

# Connecting Community Assets with Market Demand for Lasting Livelihoods



**YELLOW WOOD**  
a s s o c i a t e s , i n c .

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- **Senior Associate**, has been with Yellow Wood Associates, Inc. since May 2003.
- Yellow Wood is the managing grantee of the Ford Foundation's Wealth Creation in Rural Communities initiative; as part of that work, Melissa currently coaches grantees on wealth creation and measurement.
- Melissa is the co-author of a paper on community wealth indicators, *Measuring Community Wealth*. Melissa's other work involves research and facilitation around various natural resource based rural economic development initiatives.



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*Connecting Community  
Assets with Market Demand  
for Lasting Livelihoods*

National Alliance for Rural Policy Webinar

June 20, 2013

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# A Presentation in 4 parts

1. Introduction to  wealthworks
2. Defining Wealth
3. WealthWorks Value Chains
4. Components of the Practice on the Ground

# Part 1: Introduction to

# What is it?

WealthWorks is a bridge between Community Development & Economic Development



# Community Development

Community Development is about voice and empowerment and uses organizing strategies to achieve these outcomes. It tends to be issue-based.





# Economic Development

Conventional economic development is about creating jobs by:

- Attracting businesses through tax breaks and incentives and sometimes
- Encouraging entrepreneurs and
- Strengthening existing businesses



# Limitations

Neither one

- Takes a systems approach to development of communities and economies
- Addresses the underlying dynamics of economic exploitation by offering an alternative approach to market connections
- Explicitly connects economic, social and environmental conditions and opportunities

# wealthworks

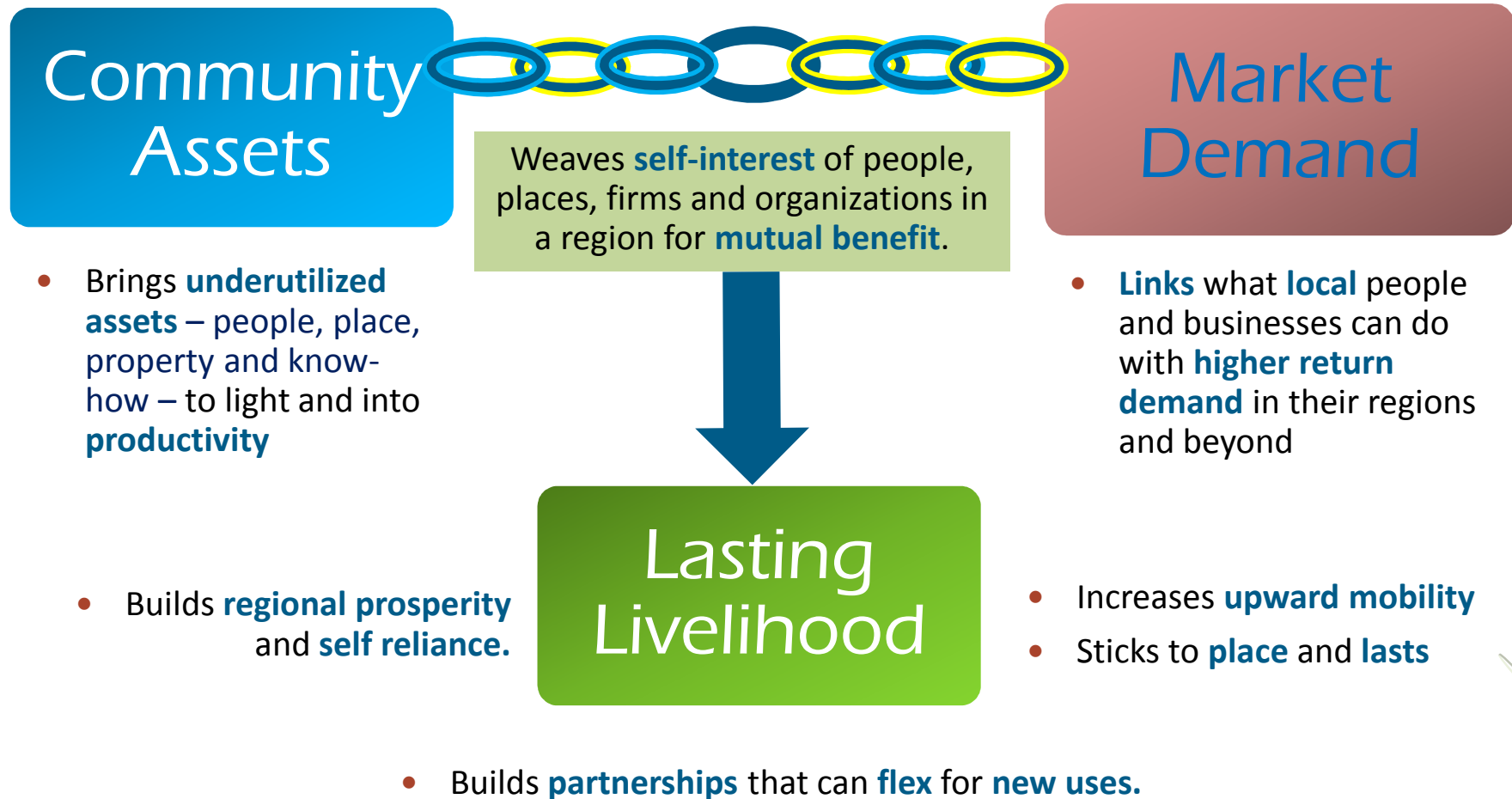


**improving the livelihoods of low-wealth people and communities by creating wealth through market interactions that is owned, controlled, and reinvested in place.**



## is about economic development that ....

- Takes the **best next step** from **any starting place**



# Where are we working on the ground?

WealthWorks Value Chains in:

## **Central Appalachia**

*Energy efficient housing construction, energy efficiency retrofits, renewables, food, forestry*

## **Alabama Black Belt and Mid-South**

*Renewable energy, social impact investment, forestry, food, Community Based Tourism (CBT)*

## **Lower Rio Grande Valley region in Texas**

*Green housing/neighborhoods*

## Why should we care about WealthWorks?

- The **WealthWorks** approach expands your economic development toolkit, building on strategies and ideas already in play.
- It brings underutilized ideas, skills, and other assets into productive use within a region.
- It maximizes local wealth retention and creation.
- It minimizes negative impacts from development that can jeopardize the future.
- It helps low-income people, places, and businesses get ahead.
- It builds a region's resiliency and self-reliance by producing more sustainable results.

# Guiding Principles

- #1** Wealth creation is demand driven.
- #2** Wealth creation is intentionally inclusive.
- #3** Wealth is tied to place by WealthWorks value chains.
- #4** Measurement is integrated into the entire process as a tool for planning and adaptive management.
- #5** Wealth sticks in places through attention to structures of ownership and control.
- #6** The wealth creation approach is strategically flexible while doing no harm.

## **Part Two: Defining Wealth**



## KEY IDEA: What is Wealth?



Wealth is **not just money.**

Wealth is the **stock** of **all assets** that can contribute to the well-being of people, places or economies.

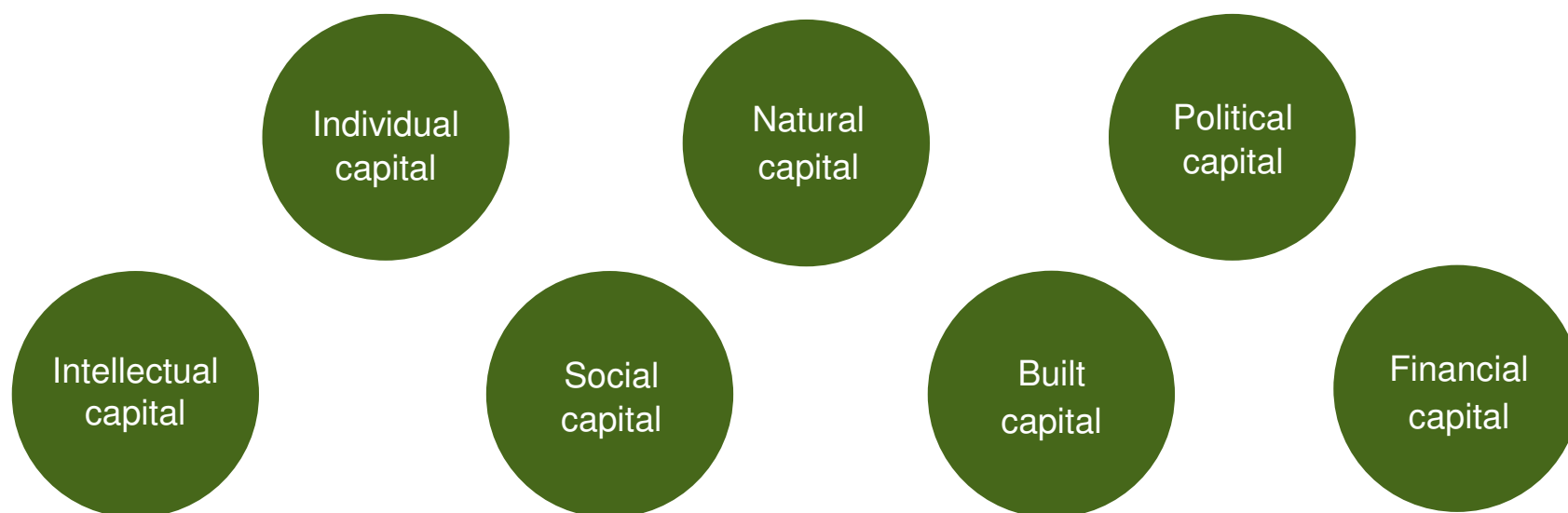
# What is wealth?

We define wealth broadly as the stock of all assets, net of liabilities, that can contribute to the well-being of an individual or group.

As a stock of assets, wealth is durable and can be accumulated or depleted through investment and consumption decisions.

Wealth stocks generate flows of goods and services (“income” or “earnings”) that contribute to well-being, though not all of these flows can be monetized.

## What are the forms of capital that are the focus of WealthWorks?



Creating wealth that sticks is rarely an intentional goal of development even when we define wealth broadly. Intention matters.

# Cultural Capital in the WealthWorks Framework

In the WealthWorks framework, cultural capital is ***built or preserved*** investments in the other 7 forms of capital – e.g., a valued cultural tradition such as quilting in Gees Bend, AL is maintained and increased by building the artistic skills of the next generation

## Wealth & Livelihood: The Relationship

- **Livelihood:** Being able to overcome vulnerability, rebound from life's emergencies, maintain dignity and control, get ahead, and take risks to seize opportunities.
- You cannot achieve livelihood and sustain it – a family's, a firm's, a community's or a region's – with **financial capital alone**.
- You must have the other capitals to actually **produce something**.
- **Increasing all the capitals** sets regions, communities, firms and families up for better livelihood outcomes over time.



# Community Wealth: Important Takeaway Points

- Investments in **multiple forms of capital** are needed to create sustainable wealth.
- The capitals critical to your place are best understood and defined **by and for your community**.
- Good economic development strategies strive to ↑ the stock of as many capitals as possible while ↓ none.
- Livelihoods are at the heart of what we want to improve. That means we must be concerned with **building wealth that sticks – that is locally owned, controlled and invested**.

## **Part 3: WealthWorks Value Chains**

# What do we mean by a “WealthWorks Value Chain?”

## **A WealthWorks value chain is:**

*a business model based on  
shared economic, social, and environmental values,  
in which buyers, processors, producers and others  
work together for mutual benefit  
to create value  
in response to market demand  
while building community wealth.*



# WealthWorks Value Chains vs. Supply Chains

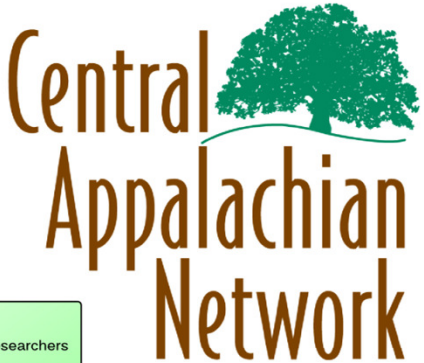
## Traditional Supply Chain

- Chain starts with producer supply
- Measured by net income produced
- Everyone is in it for him/herself
- Power determines who gets paid how much for their role
- Participants try to pass on costs to others within or outside of chain
- Tries to influence policy to create advantage and maximize short-term income

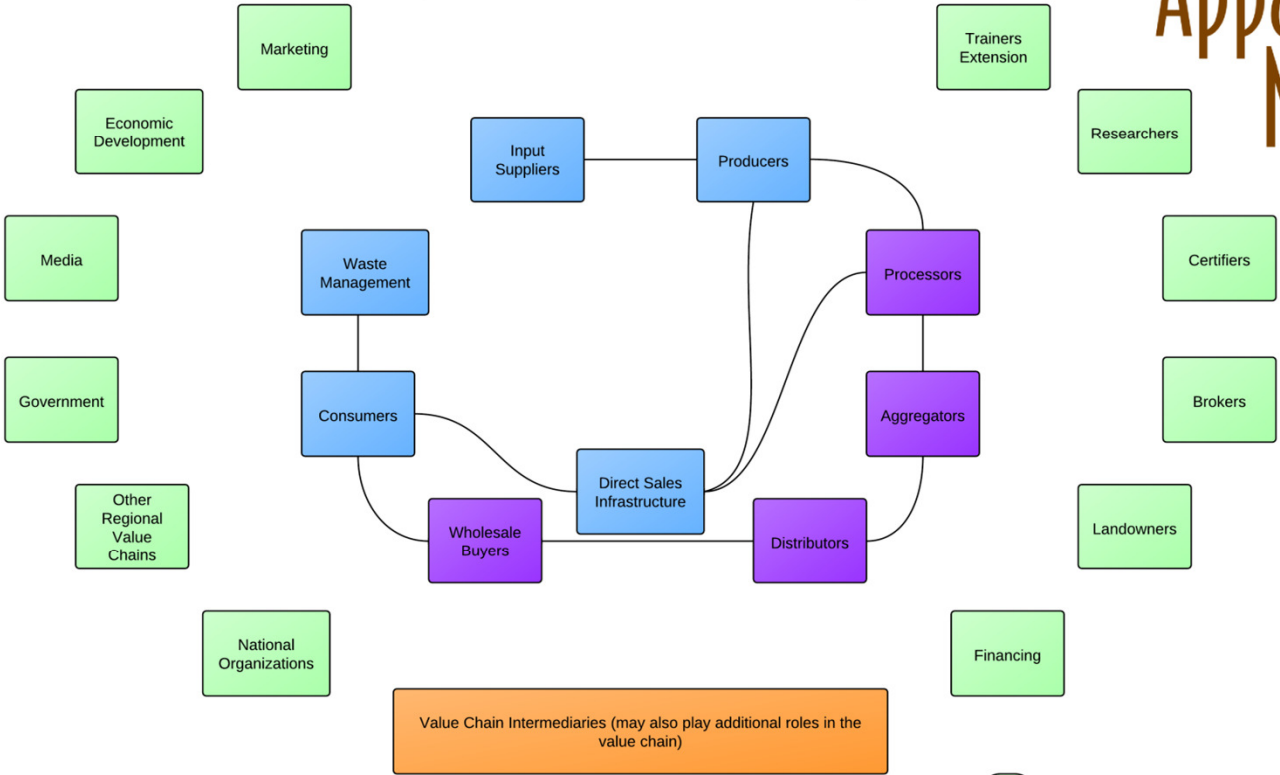
## WealthWorks Value Chain



- ➡ • Chain starts with consumer demand
- ➡ • Measured by wealth created/retained
- ➡ • Everyone is in it together
- ➡ • Intentionally balances mutual benefit of all in chain
- ➡ • All known costs are considered and addressed
- ➡ • Tries to influence policy to level the playing field and maximize long-term and widely shared wealth



# Generic WealthWorks Value Chain



A Local Food Value Chain  
March 2012



-  The most basic elements of the core value chain: need to be in place for sales to begin
-  Wholesale elements of the value chain: need to be in place to bring the value chain to scale

-  The enabling ecosystem: support the core value chain in various ways to allow it to thrive
-  Value chain intermediaries: keep the big picture in mind and facilitate connections within the value chain

## What's Different about a WealthWorks Value Chain?

***Begins with demand*** — Responds to demand at two levels:

- Demand for the product/service
- Demand for secondary benefits created

***Builds relationships*** — Information, self-interest, opportunities for mutual benefit openly shared, managed by a coordinator.

***Focus on building wealth*** — Intentional focus drives how the chain gets built, who benefits, and how impacts are measured

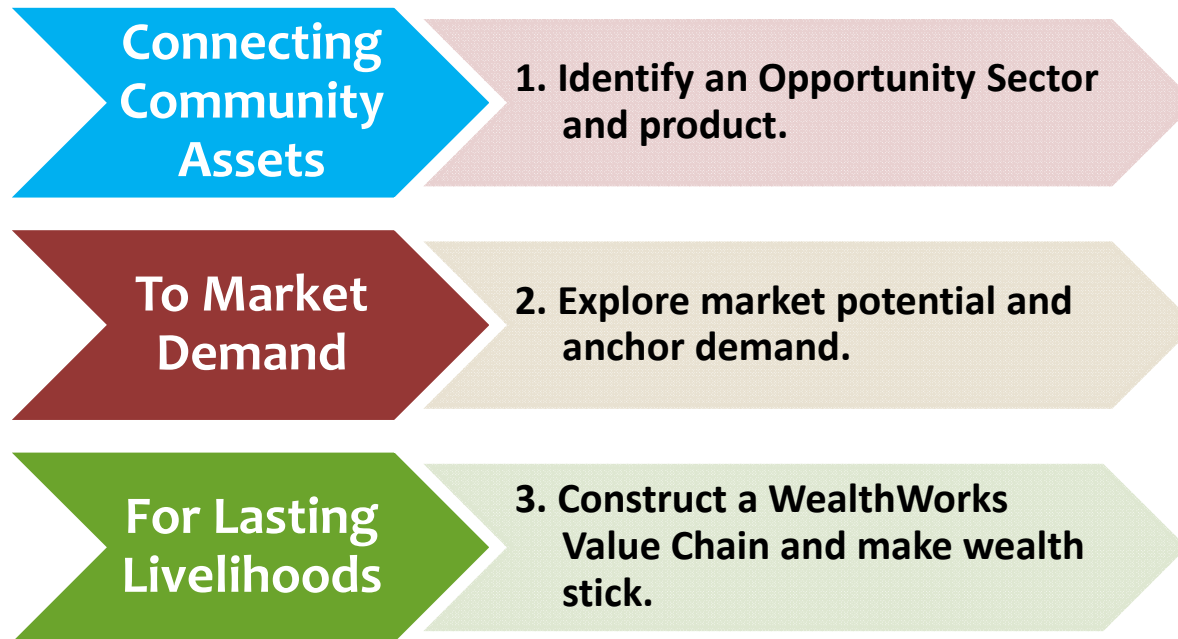
***Creates sustainable capacity*** — Potential for the social, intellectual, and political capital built through this process to be applied to other sectors over time

## **Part 4: Components of WealthWorks Practice on the Ground**

# wealthworks



## It takes Practice(s):



## Identifying Opportunity Sectors and Sub-sectors

- Understanding **underutilized resources** and their potential contributions to demand
- Start with the **sectors** that you know are or could be **viable** in your region.
- Determine which of these sectors has potential to **grow more and better jobs** for people already in the region.
- Think about which sector offers opportunity to generate more **locally owned and controlled resources** (e.g., firms, rights, community and individual property, patents)
- Pay close attention to the **energy and excitement** that people have about growing this sector.

## Exploring the Demand Side

- Identifying demand side partners. Ask what people want.
- Understanding value propositions.
- Look for early adopter anchor customers who can help you get up and running.
- Framing inclusive business
- Building reciprocal relationships over time
- Developing agreements that make wealth stick
- Presenting investment opportunities

## Constructing WealthWorks value chains

- Technical assistance
- Training & certifications
- Product development, Marketing
- Training, Best practices in building different forms of wealth
- Identifying partners, making introductions
- Measuring baseline conditions and developing information systems that add value



## Making wealth stick

Research, design, and guide implementation of innovative structures for ownership and control of wealth such as:

- Cooperatives
- Community land trusts
- Community Benefits Agreements
- Municipal Land Trusts
- Balanced contracts that include shared risk
- And more...

## Four roles for low-wealth people in WealthWorks value chains

- As producers/entrepreneurs adding value to a good or service connected to equitable markets
- As employees of businesses engaged in producing goods or services, or organizations supporting WealthWorks value chains
- As consumers of higher quality/lower cost goods or services produced by WealthWorks value chains
- As co-producers able to access goods or services that increase productivity, and/or reduce or avoid cost (e.g. energy efficiency, group certification)

# The WealthWorks Approach Produces and Sustains Robust Results

It brings **underutilized** community assets – people, place, property and know-how – into **participation and production**.

It creates **wealth** that is owned, controlled, and reinvested **locally**.

It increases the **upward mobility of low-income** people, firms and places while building a more **self-reliant regional economy**.

It forges **valued partnerships** within a network of people and resources – so that they can more ably and flexibly connect again and again to fuel **increasingly resilient regions**.

**Learning about your strengths in creating or impacting different forms of wealth.**

## Seven Forms of Capital



**Intellectual capital** is the stock of knowledge, innovation, and creativity or imagination in a region.



**Social capital** is the stock of trust, relationships, and networks that support civil society.



**Individual Capital** is the stock of skills and physical and mental healthiness of people in a region.

## Seven Forms of Capital



**Natural capital** is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region.



**Built capital** is the stock of fully functioning constructed infrastructure.

## Seven Forms of Capital



**Political capital** is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends.



**Financial capital** is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments.

A wealth creation approach intentionally creates seven forms of wealth without undermining any one to build another.

# Individual Capital

What is your impact on the stock of skills, physical and mental health of people?

- 3** A significant and lasting negative impact on individual capital (exploitation)
- 2** Creates significant new barriers to positive and equitable impacts on individual capital
- 1** A slightly negative impact on individual capital
- 0** No discernible impact – neither creates nor removes barriers or opportunities
- +1** A slightly positive impact with no new barriers, but no alleviation of existing barriers
- +2** Builds the stocks of individual health and skills in parts of an existing organization or community and/or removes existing barriers
- +3** Intentionally creates new opportunities for individual wealth creation on a systemic institutionalized basis



## For More Information

Please visit:

[www.creatingruralwealth.org](http://www.creatingruralwealth.org)

and

<http://www.yellowwood.org/wealthcreation.aspx>

To Join the National Community of Practice, visit

[www.ruralwealth.org](http://www.ruralwealth.org)

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