative environment gives to the community-based enterprise. Particularly at the state level, Cuauhtemoc Cardenas, first as Forest and Fauna Sub-secretary and later as the state governor, from the mid 1970s to the mid 1980s spurred the communal exploitation of forest resources by authorizing ejidos and communities, many of them without official documentation such as Presidential Resolutions of their property rights, to use and manage their resources. This support given to communities and ejidos by the state inspired many communities to organize themselves to exploit their resources in a systematic way, among them the community of Nuevo San Juan. Such important support coming from a government agency equipped communities with some of the required instruments to develop institutional structures for the promotion of communal resource management, and also to control the illegal logging that had been strengthened due to earlier policies limiting or banning the use of forest resources by communities. In words of the community representative that took advantage of this window, the lawyer Ruiz, “*After the commissions we formed to identify the current situation with our communal land and resources, we were unable to do much more. It is when the government creates a new program to facilitate the union of Ejidos and communities, with and without presidential resolutions, in order to provide resources for communal exploitation...that was the window we were waiting for, we then met with the local institutions of San Juan and other communities and decided to form the Union of Ejidos and Communities around 1977...before that not our community neither any other without a presidential resolution was allowed to receive resource exploitation permits, but the private property owners were allowed to exploit the resources in their lands, because of their titles,*

*and to register the land and receive the titles was not hard.” “Before, while the Agrarian Reform laws established the approval of communities in order to make use of communal land, the Forest Law only requested the presentation of titles in order to provide exploitation permits.”*

As the above quotation highlights, the contradictions present in policies and legislation from different government agencies and programs would represent a big challenge for a community that sees itself immersed in a land ownership dilemma, where a sector of the population developed more steadily through the privatization of part of the communal land and another more economically dependent sector maintained the land without titles. Such a complex situation, as the next section explains, would be approached by learning to negotiate and developing partnerships.

An even bigger challenge the communal enterprise has faced in more recent years, as has been identified by other authors, relates to the lack of a conceptual and legal framework for indigenous social enterprises. The enterprise's social and economic impacts, which include its role as a primary source of employment in the Municipality, the fact that it accounts for no less than 75% of the local economic growth, and that it comprises more than a thousand beneficiaries, are being dismissed when applying taxation rates comparables to the ones for the private industry. Even though the enterprise is creating the social value that taxation is expected to be used for, because of the lack of a defined legal framework, fiscal legislative reforms are actually weakening and/or reducing the enterprise's positive outcomes by capturing part of the profits. This lack of a framework also obstructs the possibilities of strengthening its external legitimacy as a social enterprise, which in earlier stages helped San Juan to develop a large number of business and institutional partnerships. Under the new depiction of San Juan as a private enterprise, moreover, its primary role of promoting collective development is being ignored and the enterprise is being defined only based on its scale of operations and economic success.

Other legal parameters constraining San Juan's forestry enterprise include the policy shifts increasing support to livestock and agricultural activities, which influence changes at the local level and exercise pressure on changes to the communal land uses. This has been identified in some of the land change patterns reported by Sanchez et al. (2003) which indicates an increase in perennial crops passing from 192 ha to 1,974 ha, based on comparisons of aerial pictures from 1974 and 1996.

While the communal forestry enterprise has a legitimate role in local socio-economic development that has been widely acknowledge by agencies and organizations at various scales, its numerous challenges resulting from the lack of a comprehensive legislative framework actually limit, to some extent, the overall performance of San Juan as a social enterprise. However, there is little doubt about the external legitimacy that such a large communal project has acquired through the years in its primary role as a social mission oriented entrepreneurial venture, even in the face of the fluctuating support from regulating agencies. These same challenges, on the other hand, are contributing to an increase in its level of adaptation and its potential for survival in changing legal environments and variable external and internal sources of support.

## **Land and Resource Tenure**

The changing government administrations and changes in land use rights in the country caused significant changes in the Region of Michoacan, similar to the ones taking place in other regions of Mexico. The shift from the appropriation of communal land and resources by the government during the administration of Porfirio Diaz in the second half of the nineteenth century, to the provision of land for large numbers of communities and ejidos in the early twentieth century strongly impacted the region. These distinctive policy trends on land and resource tenure have been characterized in the first instance by a complete dismissal of the ownership rights of peasants and indigenous communities inhabiting the land for centuries; to these expropriation of ownership rights was added direct support to transform communal into private land; and in the third instance by the reinstatement or redistribution of land to groups of individual defined as ejidos, without providing direct support or recognition of ownership rights to long-standing peasant and indigenous communities. These policy shifts affecting San Juan's legal jurisdiction over their land and resources, also contributed to awakening the community members and helping them to start exploiting their resources without a presidential resolution. In this regard, the community Representative Ruiz, talking about the challenges resulting from the lack of official recognition of ownership rights states, *"Because of the lack of a Presidential Resolution we were not qualified to receive bank credit or loans, neither to receive permits to exploit our own resources, but the small property owners could because of their land titles...there were too many incidents with the small property owners and private companies, to the point that we decided to close our main road to give the message that it was enough of abusing our resources. That is why we said yes to be part of the Union and exploit our resources as a community."* *"...after administrative changes in the Union that shifted the main focus of being for the communal benefit, they - the community - asked me to be the community representative, and after that San Juan decided to separate itself from the Union and exploit its resources as a single community."* *"Our fortune derived from the appendices included in the approval given to the Union, which stated that communities could exploit their resources individually if they were to separate from the Union".* *"First by selling dead wood and after timber/lumber we started generating profits and the different capitals that would pretty soon help to establish the enterprise."*

The large scale, community-based forest management initiative, as its first community representative indicates, was partially triggered both by the mismanagement of the communal forest on the part of outsiders and by small property owners, whose exploitation was not generating benefits for the community: *"...outsiders generated wealth with the San Juan forest. Every time we came back from school in Mexico City, we witnessed the passing of fully loaded trucks coming down from our forest, but by then we were reasoning more and becoming more courageous, and we started questioning ourselves if our education was not enough to change the situation..."* And again the community representative, who directly contributed to the formation and strengthening of the enterprise, states: *"we started meeting - some of the San Juan professionals - and organized commissions to evaluate of the current situation of San*

*Juan and necessary aspects to drive a communally-based exploitation of the forest...”, “when we learned that our communal land was disappearing in the middle of so many small property titles I informed our people and they started to get worried. Even though we could see that such titles were not legal when deriving from communal land, we were still worried, because we knew they still represented a threat to our communal way of life. We then agreed to generate the necessary financial resources to take the steps to receive our Presidential Resolution to legalize the ownership of our land. That is why we turned to our forest, our predominant resource, to generate the necessary money to legally recover our land”. “It was during my practice as a lawyer when I realized that the main problem communities faced and face was the lack of legal land and resource ownership rights to secure their livelihoods. Many of the communities, if not most, only had documents dated from the 1700s when the Spanish Kinship recognized their property rights, but that were not officially recognized by government agencies.”*

Aware of the importance of accessing communal resources as the key strategy to survive as a community, the community representative Ruiz and the Engineer Mendez consistently and systematically started to take the necessary steps to have official recognition and jurisdiction of the communal land to generate the necessary financial resources to recover the land already privatized. As Ruiz explains, *“Our documents from the Spanish Kingship had to pass through a palaeographic study and a judiciary process, to prove both their authenticity and their legality. The idea was to come to an agreement with the people from our community being identified with the private property sector, after receiving the Presidential Resolution, that way without creating conflicts with our own people... in practice, we were achieving the proposed objectives, the economic, the social and the judicial aspects. As an example, instead of going through judiciary battles with the private property owners, we started to negotiate buying their land on peaceful terms. We wouldn't have been able to do that without money...”* The community started to appropriate its resources without a presidential resolution, but through the help of the appendices in the contractual agreement of the Union with the Government and by exercising de facto sovereignty, as Mendez indicates *“the palaeographic study declared our documents as authentic and with that, being a de facto community and nothing else we started to enforce our rights. To officialise our communal perimeter, we hired the most important company on photogrammetric studies, which came to make the necessary flights over the communal land and developed the mosaic to identify the boundaries of the communal land. We identified 82km of communal perimeter and after that we hired a topographer to reorganize the information based on topographic coordinates to be able to present it to the Agrarian Reform Secretariat, through it we established the foundations that eventually facilitated the acquisition of the land titles (Presidential Resolution) and recognition of the community.”*

As foreseen by the founders of the enterprise, the economic resources generated through the communal exploitation allowed the community to start the process of

legalizing their ownership rights and to start negotiating the reacquisition of the land. At the time of enactment of the Presidential Resolution for the *comuneros* of San Juan in 1991 recognizing their land ownership rights, in San Juan there were still 133 pieces of land registered as private property, comprising something more than 4,000 ha. of the 18,138,323 ha. identified as communal land. The same presidential resolution identified 1,229 as the number of members of the San Juan community. As can be concluded, the Presidential Resolution bestowed communal land rights, but also left to the *comuneros* the responsibility to solve differences with the families opposed to communal ownership of their land. In this regard, the *comuneros*, in the interest of recovering the entitled communal land, have engaged themselves in a search for agreements with the families owning private land appealing, whenever necessary, to judiciary processes to recover parcels of land.

In agreement with the literature, the approach of re-establishing the communal ownership of the land and the forest, the resource-base to support the communal enterprise, and of putting in place clear resource use and management rules, was of great relevance for the project. This strategic mind-set contributed directly to having economic success and increasing the legitimacy of the community-based enterprise before locals and outsiders.

### ***Informed Leadership***

Throughout the remarks made by the founders of the San Juan enterprise quoted in this paper, a number of significant points related to the important role leadership has played can be identified. Among the most important characteristics of the leadership demonstrated by certain key members of the community of San Juan were the principles guiding the actions of these leaders, the relevance of the core cultural values they so firmly practice and proclaim, and the level of knowledge, expertise and experience such leaders had to offer in order to put in place, make function and consolidate an enterprise whose industrial scale of exploitation, labour commitment, regional socio-economic and environmental impacts makes it stand out as a large-scale community driven collective development process.

In regards to some of these basic principles Ruiz explains *“when we invited the engineer Mendez to participate in the project – early 1980s – he demanded certain conditions to work with the community. We said yes and offered all the necessary support to start productive activities. Then number one, based on my little experience, in any community that one goes, the communities heads should be the local leaders. We are saying that he is born there, knowledgeable about key aspects, participating in communal affairs, in everything; honest in his actions, and if making mistakes apologizing and at the next opportunity correcting himself. Second, do not mix social and productive aspects; my role was to guide and to orient the people to participate in the productive project. And in that same way Mendez’s role was to be responsible for the economic aspects, of labour issues, of*

*generating results in a given time. We are looking at two things that are basic for any development endeavour, but that should not be mixed, they should respect and support each other. This is what happened in our path to establish the communal enterprise, Mendez knew his role and I mine, the people addressed me because I was their leader and Mendez was in charge of the productive project.”*

Not less outstanding was their demonstrated ability to reconcile differences with some opponents, increase participation and commitment on the part of community members, strengthen communal institutions and ultimately acquiring local legitimacy, by applying key cultural values of reciprocity and honesty and by putting in place transparent community and management structures. In this regard, Ruiz's words are self-explanatory: *“some of the community members identifying themselves with the private property sector started to see that we were serious in exploiting the forest resources and paying to the people for the timber extracted from their lands, they then started to see us with respect. That is why I keep telling people, always speak with the truth, keep your word, be honest and the people will respond in mass.”*

The leaders' level of knowledge and expertise, moreover, contributed to what could be defined as a locally driven efficient diversified forest exploitation process, where a vertical integration of the productive areas takes place in order to reduce waste and maximize profits; where new alternative areas for the exploitation of non-timber forest products are created and; where productive processes are led by community members with a clear sense of ownership. In addition, the community's systematic institutional empowerment came as a result of this same expert advice on legal matter and ways of proceeding to strengthen local institutional arrangements and structures to acquire the necessary internal and external legitimacy.

The conceptions and vision of the leaders of San Juan thus were founded as much on traditional indigenous values calling for a more balanced generation of wealth and an even collective social and economic development as on an extensive knowledge on forestry and legal matters. Their clarity on the steps each one was to take in order to steadily increase the chances for success emerge and seem to be based on their skills to both implement communal and productive processes and to represent what they predicate with honesty and transparency. The following strong statement by the community representative and lawyer, Francisco Ruiz pictures some of the perceptions, but also the convictions of one of the leaders of San Juan: *“Indigenous communities have always been the target of Mexican revolutionary and post-revolutionary governments. They have tried to destroy us, they have not given us what we really needed, they have not given us the opportunity. And for me, that was the important thing, that the San Juan community demonstrated to them that we can, and we moved forward without their money, without technicians from the government, without their credit. Nothing was given to us by the government. We demonstrated that we have the sufficient capability and that we don't want to receive thing for free, all we ask is to also receive the opportunity.”*

After the second decade of creation of the enterprise, the generational change taking place in both managerial structures and community structures has considerably forced the system to release a large part of its accumulated energy and resources. These new leadership perspectives and management trends, not always in accordance with core cultural values and interest in the common benefit, have deteriorated the role of the enterprise as a promoter of collective development and decreased its legitimacy at the local level. In this regard the first Commissioner for the Forest exploitation, Mendez, explains: *“Afterwards (after the first decade), we see a politicization of the administrative structures. As an example, the management meetings became meetings to consult on communal issues...the Communal Council’s role is then supplanted, when decisions belonging to them were taken at managerial meetings...now it is easy to confound enterprise with community, and at some moments there is no difference between what is the community and what is the enterprise...then the problems start when the heads of communal affairs impose their will on administrative matters, without having knowledge on entrepreneurial issues or of any market related issues, it is then when we start to lose our management institutions.”* *“... in more recent time the maintenance of the land as communal is still there, our challenges may be in that even though the land and resources are for the common well being, it might be being employed to further individual or group agendas and interests instead of community interests.”* The social capital and numerous social benefits being generated by the community-based enterprise, and its increased external legitimacy have contributed to the maintenance of productive activities and to the adaptation to new socio-economic, political and environmental conditions. However, even in a situation of increased social capital, local legitimacy and with it survival and adaptation seem to have been strongly reduced because of the lack of informed leaders able to make holistic community development into reality and to properly represent core cultural values to continue generating social value. The decline, represented both in managerial and communal institutions has affected the performance and profitability of the enterprise, but has also triggered the emergence of renewed leadership perspectives that may one day bring the enterprise to retake its positions as a leading system in the proper management of commons or otherwise make it to shift to a new system.

## **Conclusions**

This paper has advanced a multidimensional analysis of community-based initiatives for commons management and development as social enterprises. First, by reviewing theoretical and empirical perspectives to understand the social and commons-based enterprise phenomena, the authors develop a basic analytical framework addressing the nature, and the institutional and structural components of community-based enterprises that can be used for both theoretical and practical purposes. At the theoretical level the framework identifies parameters for the analysis of community-based social enterprises, while at the practical level it can be used as a tool, for both institutional and organizational heads, to reflect on necessary actions to increase legitimacy and improve performance. While the analytical model address various major aspects identified in the

literature (mission, vision and values; institutional and organizational structures, capitals and capacity building and the regulatory framework) it also gives primary importance to two areas just narrowly emphasized by most authors recalled in the reviewed literature: the linkage between a commons (land and tenure), community-based enterprises and the role of entrepreneurial leadership.

Secondly, the analytical model is put to test by examining field research findings on the San Juan enterprise, a 28 year old indigenous community-based social enterprise in Mexico. Much of the empirical findings directly support current theory. They dynamically relate how holistic and integrative community-based enterprises can promote the social and cultural well-being of a rural and/or indigenous community and its long-term survival through securing resource tenure.

Commons literature has established the key conditions for the successful administration of a commons. However, in considering a community-based enterprise as a new commons and analysis such an enterprise through the lens of the community-based enterprise literature a number of other factors emerge. Community-based enterprises as a commons require governing institutions, managerial structures and institutional arrangements that are cultural rooted, transparent and inclusive. This will ensure the CBE develops a social mission that is seen as legitimate and provide the internal conditions for entrepreneurial success. Other factors such as institutional and organizational linkages across levels, the policy environment and jurisdiction over land and resources are also identified as enablers and often catalysts of major importance for the successful establishment and consolidation of the San Juan enterprise. On the other hand, the research findings address – in a general way- the need of maintaining coherence and balance between external perceptions and internal realities. The presence of a large accumulated social capital and increased external legitimacy can take place even when there is decreased local legitimacy – where mission-oriented social objectives related to the even distribution of resources and the promotion of truly collective development may be at risk.

In the case of CBEs social entrepreneurs are key factors in establishing and maintaining the necessary institutions, structures and strategies of a commons in the face of internal and external challenges that may prefer to privatize or pillage it for individual gain. As most quotations in the paper imply, committed leadership, grounded in collectively held core cultural values, is a primary contributor in the internal and external legitimacy that is required for a CBE to generate collective benefits from the commons. Thus, what is acknowledged as successful group or community-based actions are, based on our thesis, initially and regularly guided by key individuals. The longevity of the San Juan case draws attention to the importance of succession planning in CBEs. One of the key challenges facing the CBE is the transmission of core cultural values between generations of leaders. It is too early to assess whether the transition between generations of leaders will lead to the adaptation and survival of the CBE or its demise. However, it is apparent that this is a factor that has rarely been considered in either the commons or the community-based enterprise literature.

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