

Case Studies of Locally Oriented and Green Business Networks:

Edited by David J. Hess and Langdon Winner

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Austin Independent Business Alliance

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In 2002 about twenty local businesses in Austin founded the Austin Independent Business Alliance (AIBA), which is affiliated with the American Independent Business Alliance (AMIBA). AIBA was very popular with local businesses, and over the next three years the organization grew to have about 320 members. To support local businesses, the organization publishes and distributes a biannual directory that lists all of the members and is distributed to 10,000 local residents and businesses. AIBA has also sponsored “Austin Unchained,” a day when shoppers patronize only locally owned businesses. I interviewed Melissa Miller, the director of AIBA. After completing her studies in environmental resource management in the Geography Department at the University of Texas, Ms. Miller did fundraising and public outreach for environmental groups in the Austin area. She also worked for Cielo Wind Power, an Austin-based wind developer, before joining AIBA.¹

Membership in AIBA is limited to businesses in Austin or those in neighboring communities that provide services to Austin. Most members are in the retail or service sector, but there is no restriction on the type of business. The key membership criteria are that businesses must also be locally owned and operated, not public traded, and not national franchises. The membership criterion of allowing or not allowing franchises varies among independent business associations across the country, and AIBA’s policy on franchises or formula businesses is stricter than some of the other local business organizations. Although some franchise owners claim that they are really local businesses and want to join, Miller explained that AIBA does not have the time to distinguish among types of franchises. However, AIBA has found a solution for locally owned businesses that have gone public; there is an “alumni program” that distinguishes the businesses as belonging to a different category but keeps them linked to AIBA.

AIBA’s niche is distinct from the Chamber of Commerce. Historically, the Chamber in Austin has been oriented toward larger businesses, but it is beginning to change. As Miller described the relationship, “They recently figured out that they need to provide support for small businesses, so they’re trying to do that. However, the prevalent opinion is that if you’re a small business person, that’s not where you’re going to get the support. We hit a different market, but one of our goals is to do more outreach to the Chamber.”

Austin has a unique culture and fairly strong civic pride based on its music, film, restaurant, and bar scene; the presence of the University of Texas; and abundant outdoor activities, including unique physical landmarks such as Barton Springs. Yet, the city has also undergone rapid growth, fueled in part by information technology giants such as Dell and Motorola. As a result, Austin is facing problems of sprawl that are common to other sunbelt cities. The tension between rapid growth and the traditionally high quality of life is a key to understanding the dynamics of the city's politics and culture, as well as the role that AIBA has come to play in defining the city and its future.

AIBA tapped into the ambivalence about growth and parallel sense of Austin's uniqueness by helping to disseminate the popular phrase, "Keep Austin Weird." The phrase became part of AIBA's founding campaign to preserve two landmark, independent businesses that play a key role in the city's literary and music scene: the local bookstore BookPeople and the music store Waterloo Records, which are located at the same street corner. As Miller explained, "The way AIBA was started is that there was a development that was going to go through next to BookPeople and Waterloo Records. There was going to be a Borders bookstore where the new Whole Foods store is, and it was going to be developed with a subsidy from the city. So BookPeople and Waterloo Records formed AIBA, saying that they agreed with the free market economy, but they didn't like having the city subsidize a competitor right next to them. They also started printing bumper stickers that said, 'Keep Austin Weird: Support Local Business.' Then Outhouse Design started marketing the phrase on T-Shirts, and now they support a 'Keep Austin Weird' 5K race that ten thousand people attend. Other cities across the country are picking up the phrase, like 'Keep Louisville Weird.' It's become a movement."²

Starting in 2004, AIBA began developing two innovative programs that are unique among AMIBA organizations and represent the next step for the organization. In 2004 AIBA hosted a roundtable that became the basis for the CLIC program, or Connecting and Linking Independents with Commercial Developments. The roundtable included independent businesses, commercial developers, local lenders, the city of Austin, the University of Texas, and a facilitator. As Miller explained, "The commercial developers have started to approach AIBA. They were doing neighborhood surveys, and people were saying that they wanted local businesses in new developments. Often our brokers aren't from Austin, and they don't know who is local. Every May the International Council of Shopping Centers holds their convention in Las Vegas, and that's where the deals are made with the national chain retailers for all of the developers. Basically, national developers meet with national retailers, and they fill all of their spaces. However, the developers also recognize that the community wants local businesses, especially in Austin, but they don't know who to contact. The local businesses aren't very savvy at negotiating, and they don't have the same credit scores at the chain retailers. We saw this as a great opportunity, and we held the meeting that launched CLIC.

"We surveyed people to find out answers to various questions. Do independents want to be in commercial developments, and do commercial developments want independents? Do lenders want to finance independents in commercial developments, and does the city want to support that? We got everyone in the same room to see if we all wanted the same thing, and we found out basically that they were in alignment.

People got to hear each other's perspectives. For example, the developers wanted financial information, but to the independents that information was personal. In some cases it was equivalent to asking to see their personal bank account."

One result of the meeting was that everyone saw that AIBA could play a valuable role as a mediator and educator. "Our president, Steve Bercu of BookPeople, said that they want us to be a dating service. Everyone agreed that the independent business person could be a lot more savvy in negotiating, getting financing, and developing their business model. Something like 90% of all small businesses have only one location, and making the transition to two locations is a huge leap in comparison with going from two to three locations. We're saying, 'Buy local,' but the independents aren't really able to duplicate themselves, and the developers need a good credit history."

As of spring 2005 AIBA was planning the next step: a trade show with business development workshops to take place in May, 2006, at an area university. As Miller explained, "Some of the workshops will be led by lenders, and some will be led by commercial developers and brokers. If we can do this every year, it will really have legs. We want to trump the International Council of Shopping Centers convention in Las Vegas by holding it right before they meet. The developers will already have their presentations and displays ready, so they can bring them to Austin. Also, the trade industry that supports commercial development—electrical, engineers, marketing, and lighting—can also attend, and it can all be local businesses."

Miller learned that there were significant differences among developers that had implications for the prospects of opening new developments to locally owned businesses. "Some developers will buy property, develop it, and then flip it quickly. They won't be the best fit for an independent, because independents have greater needs. We need to get in on the ground floor, when they are going to create the floor plan. The standard shopping center model may not work for independents, because they need a much smaller footprint with a rent that's affordable to them. What often happens is that they get the worse location with a high rent, and they're destined to fail. They need the opposite: they need to be the showpiece of the development. They need help in a lot of ways, such as funding for build-out, but the developers are admitting to us that this is what makes the development special and unique. People want it, and it's worth it."

The second major program is IBIZ, or Independent Business Development Zones. Whereas CLIC explores the potential of locally owned businesses in new commercial developments, IBIZ explores the development of existing real estate, often retail clusters located in older neighborhoods. "There are quite a few local, neighborhood business districts that are destination points in the city, and they are traditionally funkier. They had lower rent at one time, but as they've become trendier, the rents have gone up, and the funky businesses can't afford to be there. So our idea was to work with the city and develop some models to reinvest in these districts, maybe a program similar to low-income housing but for low-income businesses. We talked to the city council, the small business development program, community development corporations, lenders, Capital Metro (the transit system), Austin Energy, and the community college. We put together a proposal to look at the tax records and see which businesses were locally owned, then advocate for infrastructure needed and provide marketing through the convention center and visitors' bureau.

“However, it didn’t really go anywhere, or at least not as quickly as we wanted. We realized that when we turned the model around and started with the marketing program first, then everyone jumped on the bandwagon because there was less to commit to. We started with the main business district off the University of Texas campus. The section from 15th to 23rd St. is almost all corporations now, but from 23rd to 28th it’s still more local, and altogether there are about 90 locally owned businesses in this zone. We began by contacting the twenty AIBA businesses in this district that were in our database, and we held a meeting to find out how to help them market their businesses. On South Congress the businesses have an event called ‘First Thursday,’ which is wildly popular, and this group wanted to do a similar event called ‘Third Thursday.’ So the idea has taken off, and there are now thirty businesses participating. The City of Austin’s Small Business Development Program has also stepped in to help with the printing. Based on this model, we’ve developed a plan for similar events in five districts during the next year.”

AIBA is planning to develop five IBIZ districts, including areas in East Austin, 43rd & Duval, Airport & North Loop, and South 1st St. AIBA is also working with the local print and electronic media to secure advertising discounts for the independent businesses in the IBIZ districts. The estimated cost for the initial development of a district is about \$7,000. The very modest figure is a key to getting the program off the ground. It covers light pole flags that label the district as an IBIZ, brochures that map out the independent businesses in the neighborhood, and advertising for the district and special days such as Third Thursday. AIBA is seeking support from the city to fund the initial marketing of the districts.

Meanwhile, Miller is finding that the planning meetings for the local independent businesses are producing new synergies and relations among the businesses: “People who have been in the district for thirty years don’t even know businesses a few doors down the street. By coming together and communicating, they’re empowered and their voice is stronger. When we went to the city and I showed my spreadsheet of businesses and said, ‘This is everybody we’re talking to,’ and when you have a hundred names and phone numbers, that talks. IBIZ has a lot of support, and the city council supports it, too. All they have to do is put their logo on it; they don’t have to make a major commitment.”

Miller also rapidly noticed a new benefit of the IBIZ program: a new synergy with CLIC. She explained, “The main problem with CLIC will be getting small businesses to come. They’re very busy, so even getting them to come to the trade show to talk to developers is a challenge. I’ve tried to get businesses to engage, but it’s hard. They’re too busy. However, with IBIZ they engage. We’re coming to them and doing something that affects their business directly, and they get it. You have their ear, and they’re on board. So now I can talk to them to see if they’re interested in relocating. If they are, then I tell them about CLIC. In other words, IBIZ is feeding into CLIC. I didn’t even anticipate that this synergy would happen.”

Miller understands that if IBIZ is successful, rents will start to go up and the chains will want to move in. “We haven’t given up on our original plan. Now we’re more organized, and we have the discussion groups and people who are engaged. So they can now request what they need from the city council. It could be zoning, local business rent subsidies, tax incentives, or a no-formula business rule. I think we’ll be

more successful when the requests come from these groups. There are different models—historic districts, investment zones—across the country, and we'll figure it out as it develops.”

Equity and Sustainability

The main equity issue for AIBA is the preservation and support of locally owned and operated businesses when faced with competition from large, national, corporate chains. In several cases, AIBA has worked to stop the development of large chain stores, and it also helped substitute local businesses with chains at the Austin Airport. AIBA also co-sponsored a study that documented the comparable economic impact of the Borders Books chain versus the two independents. The study showed that the economic impact of consumer spending on the local economy was three times greater when spent in the locally owned independents than in the chain store. Other, less easily quantifiable benefits include the development of local workplace skills, local artists, and local authors.³

In a second study, AIBA joined with other Austin civic organizations to fund a study that reviewed *Big Box Retail and Austin*, a study prepared for the Austin City Council by Texas Perspectives and the Gateway Planning Group. The review of the study questioned the original study's claims. For example, one claim was that the main concern of the city regarding big boxes was to establish design standards, and another was there was little competition between big boxes and small retailers. The review of the study also drew attention to the low wages paid by some of the large superstore chains, and it pointed out that a cost burden is shifted onto the local government when workers take the low-wage jobs. The review also noted several types of environmental effects from big box stores, including traffic congestion and storm sewer management issues.⁴

On issues related to sustainability, AIBA has become increasingly cautious as it has grown. As Miller explained, “Our founders and board members are perceived as being environmentally conscious. For example, they supported opposition to the construction of a Wal-Mart over the Edwards Aquifer, and we got a lot of flak for it. Some of our members saw it as an environmental issue, not a small business issue. There are two other local business associations in Austin: Choose Austin First and Austin Unique. Choose Austin First formed after we did to be a local business group that does not take political positions. As we've grown, we have more people to answer to. Recently we decided not to sign on to a coalition that is opposing AMD, another company that wants to build on the Edwards Aquifer.

“We've developed a policy statement that defines very specifically what we politically engage in. Now we take political positions only on local business issues, not on environmental issues. When we opposed Wal-Mart on environmental grounds, it cost us a lot in terms of getting new members. For example, I spoke at length the other day with one of our members, and she said, ‘I'm very supportive of environmental issues, but not necessarily all of my customers are, and my business is not the same thing as me. I'm in this business association so I can get more business, so I need to be comfortable with the issues that you'll take positions on, because I don't want to be boycotted.’

“Our new policy is less to oppose specific issues than to request an economic analysis. For example, we have an issue emerging around design standards for the city. We’re not commenting on the design standards themselves. We’re not urban planners, and we can’t say what the effect of specific standards will be. But we do know that they’re going to be expensive, so we’re requesting a local business economic impact analysis. We want to understand that the standards aren’t going to be translated immediately into higher rents than a local business can’t afford. We need to look at the unintended consequences. For example, the town of Dunkirk, Michigan, limited retail to less than 75,000 square feet, and Wal-Mart came up with a plan to build two stores side by side. So we’re requesting more information and a local business impact analysis. That’s more how we’re engaging policy issues now.”

Policy Issues and Recommendations

AIBA, like the city of Austin itself, is undergoing rapid growth and development, but even in the organization’s brief three-year history, it has invented some innovative programs around local ownership for retail. First, it has tapped into local civic pride and culture by linking the phrase “Keep Austin Weird” to the importance of independent businesses, particularly those in the cultural domain. Second, it has pioneered new terrain by trying to recolonize the space of new commercial development as a site for the expansion of locally owned business. Third, has developed the concept of a local independent business district, and it has learned that it may be easier to build those districts first from the grassroots, before seeking support from the city government in the form of zoning changes, tax support, or other programs. Fourth, by developing both CLIC and IBIZ at the same time, AIBA has discovered the power of possible synergies between the two approaches.

AIBA also points to the potential tension that exists between sustainability goals and local ownership in the retail sector. The fear of losing customers can push small business associations away from taking policy positions on controversial local environmental issues. However, there are other ways in which sustainability goals might be linked to small business development. For example, it would be possible for the organization to focus on the opportunities that greening processes afford the small businesses, both in terms of providing good public relations for the firms and in terms of reducing costs. So while the AIBA case is interesting regarding the politics of sustainability because it shows why a small business organization may drift away from one type of environmental politics, it does not necessarily preclude other opportunities that connect sustainability and localism.

Web site: <http://www.IBuyAustin.com>

Based on an interview by David Hess with Melissa Miller on April 14, 2005.

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The Sustainable Business Network of Greater Philadelphia

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In 1991, Judy Wicks, the founder of the Philadelphia restaurant White Dog Café, brought together Philadelphia members of the Social Venture Network to work on locally oriented, sustainable, and just business development in the region around Philadelphia. When Wicks became chair of the Social Venture Network, she developed the Local Network Initiative to build “local living economies” comprised of business networks oriented toward sustainability and social justice. Because neither of the two major national, progressive, business organizations—the Social Venture Network and Business for Social Responsibility—supported local business networks, there was a need for a new organization. At the fall meeting of the Social Venture Network in 2001, Wicks and Laury Hammel founded BALLE, the Business Alliance for Local Living Economies, to fill the gap. A month later the Philadelphia group formally became the Sustainable Business Network of Greater Philadelphia (SBN). To get a better sense of how the SBN operates today and especially to understand its buy-local campaign, I interviewed its director, Leanne Krueger-Braneky.¹

Since the founding of BALLE, the national organization has grown rapidly to include over twenty chapters in the United States, as well as a few in Canada. Because publicly held companies have a legal responsibility to their stockholders and not their communities, BALLE is restricted to privately held companies. Otherwise, membership is open to all locally owned and independent businesses within each region. The limits of “local” are defined differently by each chapter. In the case of the SBN, members come from a fairly wide radius because of a lack of similar organizations in the region. The SBN actually serves as an incubator of new BALLE chapters and smaller like-minded groups in the region, including Baltimore, Princeton, and other groups in Pennsylvania.

Businesses do not have to meet a membership criterion beyond those stated above, but they must be committed to learn about how to change their business in the direction of the BALLE goals of “local business ownership, economic justice, cultural diversity, and a healthy natural environment.” To this end, the BALLE chapters are organized into “building blocks” around themes such as food, renewable energy, reuse and recycling, health, and independent retail. As of 2005, the SBN had over 200 members, and the strongest building blocks were in sustainable landscaping and food.²

The SBN is funded through various sources. In addition to support from the White Dog Foundation, the organization also receives membership fees and generates earned income through events. Membership fees are kept at a modest level (starting at about \$65 for individuals and sole proprietorships) in order to encourage businesses to

join. The primary benefits of membership include networking with other, like-minded businesses in the region and attending seminars and educational programs. The SBN also sponsors an annual regional conference and product expo, an annual Social Venture Institute, and a buy-local campaign. BALLE has also created an internet-based national marketplace of BALLE businesses, so that businesses in the network have the option of shifting non-local purchases to other BALLE businesses.³

Equity and Sustainability

The White Dog Cafe provides a model of how BALLE businesses can integrate social equity values with sustainability. Employees of the restaurant often have a more consuming career passion, such as work in the arts, and Wicks celebrates the employees' "other lives" with an annual Anniversary Howl, when the employees display their non-restaurant work. All entry level employees are also paid a living wage after working for three months and meeting basic goals such as coming to work on time.⁴

In addition to providing a more fair and equitable workplace, Wicks also works with local farms that have humane practices for livestock, and she purchases organic food from local produce farms. She hopes to open a clothing store and to work with regional farms to develop local sources of textiles. The White Dog Cafe Foundation also sponsors the Fair Food program, which is dedicated to linking Philadelphia consumers with regional farms that practice humane and sustainable agriculture. The program works with restaurants, runs a farmstand, and publishes a local food guide called *Buy Fresh, Buy Local*. Fair Food also participates in a coalition of regional organizations that co-sponsor a "Buy Fresh, Buy Local" campaign. During the "Buy Fresh, Buy Local" week, various food-related events and tours are held around the city of Philadelphia.⁵

In addition to changing business practices at the firm level, the SBN also works to change consumer preferences by hosting a web site on local businesses and sponsoring buy-local campaigns. BALLE chapters throughout the country have sponsored buy-local campaigns, and the chapter in Bellingham, Washington, has also created a "Local First"TM guidebook for BALLE chapters. In the May, 2005, the SBN piloted its first buy-local campaign, Buy Local Philly. The campaign consisted of a full-page ad in the *City Paper*, transit ads, direct outreach at the First Friday event in Old City and the Clark Park May Fair in West Philadelphia, delivery of doorknob bags, a web site, kits and supplies for participating local businesses, and media outreach.⁶

One of the key issues in the Buy Local Philly campaign was deciding whether it was going to focus on the SBN businesses, which are more dedicated to sustainability and equity values, or whether it would be open to all locally owned, independent businesses. As Ms. Krueger-Braneky explained, "We spent about five or six months planning the campaign, and that was one of the early questions that we debated: Is this campaign only eligible for businesses that fit within the SBN framework and have some commitment to a triple-bottom line framework, or is it a campaign that is open to all local, independent businesses? We decided to make it open to all local, independent businesses. The vast majority of businesses that participated in the Buy Local Philly campaign were not SBN members. Of the 150 that participated, only about five were SBN members. Our decision was that in the grand scheme of things local, independent businesses can't become more sustainable if they fold because of the competition. Our

first goal is to keep them in business, and our second goal is to bring them into the SBN community. We'd certainly like to see them become more conscious of their business and purchasing practices, but first they need to survive."

On the very first day the campaign, Buy Local Philly provoked a critical column by *Philadelphia Inquirer's* Andrew Cassel, who claimed that buying from locally owned, independent businesses was no different from buying from "Christians" or "white heterosexuals." The buy-local campaign had cited research that showed that for purchases from locally owned businesses, three times as much money stays in the community than from formula businesses and chains. In other words, for each \$100 spent locally, \$45 goes back into the community, compared with only \$14 spent at a big-box store. Cassel challenged the scientific claim and called it bogus. In a rebuttal, columnist Bruce Schimmel quoted another economist, Stephen Gimmel of Penn State University, in favor of the claim in favor of a local multiplier effect.⁷

As Krueger-Braneky added, "The Cassel piece proved to create some good publicity for the campaign. My response was printed in the *Philadelphia Inquirer*, and there was a letter from Judy Wicks that was also printed in the *Inquirer*. Cassel went on to write a second column, and Bruce Schimmel wrote a second column, and we ended up having eight major media hits during the campaign. We talked to consumers about how they had heard about the campaign and if it impacted their behavior in any way, and we found that the majority of people whose behavior was impacted by the campaign were following the debate closely."

Krueger-Braneky noted that other BALLE chapters had experienced similar critiques, and they were responding by developing research projects to document the effectiveness of buy-local campaigns. In June 2005, after the Buy Local Philly campaign ended, SBN began an extensive evaluation process. On the business side, they sent a survey to all 115 businesses that had participated. Although they did not expect to see dramatic results after the short pilot campaign, the survey indicated that 21% of the 36% of businesses that responded to the survey said that sales had increased during Buy Local Philly month, usually in a range of 10-50%. Likewise, 93% of the respondents said that they would participate again. In addition, as Krueger-Braneky explained, "We were surprised to learn that the number one reason why they decided to join the campaign was to be identified as a local, independent business. We had thought that the main benefit was being listed in a full-page ad in a newspaper that gets fairly wide circulation in Philadelphia."

Regarding the consumer portion of the research, Krueger-Braneky added, "We also surveyed over 1,000 consumers to see whether people had heard of the campaign and if so, how they had heard of it, and whether their behavior had been impacted by the campaign. Specifically, we asked if they had made a purchase or supported a local business because of the Buy Local Philly campaign. Of the 1,000 consumers, which were split across the two pilot neighborhoods, 183 had heard about the campaign and about 76 had actually made a purchase because of the campaign."

The next steps will include a holiday campaign for a week in December, 2005; a expansion of the campaign in the spring of 2006 with additional neighborhoods; and then a city-wide campaign in fall 2006. Costs are kept quite affordable for small businesses: just \$50 to participate in the campaign, and only \$15 more to become a member of the SBN, which includes participation in the Buy Local Philly campaign as a

membership benefit. Krueger-Braneky noted that after first finding members among progressive, small businesses, BALLE chapters have found that buy-local campaigns can become the major driver for new membership.

Policy Issues and Recommendations

Krueger-Braneky was able to list a number of lessons learned from their Buy Local Philly campaign. “First, we asked the businesses to do too much. We can ask the business owner to put up one poster in their store or pass out a thank-you card with the purchase. Anything more than that is overwhelming them with information. The tool kit that we produced for the businesses had a CD of marketing materials that they could use, and there were other materials that they could purchase. It was too much information. Second, we learned that being at community events was very effective. During the months of May and June we had 1200 distinct hits on the web site, and the hits spiked the day after each of our community events, from a level of about eight to 500. Third, we brought in Michael Shuman (author of *Going Local*) as a speaker to back up the studies and cite data, but we also know that we need to be conscious about not running a negative campaign, because that opens us up to more criticism. Buy Local Philly is not an anti-WalMart campaign; it’s a positive campaign that educates consumers about why it matters to spend their dollars at locally owned, independent businesses, so the money stays in the neighborhood. If we keep the message positive, we won’t open ourselves up to as much criticism.”

The SBN also has some lessons about relating to civic organizations and the city government. Because the Chamber of Commerce in Philadelphia is oriented toward large, publicly traded corporations, there is little overlap with SBN’s mission, and the two organizations have had little contact. However, the SBN has had some contact with the Minority Business Enterprise Council in Philadelphia, and the SBN has developed relationships with the city of Philadelphia and various policy-oriented groups in the city. The relationships with the city government and advocacy groups intensified after the SBN published a white paper directed specifically at the problems of economic development faced by Philadelphia. The paper noted that small, locally owned businesses create the majority of jobs, and it made recommendations for how the city government could make improvements for the prospects for small businesses. Recommendations were broken down by industry, including food, clothing, renewable energy and transportation, green building, recycling, capital and finance, arts and culture, and independent media. The general recommendations included the following:

1. Support a Philadelphia “Local First” or buy-local campaign.
2. Integrate green procurement standards and green building standards into the city’s plans and purchases.
3. Conduct a study of where business losses are occurring and where regional assets are located, to identify where resources can be directed to local businesses.
4. Develop comprehensive regional indicators that go beyond conventional metrics.
5. Reconsider tax breaks to non-local, publicly held corporations.
6. Support universal health care coverage.⁸

The mayor of Philadelphia, John Street, and city government responded positively to the document. As Krueger-Braneky explained, "The mayor agreed with certain points, and we used his response to build relationships. For example, we had a meeting with the minority business enterprise council of Philadelphia, and we have continued to build relationships with the Commerce Department based on that document. Other groups have read the white paper and asked us to take a position on political issues. Solicitation by other groups for our endorsement of their policies has dramatically increased to the point where we have had to step back and create our own internal policy on how we deal with public policy issues." Although the internal process had not yet been fully worked out at the time of the interview, Krueger-Braneky indicated that the SBN was moving toward limiting endorsements mostly to issues of concern to locally owned, independent businesses.

One of the key public policy issues related to small businesses in Philadelphia is the tax structure. Philadelphia's taxes on both gross receipts and income are much higher than comparable cities as well as surrounding cities.⁹ As Krueger-Braneky explained, "In Philadelphia there is a specific business tax, called the business privilege tax, that needs to be paid on gross receipts. A grassroots group has taken this up as their issue, and there has been a debate in Philadelphia during the past year about eliminating the tax. The group that is in favor of eliminating the tax came to us and asked us to endorse their position, as have the majority of small business groups in the city. At the same time, on the other side of the issue a smaller group has sprung up to urge everyone to look at the economic impact that repealing the tax would have on city services, and they also came to us and asked for our endorsement." As a result, the SBN's public policy committee studied the issue and interviewed people on both sides of the issue as well as city leaders. In the end, the SBN decided not to take a public position on the issue. The result was that the SBN now has a process in place to evaluate issues. As Krueger-Braneky explained, "Instead of just taking a position, we will evaluate an issue in light of our mission and our vision. We may take positions on some issues if they are in line with our mission and vision, but the decision is not to take a public position unless there is a really clear match."

Based on an interview with Leanne Krueger-Braneky by David Hess.

Web site: <http://www.sbnphiladelphia.org>

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San Francisco's Local Exchange

By David J. Hess

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Local Exchange is the San Francisco affiliate of BALLE, the "Business Alliance for Local Living Economies." BALLE supports decentralized, local ownership of businesses, with an emphasis on health, the environment, and living wages. Don Shaffer was influenced by years of reading Wendell Berry, and he subsequently worked for Comet Skateboards, a manufacturer in Oakland that uses solar energy and sustainable materials in its manufacturing process. He is the national coordinator for BALLE and the president of the board of Local Exchange, the BALLE affiliate for San Francisco. BALLE has nineteen active networks in North America, with the strongest networks located in the northeast and northwest. Local Exchange is one of the more recent and smaller networks, but it is growing rapidly.

Each network determines its admissions criteria for business. At Local Exchange the businesses must be owned and operated in the city and county of San Francisco. Other BALLE networks define local more broadly, such as a metropolitan region. To join, businesses do not have to be already "green," but they need to have a commitment to learning about it and eventually making changes. As Shaffer describes it, "The main way that BALLE networks are organizing themselves is to have an annual pledge system that is essentially peer-reviewed by other members of the network at the beginning of the year. Each company sets annual goals in terms of environmental sustainability, social responsibility, transparency, and community-oriented action. At the end of each year the company examines how they have done for each of the goals. People aren't gravitating to BALLE for aggressive greenwashing. If they're not in it for the right reasons, it doesn't appeal to them." Another key criterion is that firms are privately owned and relatively small. "We're mainly catering to smaller businesses, typically those that have \$20 million or less in sales. We will have a handful up to about \$60 million in sales. It's not a rule, but it is generally the case across the networks."

BALLE's networks are organized into "building blocks" that are industry-based. "We recognize that not every city or county will have its own semiconductor factory or its own pharmaceutical R&D plant. There are some types of businesses that lend themselves to a classic, Wall Street model. Nationwide, the biggest building blocks are food (including restaurants), retail, renewable energy, capital, and manufacturing."

The main reason businesses join the network is to share information. In addition, businesses join to help educate customers about the value of buying local. Each

network defines its own role somewhat differently. As Shaffer noted, “San Francisco is saturated with nonprofit organizations focused on sustainability. There are dozens of speaker and networking events all the time, whereas in Bellingham, Washington, the first time they held one of these events 250 people showed. We shifted strategies. We still have occasional speaker events, but we’re partnering with the Small Business Commission of the City of San Francisco to run a green business summit and with the San Francisco Independent Merchants Association on a ‘local first’ campaign. There are 106,000 small businesses in San Francisco, and there are thousands that are at or near a tipping point, where they are expressing curiosity about how to make their businesses more sustainable. They want to know: what other companies in my industry are doing this? Where can I find the resources? How can I do this in a way to increase revenues and decrease costs to make my business more successful? They’re starting to ask these questions and not knowing where to turn. I see a spectrum moving from curiosity to intention to action. To me, that’s why Local Exchange exists. Once you get a critical mass of twenty to twenty-five committed members, then it is fairly easy to go to seventy or eighty members, then its another year or so before you get to a couple of hundred members.”

Equity and Sustainability

Equity issues for local business networks involve the preservation of small, locally owned businesses when confronted with competition from large, nonlocally owned corporate chains. Local Exchange, like other local business networks, runs local first campaigns. The national organization has also published a “Local First”™ booklet, written by Michelle and Derek Long of the Bellingham, Washington, network. The how-to kit provides step-by-step information on how local business associations can put together a buy local campaign, and it includes various sample brochures as well as recommendations for policy issues at the local level.

To some extent, environmental and local ownership issues can be experienced as a trade-off. At a national level, BALLE tends to emphasize social responsibility and environmental stewardship, whereas a similar organization, AMIBA (American Independent Business Alliance), tends to emphasize more the Main Street, small retail sector. Tensions can also emerge within organizations. As Shaffer noted, “On the Local Exchange board, we had a camp that was very interested in local and a camp that was very interested in green. It wasn’t especially clear to the people on the green side that local was as important to them, because to them the urgency was around the environment. Generally, the retail business owners are less oriented toward ecological sustainability, whereas paper, restaurants, and a hotel owner were more interested in the ecological side. Yet, independent of the buy local campaigns, there is the virtue of local ownership that seems to resonate with all the groups.”

Another tension has been with the local Chambers of Commerce, which can be threatened by BALLE networks. The tensions may be greater in small cities. “Here in San Francisco, the Chamber of Commerce has seventy-three board members. Each and every one is from a gigantic publicly traded company, or they are attorneys, real estate developers, and consulting firms that are servicing those gigantic corporations. So it’s a farce to say that the Chamber of Commerce in San Francisco supports small

businesses. We feel that in certain areas the Chamber is a bit antiquated, and we're looking at it in a competitive sense of who can do more to improve the economic vitality and the sustainability of small businesses. Here in San Francisco, we're such small potatoes that they don't even care."

Policy Issues and Recommendations

BALLE is an educational organization, so it does not get involved directly in policy. It does support the various policy initiatives that local business associations take to limit the development of big box superstores and to channel local government procurement toward local businesses.¹ In addition, BALLE is looking at ways to connect locally oriented businesses on a continental and eventually global scale. Referring to the work of BALLE founder Judy Wicks, Shaffer elaborated: "Our vision is a global economy comprised of a network of local economies. So if there is a certain type of printer that I need, and it doesn't exist in San Francisco, then I could go to BALLE marketplace and find a specialty printer in Portland, Oregon."

One of the problems faced by small, socially responsible businesses is acquiring the capital to grow. By going public, firms can lose control and find that their core values are diluted. Shaffer describes the issue of capitalizing small, sustainable businesses as a key area that he is especially interested in developing: "Basically, there is a lot of momentum within the BALLE community to focus on new models for capitalizing local living economies, whether that's regional funds, holding companies, or local stock exchanges. I have quite a bit of experience in equity financing, raising money for early stage companies, and I know that there are a lot of investors who might have a \$100,000 and are asking themselves, 'Do I need to have all \$100,000 in General Electric or Walmart stock? Might it be interesting for me to put \$2,000 or \$3,000 in companies that are based within 30 miles of where I live? If there was a mechanism for investing in those companies, I'd rather keep my money in the local economy by investing locally.'

"Likewise, on the exit side, you have Ben and Jerry's selling to Unilever, Odwalla to Coke, Stoneyfield to Dannon. We'd like to try and find a more creative solution for liquidity for early stage entrepreneurs. After a certain time, they'd like to get some money out for their effort, but they don't want to see the values of their organization diluted by selling out to a big company. They don't want to see their ownership spread out and become completely absentee-owned. So that's where the idea of a local exchange comes in, where potentially you could have a bulletin board-style exchange to invest in local companies. There are a lot of regulatory issues there, and a lot of challenges. In addition, Judy Wicks set up the Greater Philadelphia Local Living Economy Fund. They give microloans and equity investments to sustainability-oriented companies in the Greater Philadelphia area. I predict that we'll have something like that here in the Bay Area in the not too distant future."

Another area that Shaffer is developing is "getting more qualified entrepreneurs to work in the local living economy. So I'm working with Marion Fuller (of BALLE) to match young people, primarily undergrads, with established, experienced local living economy entrepreneurs for an Americore-style year. You have to have really sharp

entrepreneurs. Entrepreneurship is at the heart of BALLE. You have to have a high tolerance for ambiguity and risk to get out there and start these companies.”

Web sites:

www.livingeconomies.org
www.localexchange.org

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Vermont Sustainable Jobs Fund

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Vermont Sustainable Jobs Fund (VSJF) is a public non-profit 501(c) 3 corporation that is committed to catalyzing a sustainable economy in Vermont. The organization sees its mission to “operate as a center for sustainable development through its innovative programs, grant making, and by providing technical assistance to entrepreneurs, networks of businesses, communities and non-profit organizations.” The concept of VSJF emerged at a meeting of the Vermont Businesses for Social Responsibility after a group of small businesses voiced the concern that there was a void in the efforts of the state to promote small businesses. VSJF was launched in 1995 through an enabling legislation passed by the Vermont General Assembly with the primary goal of addressing of fulfilling this need. VSJF is motivated by the aim of “maintaining economic vitality and quality of life in Vermont” through “creating quality jobs and conserving and protecting Vermont’s social and natural environments.”ⁱ

VSJF seeks to intervene in shaping Vermont’s development trajectory along three dimensions – economic, environmental and social. It occupies a unique location as a hybrid organization that straddles public and private sectors and that performs non-profit work with the for-profit small enterprise in mind. As a result VSJF is in a position to leverage not only state governmental resources (which it has to the tune of \$2 million per year) but also receive considerable funds from other private sources (\$ 12 million have been raised from other sources included \$1.1 million in direct grants, \$2.2 in matching and in-kind contributions and \$8.6 million in grants to funded projects). The strategic position that VSJF occupies is key to the success of its efforts. It has access to state-level policy makers and also considerable legitimacy with various business, non-profit and community interests. VSJF has used the funds it has raised to “provide grants to 2,130 networked businesses and several communities.” VSJF is proud that its efforts have ensured that small businesses it has worked with have retained or added 426 local jobs that are committed to Vermont’s continued economic prosperity and its social and natural environment.ⁱⁱ

VSJF, as a resource catalyst for sustainable economic development, leverages funds, disburses critical seed grants and provides technical assistance that assist start-up and existing green businesses. VSJF has established a presence in several green economic sectors such as renewable energy, forest products, wastewater systems, sustainable agriculture and environmental technology. Some selected cases of successful intervention are Vermont Cheese Council, Island Pond Woodworkers Inc., Cornerstone Project, Vermont Quality Meats Cooperative, Vermont Organic Seed

Project and Renewable Energy Vermont. In each of these cases, VSJF has supported these startup business networks or entrepreneur initiatives through grants and technical assistance.

Each of these cases are hallmarks of VSJF's commitment to the triple bottom line – economic development, community involvement and sustainable natural resource use. Vermont Cheese Council is a network of artisan cheese producers in Vermont that seeks to develop a range of specialty cheeses for the upper-end USA market and in the process help preserve and make more profitable the state's small farms that produce these cheeses. The Cornerstone Project is a recent effort by VSJF that seeks to encourage large institutional purchasers of forest products in Vermont to buy from Vermont-based timber producers so that the state's ailing forest products industry is supported and the circulation of dollars is increased within the local economy. Another effort that obtained the support of VSJF is Renewable Energy Vermont (REV), a trade association of renewable energy providers in Vermont. VSJF supported REV with a small grant for developing a strategic plan for growing green jobs that produced clean and small energy units for a more energy independent Vermont.ⁱⁱⁱ

As it makes interventions of this kind, the VSJF's efforts are informed by three broad principles that represent the essence of sustainable development – “stewardship of the natural environment, social justice and the integration of ecological principles into manufacturing processes and business practices.” These guiding principles have been realized within the business strategy VSJF has adopted. Six core business development principles that form this strategy are – cooperation, value addition, market development, sustainable resource use, local connections, and education. VSJF support those ventures that embody this business philosophy.^{iv}

VSJF sees cooperation or network building as a primary requirement for growing a successful small business within the rapidly changing social and economic environment. Apart from the obvious advantages such as organizing joint ventures, gathering market information, understanding policy changes and speaking in one voice, networking and cooperation according to VSJF is a force multiplier for small individual businesses as they grant economies of scale and help combat stiff international competition. VSJF has helped form numerous Vermont based networks and associations including Vermont Biofuels Association, Vermont Builds Greener, Vermont Businesses for Social Responsibility, Vermont Cheese Council etc. A second principle of VSJF is to assist businesses in producing and marketing high-quality, value added products as well as to assist businesses to adopt sustainable processes in production through training, process redesign, and access capital from funders seeking triple bottom line returns. A third principle in VSJF's strategy is to identify and build new markets for value added products that are produced by small Vermont businesses. Market development is motivated by the “aim to grow a sustainable economy” and by the “long-term strategy for job growth and economic security in isolated rural communities like those found in Vermont.”^v

VSJF is proud of its commitment to guide businesses in the sustainable use of Vermont's natural resources. To that end, the VSJF is guided by an optimistic and pragmatic notion of sustainable development that seeks to guide economies in ways that sustain the natural environment and community linkages. A fifth commitment of VSJF is the energizing community development through creation of sustainable

economies. VSJF employs diverse means to revitalize communities, for example through sustaining local dollar flows by connecting local producers and local consumers, building social capital and capacities through creation of community networks that provide a base for economic regeneration of the community, identifying opportunities which could spur future community economic development, and through the provision of long-term technical assistance to start-up community economic ventures and for supporting entrepreneurs. The final principle that VSJF articulates through its efforts is to provide opportunities for co-learning through sharing of best practices and experiences within and across networks.^{vi}

Equity and Sustainability

An appreciation for equity and sustainability issues is evident in the work that VSJF does as well as the ambitious aims it seeks to accomplish. The VSJF's organizational vision has sought to "support the ongoing development and vitality of communities and maintain healthy ecosystems for the benefit of all Vermonters." In keeping with its vision, VSJF has sought to develop an approach that is marked by a realistical localism – where economic development solutions are sought through local measures that are mindful of the needs articulated by the concerned community as well as the environmental resources in the area. Two broad strategies offer ways to incorporate equitable community development within a sustainable resource based economy. These strategies have been both reactive and pro-active in their approaches.

The reactive strategies have sought to revitalize dislocated communities that have suffered from the exodus of a major employer due to the pressures of globalization. Island Pond is one such community that suffered an economic downturn as a result of the closure of a major furniture manufacturer that was a major source of employment for the community. VSJF provided critical support for a business plan proposed by the workers from the closed plant to begin a worker-owned company, Island Pond Woodworkers Inc. This initiative spurred several parallel efforts including a community visioning exercise. VSJF was instrumental in hiring a "business coach" who worked with over 60 area entrepreneurs to help them start or expand their businesses.

An range of pro-active efforts have sought to transform and revitalize depressed communities in the state. The VSJF offers its services to assist communities in facilitating community revisioning and regrowing efforts within a participatory framework. The town of Alburg in northern Vermont, whose median income was below the county average, was one such stigmatized community that through VSJF could tap into funds and technical assistance for a revitalization plan. The VSJF has also worked to identify and create an inventory of state-wide dependent communities in Vermont which are disproportionately dependent on large employers/businesses that are susceptible to flight. The inventory hopes to anticipate problems from dependency in the vitality of at-risk communities and so ensure their survival through some preventive measures to regrow at-risk local economies to forge greater local linkages.^{vii}

Policy Issues and Recommendations

The example offered by the Vermont Sustainable Job Fund raises several issues that have policy relevance to achieving sustainable development at the community level. One important goal is the commitment to reach across governmental hierarchies for a sustainable economy that integrates local economies with sustaining local social and natural environments. Another issue is the institutionalization of a resource catalyst (such as the VSJF) for regrowing a local sustainable economy. Given its hybrid nature, the Fund could function effectively despite straddling several boundaries (private-public and for-profit/non-profit boundaries) – boundaries that are ideological minefields. Achieving a balance in the spirit of deliberation is an important ingredient in its effectiveness. Equity is another issue that requires close attention when economic and community development agendas are revisioned. Of prime concern here is a commitment to social justice and community empowerment by focusing on poorer and other marginalized sections of communities. Policy recommendations that try to create opportunities for remaking a sustainable economy need to be mindful of equity considerations in a complex multivocal society.

Yet another important area of promise offered by initiatives like the Vermont Sustainable Job Fund is to address a problem that has recently surfaced in the national media: the exodus of young, well educated people from Vermont in search of employment and a better quality of life than they find in the state at present. An issue for those who think about the future of environmentally sustainable economies must include attention to the range of social and cultural resources that make towns, cities and regions interesting places to live. It may be that the quest for sustainability could be an important element for enhancing the mix. But other key features – the arts, research facilities, the diversity of the local populace, public spaces, and a sense of cultural vitality – are also key elements. Thus, there are dimensions other than “greening” that need attention if Vermont and similar locales are to become sustainable in the fullest sense.

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