

Brain Food

How social enterprise can reshape the food system

BY FRANK MORELAND & SANDRA MARK

Both of us have been providing technical assistance in the community food sector for several years, helping people to create nutritious food products in a manner that is sustainable and enriching to communities, economically, socially, and environmentally – and has the potential to be profitable. Because of that blend of intentions, we call these undertakings “social enterprises.”

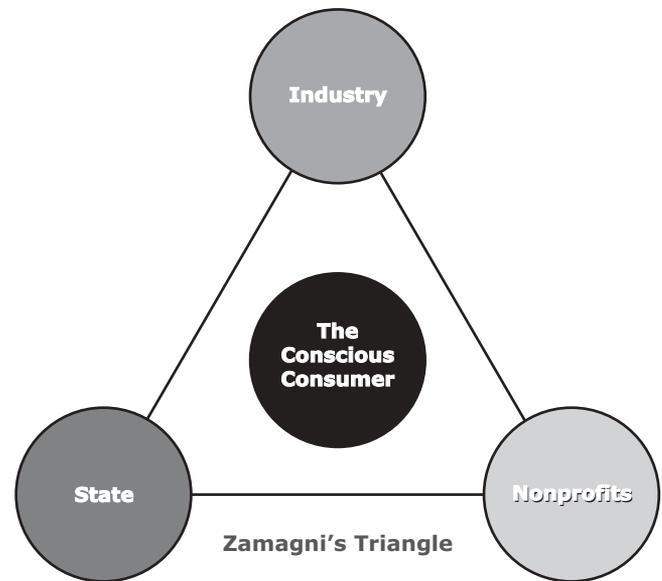
Time and again, however, we have found ourselves at an impasse. It’s hard to promote local food if little food is being produced locally. It’s hard to shift some people from a mentality of individual accomplishment to one of co-operative solutions that can increase production to volumes the local market can buy. It’s hard to get other people to rely on the market, rather than government, to determine what to produce and how. It’s hard to convince people in many rural areas to grow higher value food for the Canadian market when there is no way to move their products to nearby towns and cities. It’s hard to get any financial institution to invest in agriculture and food. It’s hard to talk about scaling up microbusinesses, when the necessary food labeling, product tracking, and safety standards will involve costs that can only be offset by unimaginable volumes of production.

Most of all, it’s hard to figure out if what we are trying to do is even feasible, given the strength and structure of the dominant food system and the invisibility of the local informal food systems. What’s the point of talking about systemic crisis in the food system, when all you can really do is tinker at its margins?

Fortunately, in the last three years we have encountered three people who got us rethinking the role of social enterprise, or more accurately, the role of *social economy* in changing the food system. Sure, they are theorists. But their theory alerted us to our own presumptions about the way the food system works, and its seeming invincibility to everything short of catastrophe. In fact, if we’re willing to get smarter in the action we take, the social market itself provides much of the means for turning things around.

Zamagni’s Triangle

In 2003 we had the good fortune to encounter Professor Stefano Zamagni from the University of Bologna in Vancouver, B.C. He was presenting at a summer institute sponsored by that university, the B.C. Co-operative Association, and VanCity Credit



Union. The institute, now an annual event, concerns the operations and dynamics of co-operative economies, and especially how the lessons of Northern Italy’s Emilia Romagna region may be applied in Canada.

To Stefano, the economy is not an “invisible hand” that, left to itself, gets things produced and distributed where, when, and how they are needed, and at the least cost. He sees the economy instead as a tool to create well-being for the people and to care for the environment. The interaction between civil society and the economy he understands as a dynamic process that pushes economic life towards civility.

Yes, you read that right. One of the essential functions of civil society is literally to “civilize” the economy. How? By imposing on the economy the same principle that makes it possible for people to live with one another socially: reciprocity. When we do something helpful, creative, or enriching to others, trusting that we eventually will receive the same, we are living out the principle of reciprocity. When reciprocity is expressed in the provision of goods and services to people and communities, the social economy (what Stefano calls the “social market”) results – the supreme example of a “civilized” economy.¹

So as social entrepreneurs our task extends well beyond our own communities. We are not just working on specific social enterprises; we have to be working to build networks and conceptualize infrastructure at a local, regional, and probably national level.

This makes the job bigger. It also makes the job do-able. It calls us to apply some of our energy to more strategic places – the places that are barriers to a single social enterprise but points of breakthrough for collective efforts.

The Social Economy of Food

In this way of thinking, the greatest barriers are “one-way” relationships that may exist between economic actors. Zamagni depicts government actors, industry actors, and community actors in any given economic sector as the points of a triangle. (See diagram, previous page.) In Canada’s food sector, each of the sides of that triangle represents a one-way relationship:

- *Between the industry and the state:* industry assumes entitlement to government subsidies or they disinvest and move to another sector in which government offers greater incentives.
- *Between industry and nonprofit organizations:* nonprofits come to depend on charitable donations of money, equipment, expertise – and food – from industry, which receives a tax benefit for its generosity.
- *Between nonprofits and the state:* the state maintains control over community initiatives by virtue of the culture of short-term government grants.

These relationships confound the development of the sector, yet we seem locked into them, accepting them without question as the status quo. Our discussion of the food system is trapped by terms like efficiency, profit, cost-minimization, and so on. “Reciprocity” rarely enters into it. When it does, it is misconstrued to refer to an exchange of equivalents (my purchasing power for your property), not the creation of a mutual bond of trust.

Our task is twofold, according to Zamagni. We must design projects and build alliances so as to transform the points of the

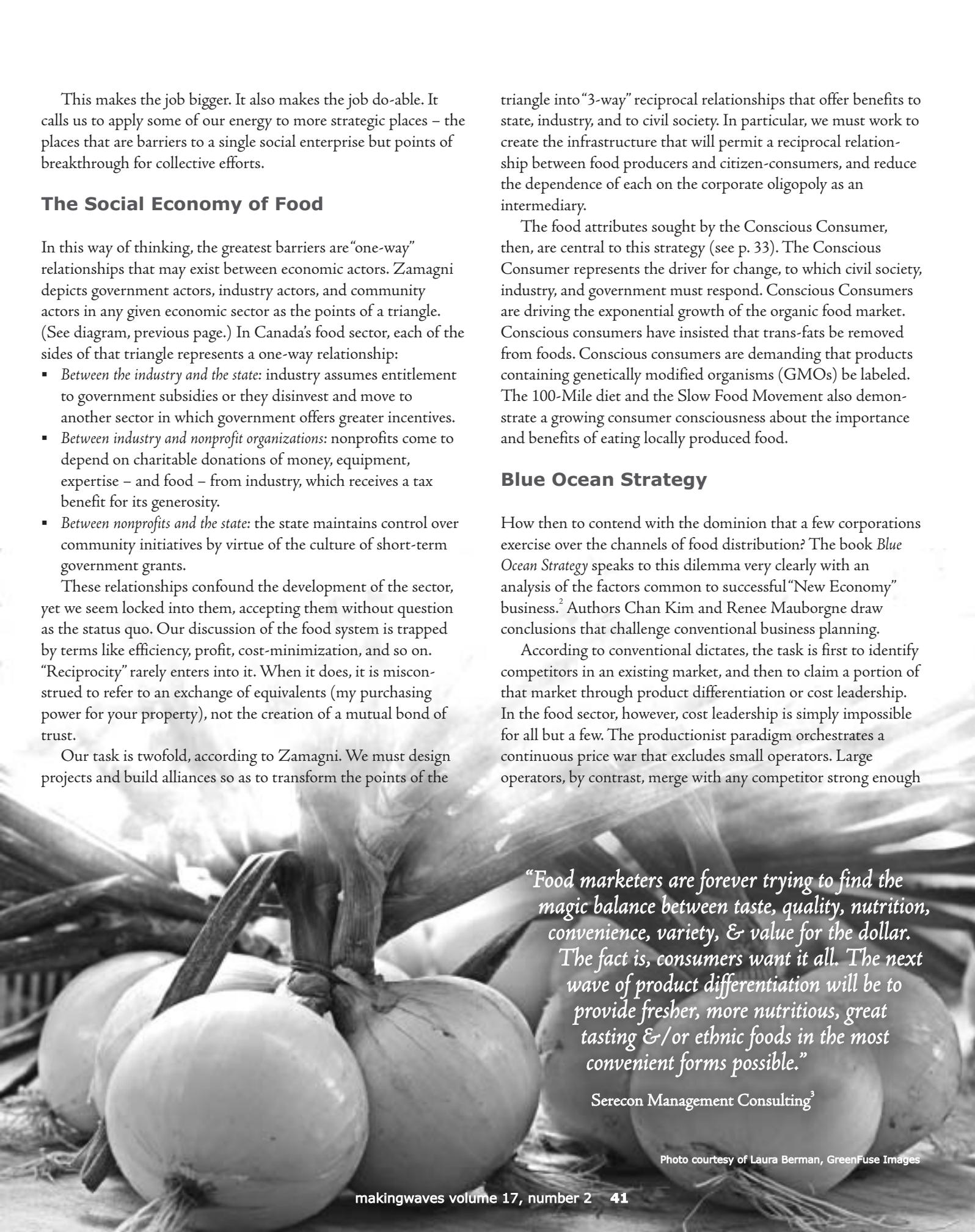
triangle into “3-way” reciprocal relationships that offer benefits to state, industry, and to civil society. In particular, we must work to create the infrastructure that will permit a reciprocal relationship between food producers and citizen-consumers, and reduce the dependence of each on the corporate oligopoly as an intermediary.

The food attributes sought by the Conscious Consumer, then, are central to this strategy (see p. 33). The Conscious Consumer represents the driver for change, to which civil society, industry, and government must respond. Conscious Consumers are driving the exponential growth of the organic food market. Conscious consumers have insisted that trans-fats be removed from foods. Conscious consumers are demanding that products containing genetically modified organisms (GMOs) be labeled. The 100-Mile diet and the Slow Food Movement also demonstrate a growing consumer consciousness about the importance and benefits of eating locally produced food.

Blue Ocean Strategy

How then to contend with the dominion that a few corporations exercise over the channels of food distribution? The book *Blue Ocean Strategy* speaks to this dilemma very clearly with an analysis of the factors common to successful “New Economy” business.² Authors Chan Kim and Renee Mauborgne draw conclusions that challenge conventional business planning.

According to conventional dictates, the task is first to identify competitors in an existing market, and then to claim a portion of that market through product differentiation or cost leadership. In the food sector, however, cost leadership is simply impossible for all but a few. The productionist paradigm orchestrates a continuous price war that excludes small operators. Large operators, by contrast, merge with any competitor strong enough



“Food marketers are forever trying to find the magic balance between taste, quality, nutrition, convenience, variety, & value for the dollar. The fact is, consumers want it all. The next wave of product differentiation will be to provide fresher, more nutritious, great tasting &/or ethnic foods in the most convenient forms possible.”

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to resist annihilation. Chan and Mauborgne found that successful New Economy businesses stay clear of such areas of high competition (which they call the “bloody red ocean”) and instead define and explore and create uncontested market space (“blue ocean”) by offering *value innovations* to the end user.

Like Zamagni’s Triangle, the Blue Ocean Strategy challenges social entrepreneurs to break away from old habits of competition for dwindling government & corporate resources. These models show us where we are falling into old traps of one-way relationships, & where we are “hitting it” with values-driven & reciprocal approaches.

To find the blue ocean for a specific enterprise, they have developed the “Blue Ocean Strategy Canvas.” It is a simple grid. The horizontal axis lists the principal factors that form the basis for competition in a sector. The vertical axis estimates the actual investment that an enterprise makes in any of these factors, in terms of budget and staff time, for example (see diagram, below).

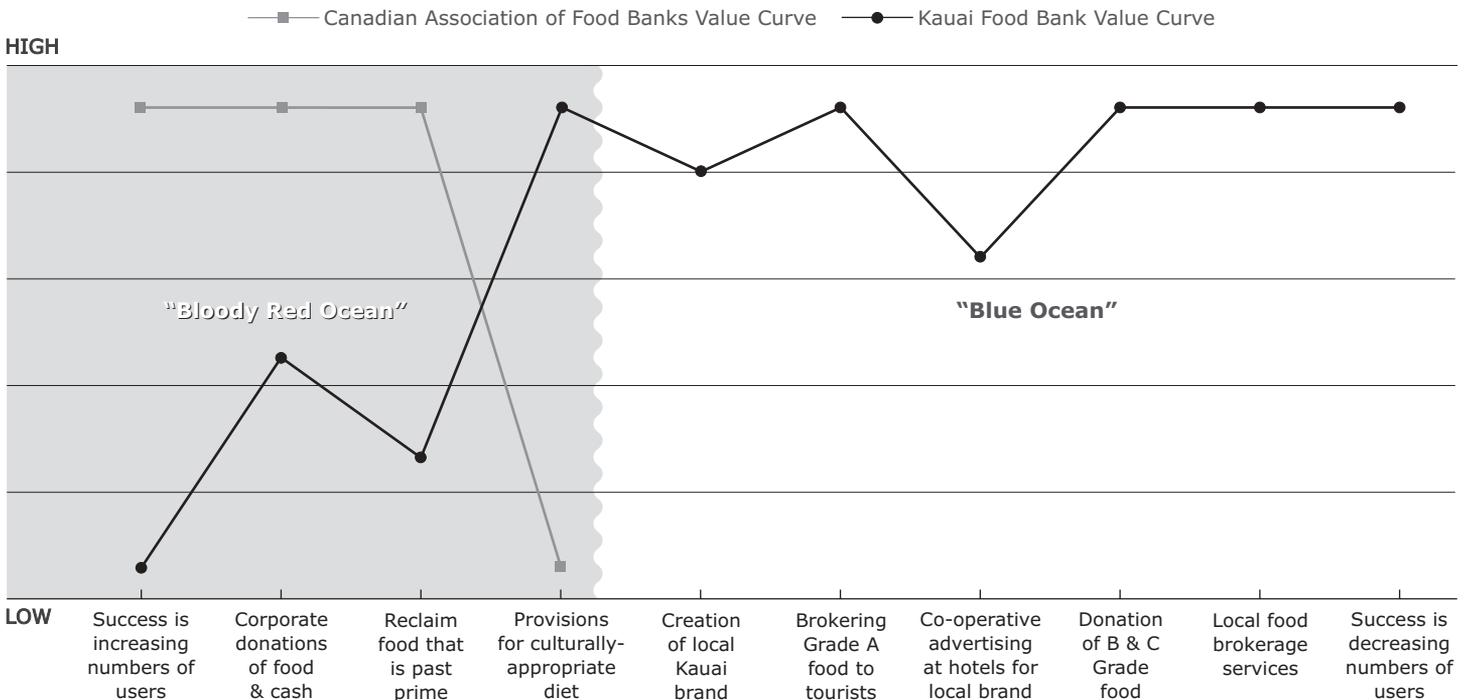
The Canvas presented here compares the strategy of the Canadian Association of Food Banks with that of the Kauai Food Bank (see article, p. 19). The CAFB, like most conventional food banks, and indeed like most charities, appeals to the public’s charitable instinct and thus emphasizes the desperate nature of hunger in our society. As indisputable as this situation is, to base an operational strategy on it creates a strategic trap. Our research indicates that the CAFB, in its very committed effort to solve the problem of hunger, has policy that places high investment in the following factors of competition:

- numerous and increasing applicants for emergency food
- corporate donations of food and cash
- reclamation of useable food that is past its due date

This essentially is a description of the “bloody red ocean” in which Canadian food banks essentially compete with other charitable organizations for state, public, and corporate assistance. Instead of working in collaboration, they have ended up in competition with one another.

The “values curve” evident from the work of the Kauai Food Bank differs entirely from that of the CAFB. It describes an organization that is shifting its strategic focus from competitors and the customers of competitors to what Chan and Mauborgne term “non-customers.” From the beginning, Kauai Food Bank decided to work themselves out of the job of providing emergency food. They track *declining numbers* of food bank users as a measure of success. They turned their attention from “selling to” conventional customers (i.e., food

A “Blue Ocean” Strategy Canvas: CAFB vs Kauai Food Bank



bank users) to actually selling to conventional non-customers, especially high-end restaurants like the Kauai Marriot that pay premiums for local quality food. The Food Bank branded Kauai Fresh as a local label, organized farmers to grow Grade A products, and brokered these goods to the tourist market through existing distributors. Grade B products are distributed to food bank users to displace some of the volume of reclaimed food they had previously depended upon.

The partnership with the Kauai Marriot provides advertising for Kauai Fresh and recognition for the Marriot as a good corporate citizen. Kauai Fresh does not depend on government grants but rather on diversified revenues that includes its business operations. One of those operations is a state goods and services contract to provide culturally-appropriate food to indigenous and other groups.

Like Zamagni's Triangle, the Blue Ocean Strategy challenges social entrepreneurs to break away from old habits of competition for dwindling government and corporate resources. These models show us where we are falling into old traps of one-way relationships, and where we are "hitting it" with values-driven and reciprocal approaches. Both models also divert our attention to the growing demand of the Conscious Consumer for special food attributes that emphasize quality, not price, as their Unique Selling Proposition and that local, appropriate-scale food producers, working collectively, are so well-positioned to create.

Due to this learning, our practice has come to focus on creating new infrastructure through the mobilization of cross-sectoral relationships. We are facilitating authentic community branding for high value (on all dimensions) products and services. We are listening to the leading-edge consumers and steering product development to meet that demand. Finally, we are leveraging community and nonprofit concern for food sustainability to attract investment and partnerships. This work "feels better" (*much* better) than trying to break into competitive markets from the margins.



References

¹ John Restakis, "Defining the Social Economy – The BC Context," prepared for the BC Social Economy Roundtable (British Columbia Co-operative Association, January 2005), p. 13, 10 August 2006, <http://www.ucscoop.com/uploads/621/315/DefiningSocialEconomy_Fnl.pdf>

² W. Chan Kim and Renee Mauborgne, *Blue Ocean Strategy* (Boston: Harvard Business School Press, 2005), p. 28.

³ "Canadian Food Trends to 2020: A Long Range Consumer Outlook" (Ottawa: Agriculture and Agri-Food Canada, 2005), p. 6.

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