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Boundary Exploration: The Entrepreneurial Experiments of Fr. Greg MacLeod

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Johnstone is an economic geographer who was a long-time collaborator and colleague of MacLeod, a long-serving Professor of Philosophy at Cape Breton University who passed away in 2017. While it may seem strange given his disciplinary background, MacLeod's 40-year academic career was devoted to "action research" or what Johnstone calls "entrepreneurial experiments" in community business that took place through Cape Breton University's Tompkins Institute; the most notable examples of which found expression in the Banking Community Assets Group (founded in 1989 as a not-for profit and is comprised of BCA Holdings Ltd., BCA Investment Cooperative Ltd., BCA Growth and BCA Venture Capital Inc — see www.bcagroup.ca) and New Dawn Enterprises, one of the oldest community development corporations in Canada (established in 1976 out of an earlier co-operative, the Cape Breton Association for Co-op Development, and currently holds assets of approximately \$20 million — see www.newdawn.ca). In a short forward he wrote before his death, MacLeod tells us that they worked on several projects together, "organising a school of handcrafts; starting dental clinics; erecting apartment buildings; running a fish plant; buying bankrupt restaurants; taking over a bankrupt rope company". Johnstone's book is not only a celebration of MacLeod's "creativity, innovation and a body of work that represents a lifetime of effort", he also aims to highlight MacLeod's theoretical and practical contributions to innovative "place-based entrepreneurship" (PBE) in "depleted communities".

Beginning a book review with the appendix — on the idea of Cape Breton as a 'depleted community' — may seem unusual, but it provides a useful context to introduce first time readers of Greg MacLeod to those unfamiliar with his life and work. Johnstone presents a historical-geographical profile of Cape Breton from its early historical significance to several European nations as a resource base for fish; then, post-confederation, for the coal which fuelled the steel mills supplying the material needs of an industrial society; and finally, to an era of post-industrial decline. Industrial growth attracted waves of immigrants from late nineteenth to early twentieth century (Appendix, table 2). Drawing on the discipline of economic geography to explain this as the effect of a process of "uneven development", Johnstone explains how industrial capacity began to decline in the 1960s and accelerated after the oil price spikes of the early 1970s: "Depleted communities can thus be ... characterised as areas that have lost much of their economic rationale as space, while retaining strong attachments and social relations of place". They have proliferated across Canada since the 1980s (Johnstone identifies 95 of them). This forms the environmental context in Johnstone's presentation of MacLeod's entrepreneurial experiments. The idea of "depleted communities" as the by-product of economic forces is explored further in chapter 2.

Cape Breton is an island that forms part of the province of Nova Scotia, off the east coast of Canada. It is home to an indigenous population of Mi'kmaq peoples and was the site of a Portuguese colony in the sixteenth century. The colonial struggle between the French and English from the seventeenth to eighteenth centuries resulted in France ceding it to Great Britain through the Treaty of Paris (1763) and, as part of Nova Scotia, was one of the three original colonies that took part in the confederation of Canada in 1876. Sydney is the largest city on Cape Breton Island. It was once the site of Dominion Iron and Steel (1901), later, the Dominion Steel and Coal Corporation (1930) until it was bought by Hawker Siddeley

Canada, a manufacturer of heavy rail cars, transit vehicles and grain hoppers, in 1965 (see chapter 4). They closed their coal mining operations, leaving behind a legacy of industrial waste (the Sydney Tar Ponds), and soon after announced a decision to close the steel mill, which threatened to put almost 9,500 people directly out of work and jeopardising thousands of other jobs. This understandably sparked a public outcry. In response, the federal government established a Crown Corporation, Cape Breton Development Corporation (1967), to operate the coal mines while the provincial government established the Sydney Steel Corporation at the same time to operate the steel mill for a year but, after they were unable to sell it, this turned into a 33-year commitment with enormous public debt: “While the economic signals are for people to move, the ties to community, the emotional bonds and the social benefits of living there create a powerful resistance to leaving”. Yet if a “a region’s performance is reflected in its ability to attract and retain increasing levels of population” (Porter, 2004, p.6 — quoted in Johnstone), then Cape Breton appears to be still struggling. In recent years, the island has seen a population decline from 158,000 (1996) to little over 130,000 (2016) skewing towards an aging population with young people drawn to places like the oil fields of Alberta in search of work. Still, Johnstone claims that a “powerful resistance to moving” exists in depleted communities across Canada, which is to be explained by the attachment to place, though they remain unable to attract a proportionate share of immigrants. This is the situation that greeted MacLeod, who grew up in a local coal mining community, when he returned to Nova Scotia to take up a position as Professor of Philosophy at Cape Breton University. Before returning, MacLeod toured the Basque region of Spain to see the operations of Mondragon. This intimate study of a successful worker-owned co-operative certainly played a role in developing his understanding of community economic development. His experiences there, as well as in Mexico and Cape Breton, are presented in MacLeod (1997). For more on the influence of Mondragon on MacLeod’s thinking, see chapter 4.

Profitability declines spurred political changes in the 1980s as ineffective Keynesian strategies were replaced by neoliberal austerity policies and towns were amalgamated in the name of administrative efficiency. What did not change was the assumption that the modern corporation was the central actor to be nurtured by public policy promising economic growth. Pro-business neoliberal policies equally failed to attract investment. Demographic changes exacerbated both these market and political failures. Thus, attributes such as high unemployment, high taxes, a low skill base, an exodus of young people, banks that are resistant to lending, professionals who lack knowledge of local conditions, production for export markets rather than local demand, and poor infrastructure characterise Cape Breton as a ‘depleted community’; unattractive to conventional business investment in an increasingly globalised economy. These conditions undermine its ability to generate an adequate tax base to finance public goods. Capital, in scanning the globe for profitable investment opportunities, bypasses depleted communities. With capital uninterested and government unable, how will people meet their basic needs?

One final and salient condition that characterises depleted communities, according to Johnstone, is the lack of entrepreneurial talent. But rather than simply view them as problem areas, depleted communities “are also of interest to us because they have an inherent resilience, which includes their potential to act as cauldrons of innovation ... the sorts of environments that can give rise to innovative, place-based initiatives”. Given the disinterest of the profit-oriented logic of capital in depleted communities, where would the motivation for business investment possibly come from? The key difference between conventional entrepreneurship and social entrepreneurship is an inversion, so to speak, of the motive: rather than a drive for capital accumulation, MacLeod saw the animating purpose of social entrepreneurship in creating jobs — which meant, more generally, pursuing objectives that served the community interest — albeit in a capitalist context (or ‘capitalist space’). This points to one area of theoretical investigation that emerges through MacLeod’s action research programme: the *place* (including obstacles and opportunities, as well as culture and identity) of social enterprises within the legal, financial, and organisational space of the modern capitalist economy. While seeking to address both market failure (e.g. unemployment) and government

failures (e.g. rising public debt), and re-insert aspects of economic life into community-based social relations, it is not promising an alternative to capitalism: “place-based entrepreneurship strongly resembles conventional business and unapologetically emulates it”.

Aside from a short introduction and the appendix, the book can be divided into two parts, roughly on the theory (chapters 2 and 3) and practice (chapters 4-10) of PBE in depleted communities. With respect to the former, Johnstone draws on the literature on small firms, social economy, entrepreneurship, and regional development. In the latter, he takes a case study approach, typical of Business School educational models. Johnstone presents MacLeod as an innovator in the field of PBE which he views as an innovative and “unique/unconventional/hybrid form of entrepreneurship” distinguished from conventional entrepreneurship on the basis of ‘intentions and opportunities’ particularly with respect to ‘depleted communities’: “It is the central argument of this book, that the interaction, between environmental constraints on the one hand and an individual’s determination-to-operate-locally on the other, will encourage innovatory responses and will help to identify new opportunities.” The challenge for “the entrepreneur, under very challenging economic circumstances, [is] to successfully identify and pursue opportunities”.

The second part of Johnstone’s book is devoted to an examination of MacLeod’s entrepreneurial experiments, particularly the through the BCA Group and New Dawn Enterprises. To begin, Johnstone examines how New Dawn Enterprises was able to help address the problem of a shortage of dentists in Cape Breton indirectly by purchasing, refurbishing, and equipping buildings with proper dental equipment — investment risks that were of little interest to conventional business. They had first influenced government policy then applied for funding to finance this work. While reducing economic barriers to entry was important for attracting new dentists to set up their practices there, this only tells part of the story: MacLeod developed programmes through New Dawn Enterprises that helped acculturate graduates of Dalhousie’s Dentistry programme to the local conditions (in addition to changing public policy and organisational innovation, Johnstone clearly credits MacLeod’s charismatic leadership as a key element of the success of his entrepreneurial practice).

A second case involves Crowell’s department store, whose origins date back to the late 1800s. Run by the Crowell family (from 1910) and then the Hickey family (since 1946) it was eventually closed in 1999. It sat on the market for two years. As the building was not up to code, considerable investment was needed to either refurbish it or demolish and build a new structure. Again, the profit directive made this unattractive to conventional business. The Hickey family would have been saddled with the cost of demolishing the building were they unable to sell it. At this point, MacLeod approached them with an offer to issue them a tax receipt for the market value of the building (which they accepted) and a plan to raise the funds for renovations through BCA Group and a local business investor — Russ Brannon, the owner of the Music Stop across the street. Without the organisational expertise and charismatic leadership of MacLeod, Johnstone tells us, the building would have been demolished along with the social value it brought to the community: “Cases like Crowell’s Ltd., and overcoming a shortage of dentists illustrate that place-based entrepreneurship can create opportunities by employing innovatory corporate structures”.

The remaining chapters are dedicated to case studies of how MacLeod created innovative business models in an inhospitable business environment. While conventional business logic may tell us that the forces of creative destruction direct us to abandon hope for communities suffering the externalising effects of capital’s logic, Johnstone argues that MacLeod’s entrepreneurial experiments offer hope: “in distressed communities, where capitalistic relations are less robust, the entrepreneurial process *can*, and from time to time does, **adapt** and follow a different approach. These *innovatory entrepreneurial actions* use knowledge of local conditions to respond in creative ways to the unique circumstances of the host community” (emphasis in original). The BCA Group, for example, sought out pragmatic solutions to economic problems through venture finance arrangements that adapted to local conditions. The Memorandum

of Association submitted by New Dawn Enterprises to register its status as a not-for-profit specified that its members “could not benefit in any way” and that in the event of dissolution, its assets would be distributed to some other not-for-profit organisation. For some very different assessments on the place of New Dawn Enterprises within the social economy, compare Reed (2002) and MacAulay (2004).

Conclusion

Rather than simply celebrating the outcomes, Johnstone asks the reader to pay attention to the techniques used to arrive at them. These may have arisen in the structural context of depleted communities, but the application is not confined to them. The political and economic reality in Cape Breton since the 1960s was characterised by several conditions that made it uninteresting to capital, particularly in rural areas, in the aftermath of the global economic crisis of the 1970s. Innovative organisational forms may help empower communities to re-embed the economy in society, to borrow a phrase from Polanyi. While the social, cultural, political, and economic dislocations brought about as a result of the long crisis since 1970 may not be comparable to the transition from feudalism to capitalism, Polanyi’s (1962) observations on the latter are still pertinent:

For upon this rate, mainly, depended whether the dispossessed could adjust themselves to changed conditions without fatally damaging their substance, human and economic, physical and moral; whether they would find new employment in the fields of opportunity indirectly connected with the change; and whether the effects of increased imports induced by increased exports would enable those who lost their employment through the change to find new sources of sustenance (p. 37).

Johnstone provides a valuable service in outlining the details of MacLeod’s entrepreneurial experiments. It will allow researchers to assess the ability of these business forms to realise the promises made about them — to create jobs and produce social value for the community.

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The Reviewer

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