Defining Wealth: Forms of Wealth

Discovering Eight Forms of Wealth

Individual capital is the stock of skills and physical and mental healthiness of people in a region. Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.

Social capital is the stock of trust, relationships, and networks that support civil society. There are two forms of social capital; bridging and bonding. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Earnings from investment in social capital include improved health outcomes, educational outcomes, and reduced transaction costs, among others.

Intellectual capital is the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing.

Natural capital is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils, pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but cannot create it.

Built capital is the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing investment to maintain its value. The income or earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).

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. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.

Financial capital is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the non-profit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive health care programs to increase individual capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services. In creating wealth, we strive to invest financial capital in ways to increase and improve the quality of the other six forms.

Cultural capital is the stock of practices that reflect values and identity rooted in place, class, and/or ethnicity.[1] **Cultural capital influences the ways in which individuals and groups define and access**

[1] Flora and Flora (2004) defined cultural capital as people’s understanding of society and their role in it, values, symbols, and rituals. An example is the “Protestant work ethic,” which Weber (1905) argued was an important factor contributing to the rise of capitalism in the West. Choby defined cultural capital as *“the rules for engaging other types of capital (human, economic, social)”* http://pattichoby.wordpress.com/2010/06/05/what-is-cultural-capital/.

other forms of capital. Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued, collaboration across races, ethnicities, and generations, etc. Investments in cultural capital create or sustain the values, traditions, beliefs, and/or language that become the currency to leverage other types of capital. Investments in cultural capital could include support for venues to showcase cultural achievements, programs to preserve and pass on cultural knowledge and skills, and support for cultural transformations, among other things. "Income" from investments in cultural capital may include increased "buy in" to institutional rules and shared norms of behavior, strengthened social capital and increased access to other capitals through increased visibility and appreciation of cultural attributes and through cultural transformation, e.g. acquisition of language skills. We have not included cultural capital in the wealth matrix as a separate form of wealth to be measured because culture is expressed through the values, behaviors, and ownership patterns associated with the other seven forms of wealth. Where specific aspects of culture are critical to wealth creation, they can be defined and measured in relation to other aspects of wealth. For example, if a language or a craft is a critical form of wealth for a community, it can be defined and measured as a form of individual, intellectual and/or social capital. If shared savings is an existing or desired cultural norm, it can be measured as part of financial capital.

Building Relationships with Demand

Learn from the experience of WealthWorks Value Chain Coordinators - Key Points from the Red Mantra Report on the South Workshop

1. Be well-informed – do due diligence research on the company and their current social/community programs to be able to relate your product to their own programs and goals.
2. Ditch the pitch – focus on prospecting.
3. It's a dialogue, not a monologue.
4. Focus on listening to and understanding their needs.
5. Try to qualify and quantify their "pain."
6. Limited time should not mean limited focus.
7. Tell a story, don't sell a product.
8. Be clear and concise on how you can create value.
9. Look for a personal connection.
10. Imagine and listen for value propositions.
11. Try to weave an adapted value proposition as a pertinent solution to the company's identified problem.
12. Pick up on the "bones" – be aware and ready to take advantage of openings or opportunities that they bring up in the conversation; this requires creative thinking on your part to relate it to what you are offering them. Don't be so focused on the product that you lose sight or fail to pick up on the opportunities being presented to you albeit in a different package.
13. Be prepared with concrete impacts – have detailed information on what difference their involvement would make (# of people impacted, $ of earnings improved etc.).
14. Be realistic – focus on what you can realistically achieve and resist the temptation to overpromise and then risk having to under-deliver.
15. Know and use the language that matters to them – speak in terms of how your product can add value to theirs – diversity (gender, culture etc.), labor standards, safety records, etc.
16. Obtain a commitment for a next step (a meeting, a phone call, a visit by them to you, a proposal submission, a presentation).
17. If appropriate, ask who else they would suggest you speak with at their company or elsewhere.
18. Understand the difference between demand for product and demand for benefits.
19. Understand the difference between responding to, building and creating demand.
20. Understand what investment looks like and where it can come from.

Mapping Value Chains

Definitions

Value Chain functions are those things that have to happen for a successful demand-driven value chain. There are transactional functions needed to deliver the product or service. These might include: producing, value-adding, aggregating, etc. Support functions include things like: research, development, financing, training, certification, etc.

Demand includes who will buy the goods and services produced and why they buy the goods and/or services. What does the value chain offer that they cannot already get?

Transactional partners are those people, businesses, or organizations that play a direct role in sourcing, producing, distributing and consuming the product or service. Transactional partners may include but are not limited to:

- Suppliers—Provide specific inputs to other Value Chain partners
- Producers—Create goods or services
- Aggregators—Bundle products or demand
- Distributers—Transport goods or services to retailers and consumers
- Wholesale Buyers—Purchase goods or services for resale
- Customers/Consumers—Purchase goods or services for direct use

Support partners are those people, businesses, or organizations that provide the infrastructure that helps the transactional partners obtain resources needed to produce their product and/or remove barriers to an effectively functioning value chain. Examples include: business and technical assistance programs, financing (philanthropic, debt and equity), policy and regulation, media, research, and capacity building.

Investors are those people who want to see your value chain succeed because its success gives them something that matters to them. In addition to profits, that might include environmental benefits, new relationships, economic equity, reduced crime, impact on a place they care about, opportunity to make a positive difference, avoided costs of existing programs, etc. Investors may contribute money or time, expertise, equipment, etc.

Asset Inventory Tool

Use the below tool to inventory your region's assets. Consider all the region's assets that are in good condition. Be especially mindful of any underutilized assets that may be made useful.

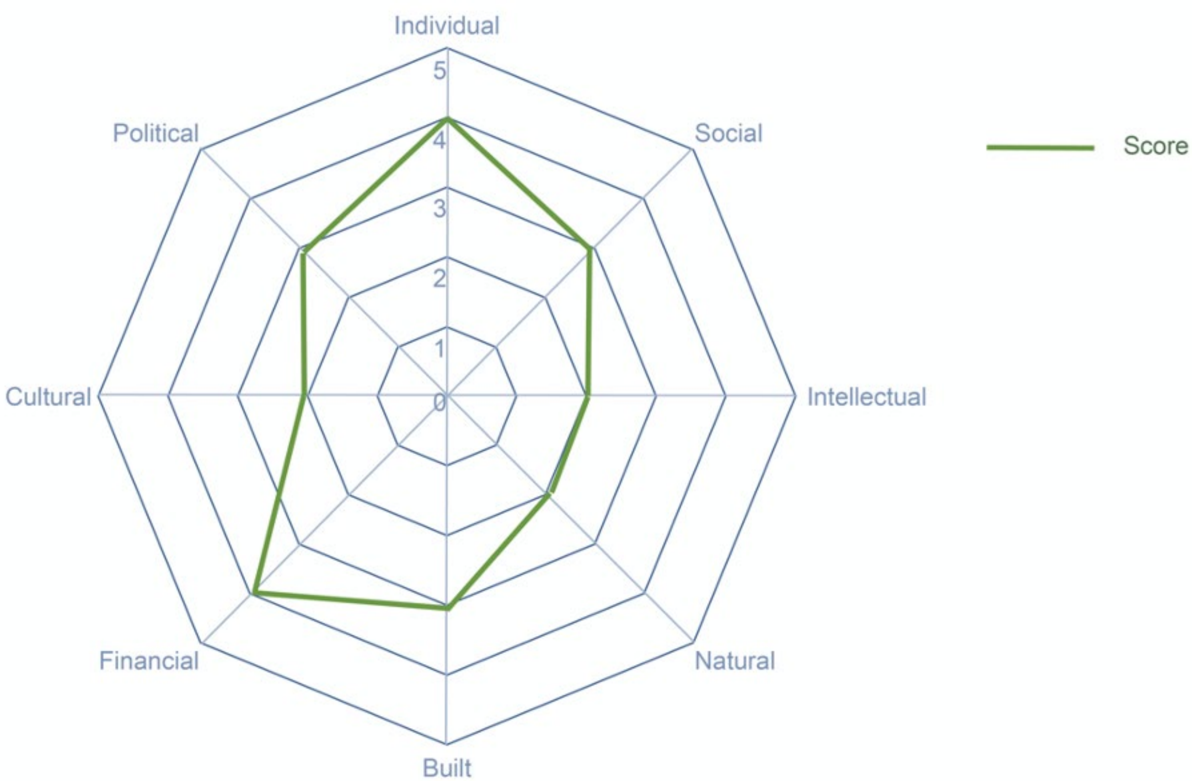
	The Capitals	**Definitions**	**What do we have?**
	Individual	Skills, understanding, physical health and mental wellness in a region's people	
	Intellectual	Knowledge, resourcefulness, creativity and innovation in a region's people, institutions, organizations and sectors.	
	Social	Trust, relationships and networks in a region's population.	
	Cultural	Traditions, customs, ways of doing, and world views in a region's population.	
	Natural	Natural resources—for example, water, land, air, plants and animals—in a region's places.	
	Built	Constructed infrastructure—for example, buildings, sewer systems, broadband, roads—in a region's places.	
	Political	Goodwill, influence and power that people, organizations and institutions in the region can exercise in decision-making.	
	Financial	Monetary resources available in the region for investment in the region.	

Spider Diagram Tool - Defining Wealth: What is the Relative Strength of the Capitals in my Region?

Introduction

One resource that is often used at the community or regional level is the spider diagram, which allows those in a community to rate how the community is doing across different forms of capital. Questions to ask as you engage with the spider diagram include:

a. What kinds of wealth and how much of each does the region have? It is only wealth if it is healthy and fully functional and if the region owns or controls it and can make decisions about how to maintain and use it.
b. Map out the strengths of each of the capitals for your region (0 is weakest and 5 is strongest).

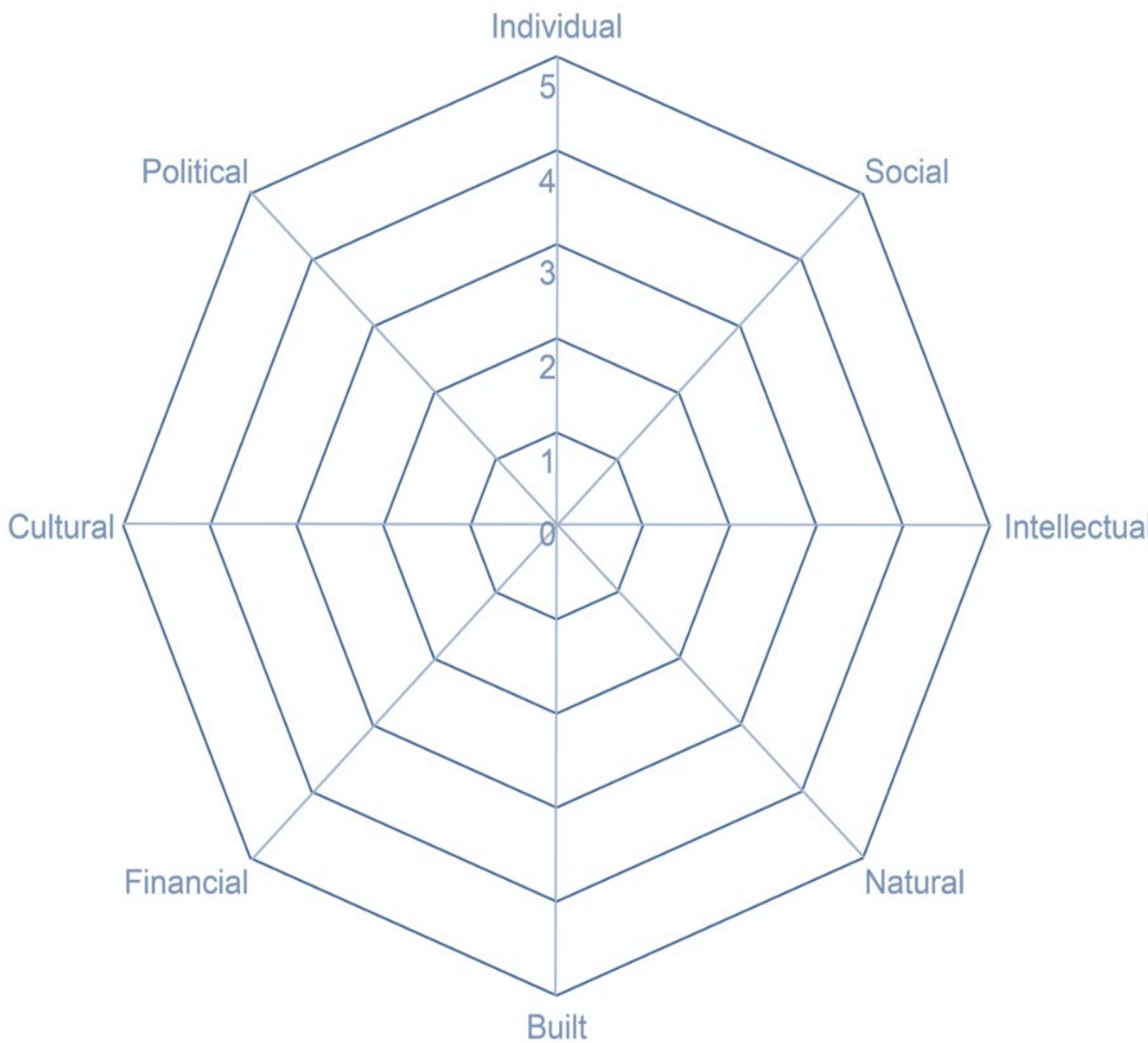


This exercise provides a way to communicate about the community's assets. When done in a group of community members, it often surfaces discussion about perceptions and realities when it comes to community strengths and weaknesses.

Instructions

Think about your region. What kinds of wealth and how much of each does that region have? Remember, it is only wealth if it is healthy and fully functional and if the region owns or controls it and can make decisions about how to maintain it and use it.

Using the spider diagram and the scale of 0 to 5 (where 0 is the weakest and 5 is the strongest), map out the strengths of each of the capitals for your region.



SWOT Analysis Template: Using the Wealth Creation Approach

Underlying any SWOT is a clear understanding of our vision. We know that you are focused on a resilient and robust economy and community, as you have defined it for your region. Thus, the underlying question is always, "How does this contribute to our resilient economy and community?" The tool below asks you to focus on the eight different capitals and other factors necessary for a resilient and robust economy and community.

A SWOT is a planning tool to help you identify strategies for a more resilient economy and community. *We seize **O**pportunities, by building on our **S**trengths and addressing our **W**eaknesses, while managing **T**hreats to our success*. By knowing what you are trying to do (seize opportunities and mange threats), you can plan how (build on strengths and address weaknesses). You don't have to build on all strengths, or manage all weaknesses, only those directly related to the opportunities you are trying to realize. Remember the process is iterative! Each square is linked to the others. You will need to revisit each square as you go deeper in your analysis. (*Hint:* Starting with the opportunities will help you focus your conversation on strengths and weaknesses.)

The SWOT asks you to focus on eight different capitals. It also asks you to focus on including those on the economic margins and on upward mobility, resulting in a stronger economy overall. And it asks you to look at who owns the businesses and capitals, as it is local ownership that helps jobs and benefits stick to place. Finally, it asks you to look at the emerging markets and the partnerships needed to ensure both the transactions and supports are in place to meet the demands of those markets.

In preparation for completing the SWOT, it is useful to first complete an analysis of the eight capitals in your region. Where are you strong? Where are you weak? What do you use? What is underutilized and could be brought into productive use with appropriate and creative investment?

Strengths: ✓ Capitals we have, use & could use more ✓ Energy and enthusiasm ✓ Partnerships between business, government, and organizations	Weaknesses: ✓ Capitals we are missing, or are weak ✓ People, firms and organizations on the economic margins ✓ Lack of partnerships between business, government, and organizations
Opportunities: ✓ Underutilized capitals we can invest in ✓ Upward mobility for all ✓ Emerging Markets/Demand ✓ Gaps in activities needed to meet demand for products and/or services in specific emerging markets where investment will have the greatest impact (leverage) ✓ Repurposed by-products or residuals ✓ Local, broad ownership ✓ Potential to go to scale	Threats: ✓ Policy Barriers ✓ Ownership by those outside of the region ✓ Negative opinion shapers and parties unwilling to collaborate

Strengths	Weaknesses
Individual	Individual
Intellectual	Intellectual
Social	Social
Political	Political
Built	Built
Natural	Natural
Cultural	Cultural
Financial	Financial
Opportunities	**Threats**
Individual	Individual
Intellectual	Intellectual
Social	Social
Political	Political
Built	Built
Natural	Natural
Cultural	Cultural
Financial	Financial

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

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

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.

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

Cultural capital is the stock of practices that reflect values and identity rooted in place, class, and/or ethnicity.

Role of Coordinators and Coaches: Roles the Coordinator Could Play

Introduction

WealthWorks value chains are complex networks of individuals and organizations working together to meet their individual self-interest while at the same time building greater regional wealth. With multiple players and moving parts, it's no surprise that value chains are not self-organizing but, in fact, requires thoughtful coordination. A WealthWorks value chain coordinator could be an individual, organization, or team that facilitates communication and collaboration among partners and provides strategic guidance to the value chain.

It takes a certain type of organization(s) to be a value chain coordinator—one who can fill the many, dynamic roles required and who has the skills to navigate the work. This document describes the roles of a coordinating organization(s).

Roles the Coordinator Could Play

Wealth-Building Advocate

Value chain coordinators are responsible for upholding the value chain's wealth-building goals—increasing the eight capitals, strengthening ownership and influence, and improving low-income livelihoods. Coordinators work with value chain partners to develop shared goals that are specific to the region and help to ensure that partners act in ways that support and advance these goals.

Big-Picture Holder

Coordinators maintain a "big picture" perspective on the value chain, meaning that they see the relationships between the value chain's many players and activities. They wake up thinking about the whole value chain—from the producer to the consumer—not just one part of it. Having this perspective allows them to identify gaps in the value chain, see the self-interest of potential partners, and co-create solutions with a range of value chain partners.

Connector & Convener

Coordinators play multiple convening and connecting roles in the value chain. First, they bring partners together around shared interests, often building new relationships in the process. Second, they build connections among value chain partners by facilitating and maintaining open flows of communication. Third, coordinators help connect the value chain to outside resources, such as technical assistance or investors, as well as policy opportunities.

Innovator

Coordinators look for creative ways to address difficult challenges, often thinking "outside the box" and encouraging risk-taking among partners. Such efforts spur new activities, relationships, and ways of doing things. For this reason, they see themselves as catalysts and innovators in the value chain.

Mediator

Coordinators often play the role of mediator, within and outside the value chain. Within the value chain, they facilitate conversations and help to address conflicts that arise between partners. Outside the value chain, they often negotiate with partners in the broader community to reach new agreements, build consensus, and bring new partners into value chain.

Data Collector

Coordinators work with partners to develop shared indicators across the value chain and then regularly collect and aggregate data on those indicators. Data collected reflects the value chain context, its processes, its wealth-building impacts, as well as supply and demand for products or services. Coordinators use this data to celebrate successes among value chain partners and to adjust processes to create greater impact. Coordinators also share data with broader audiences in an effort to attract new partners, bring in new resources, or influence policy.

Conclusion

These are some of the key roles coordinators play in a value chain. Of course, coordinators are not the sole actor in all of these roles. In fact, they rely on a range of partners to step in at different times for different purposes—perhaps to advocate for wealth-building, serve as neutral conveners, share innovative ideas, or collect relevant data. The coordinator provides critical leadership in the value chain to ensure these things get done and that progress is made toward wealth-building goals.

Thanks to Kristin Feierabend and Travis Green, Aspen Institute, Community Strategies Group, for their help in developing this handout.

Identifying and Addressing Value Chain Gaps: Identifying Gaps, Underutilized Resources and Bottlenecks

Definitions

Gap. A gap is a function in the chain that is needed to produce a good or service that meets market demand, but does not appear to be currently available in your region. For example, you need to be able to train people in graphic design, but no one in the region offers that training. Gaps may provide entrepreneurial opportunities for single businesses and/or shared ownership businesses. Gaps may also exist on the demand side where you have identified a demand that is not currently being met.

Underutilized Resources. An underutilized resource is a resource (including waste) that can be brought into productive use in meeting market demand with appropriate and creative investment. There may be underutilized resources on both the supply side and the demand side (whenever demand exists but is not expressed in ways that allow the market to respond, for example, if low-income households want energy efficient homes, but lack the upfront capital to invest).

Bottleneck. Bottlenecks prevent the value chain from operating effectively and/or getting to scale. For example, the lack of shared standards or regulatory inconsistencies can be bottlenecks in a WealthWorks value chain.

Leverage. Leverage is the change that will be most impactful in redirecting and reshaping an entire system. Leverage has a ripple effect.

Choosing a Market Opportunity

Once you've chosen a sector, it's time to narrow it down to a more specific market opportunity. A sector is a grouping of businesses in the economy that share related products/services. A market opportunity has potential to generate multiple forms of wealth locally. The market opportunity should be small enough to be manageable but large enough to impact community capital. Geography, assets and existing economic activity also influence the focus. It's important to think about scale from the beginning; however, you can adjust the focus and scale over time. Balance the geography of the assets and economic activity, with value chain challenges/opportunities, stakeholder commitment and identified markets.

		Rating		
	Criteria	**High**	**Medium**	**Low**
Relevance to target market	# of people from target group with potential to be active in the sector/value chain			
	Potential for target group to own businesses			
Wealth building potential	Market demand with potential for growth			
	# of new jobs or businesses that can be created.			
	Potential to increase ownership & control over local assets			
	Potential to build multiple forms of community wealth.			
Feasibility	Demand partners identified			
	Willingness of market players to adopt new practices			
	Prospects for attracting investment			
TOTAL				

Wealth Creation

Opportunities to Build Partnerships

Who is on your region's CEDS committee or other leadership committees, and who are targeted stakeholders that engage in the CEDS? If your CEDS or other planning process could use some fresh perspectives, try thinking through the eight forms of Community Capital to identify potential new committee members or audiences to target in your outreach.

Community Capital	**Current committee members (or other leadership)**	**Potential partners working to build these assets**	**Why would they be interested in participating in your work? How would you engage them?**
Individual capital (health, wellness, workforce, education, other skills)			
Intellectual capital (innovation partners)			
Natural capital (businesses, organizations, or agencies focused on land, water, air, etc.)			
Built capital (owners and operators of infrastructure, including private sector)			

Community Capital	**Current CEDS committee members (or other leadership)**	**Potential partners working to build these assets**	**Why would they be interested in participating in your work? How would you engage them?**
Financial capital (financial institutions, insurance, entities building economic success at the household level)			
Political capital (local, state, federal decisionmakers, coalitions, institutions with policies such as hiring or purchasing)			
Social capital (civic groups, clubs, churches, neighborhood associations)			
Cultural capital (libraries, museums, arts organizations, festival organizers, and others involved in celebrating evolving regional identity)			

Don't forget intended beneficiaries of economic development: How do low-income people, or others who might not have been at the table previously, participate in the CEDS? Are there opportunities to engage them or develop their roles in the planning process? As suppliers or producers? Employees? Owners of assets? Consumers? Why would they want to engage?

Community Wealth Matrix

Building wealth[1] equitably and inclusively is a long-term prospect. Measurement helps to ensure that strategies are executed and result in expected outcomes. Documenting change over time through measurement holds partners accountable for their efforts and validates the time and resources dedicated to a strategy. Measurable outcomes also demonstrate to outside investors, partners, supporters, local officials, legislators and the public that the organization takes its work seriously in creating meaningful change. Measurement helps stakeholders prioritize their efforts, by showing which activities and investments have resulted in the building of wealth, and which need to be refined. And measurement often requires partners, from determining how to measure progress on regional strategies, to collecting information, to analyzing information and making decisions about future work.

The community wealth matrix is a tool to help determine the best ways to measure impacts on multiple forms of wealth and local ownership and control. Steps to completing this community wealth matrix:

1. **Identify the region's existing and planned wealth-building strategies. Define the desired outcomes.**
2. **Relate the outcomes to the eight forms of capital** by asking for each strategy: How does the strategy build wealth and what forms of wealth are strengthened? How is the strategy building wealth for low-income people? How does the strategy increase local ownership and control?
3. **Identify indicators**, which are the conditions being changed by a wealth-building strategy. How do you know whether progress is being made? What changes does that strategy result in? Determine the direction of change.
4. **Create a measure, which provides a way to actually count or value the status of an indicator.** Focus on the actual desired outcome that improves the stock of wealth, rather than completion of tasks or milestones. Measure information that is important to your strategy. **Determine where the information about the indicator/measure exists and who is responsible for collecting it.**
5. **Using the most recent existing information or collecting data for the first time sets the baseline**, the value of the information at a point in time.
6. **Determine the target and a time frame for achieving that target,** based on historical data or what is achievable based on present resources.
7. **Begin recording and tracking information** as it becomes available.
8. **Set up a process for communicating and using results**. Some uses may include promoting and evaluating the work of the organization and prioritizing strategies.
9. **Analyze measurements over time.**

[1] Adapted from Measuring Rural Wealth Creation: A Guide for Regional Development Organizations. By NADO Research Foundation. 2016. https://www.nado.org/wp-content/uploads/2016/12/MeasuringWealthCreationRDOsFinal.pdf

Wealth Creation

Name of Organization:			**Date:**			
Type	**Strategy** (What actions will you take?)	**Indicator** (What is the change you're seeking?)	**Measure** (How would you measure that change?)	**Baseline** (This is the first time you measure.) and **Target** (What are you working toward?)	**Methodology** (How will you measure and use the data?)	**Partners** (Are there any key partners needed?)
Individual						
Social						
Intellectual						
Natural						

Wealth Creation

Type	**Strategy** (What actions will you take?)	**Indicator** (What is the change you're seeking?)	**Measure** (How would you measure that change?)	**Baseline** (This is the first time you measure.) and **Target** (What are you working toward?)	**Methodology** (How will you measure and use the data?)	**Partners** (Are there any key partners needed?)
Built						
Financial						
Political						
Cultural						
Structures of Local Ownership						

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