



**Community-Based Family Enterprise and Sustainable Development in Rural Sri Lanka**

Journal:	<i>Community, Work &amp; Family</i>
Manuscript ID	CCWF-2021-0134.R1
Manuscript Type:	Regular Articles
Keywords:	Sustainable Community development, Community-based entrepreneurship, Family, Social status, Innovation mix

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## Community-Based Family Enterprise and Sustainable Development in Rural Sri Lanka

### Abstract

This paper proposes a novel theoretical model for the community-based enterprise, which could assist in achieving UN sustainable development goals within craft communities in developing nations. This model focuses on building enterprise skills in vulnerable communities, sustaining traditional crafts and strengthening community capacity for self-determination. This article distils qualitative data from case studies, participatory action research workshops and field observations within traditional handloom craft communities in Sri Lanka. We explore the prevailing status of community-based entrepreneurship practices and argue that under current practices entrepreneurial culture is not deeply embedded in community life, leading young people to move away from the traditional way of life and damaging the cohesion of traditional communities. This study establishes the need to sustain levels of social capital, support family networks, and encourage innovation to develop enterprise in craft communities. We recommend a range of strategies for overcoming structural and socio-cultural barriers to enterprise and to establish community-based sustainable development.

**Keywords:** Sustainable Community development; Community-based entrepreneurship; Family; Innovation mix; Social status

## Introduction

The voices of traditional rural communities in developing countries are seldom heard, although many of the UN Sustainable Development Goals aim to improve outcomes in rural areas. Such communities face multiple threats to their existence, including economic migration of younger people, loss of land, climate change and loss of cultural heritage (de Luca et al., 2021). Entrepreneurial initiatives are employed as one of the key development notions within impoverished communities, as a route towards sustainable community development (Korsching & Allen, 2004; Kraus et al., 2020), and empirical studies on economic development have considered community issues as a principal element in developing entrepreneurial action amongst impoverished people (Cornwall, 1998; Parwez, 2017). However, fostering and sustaining an entrepreneurial atmosphere within community settings in developing countries is challenging due to deeply embedded cultural norms not supporting new business development, especially in rural areas. This study addresses the research question ‘how can community based enterprise provide a platform for sustainable development in craft communities?’ and examines entrepreneurial challenges exploring key opportunities and barriers to community-based entrepreneurship (CBE) growth in Sri Lankan handloom communities through combining participatory action research (PAR) and case studies. The main objective of the study is to develop a theoretical model of sustainable CBE, able to support governments and other agencies in fostering innovation and adding vitality to handloom community business.

## Sustainable Community-Based Entrepreneurship

CBE is a social enterprise model integrating the diverse aspects of social, cultural, environment and economic characteristics of the community (Peredo & Chrisman, 2006; Torri, 2010),

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2  
3 supporting the pursuit of a community individual and group goals over short and long term  
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5 (Cramer et al., 2002). CBE characterizes a promising policy for encouragement of local sustainable  
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7 development and new approach for economy and sustainable development through  
8  
9 entrepreneurship efforts (Peredo & Chrisman, 2006).  
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11  
12 CBE is often referred to as pro-poor and seen as offering local economic development  
13  
14 interventions in developing economies as it exploits existing resources and assets of  
15  
16 the community, adding economic value, creating jobs, and keeping scarce resources within the  
17  
18 community (Parwez, 2017; Tshikovhi, 2014). CBE is an unconventional form of entrepreneurship  
19  
20 based on viewing collective and individual interests as fundamentally complementary and seeing  
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22 community values and the concept of the common good as essential elements in enterprise  
23  
24 development. Hence, the community's cultural identity embodied in its cooperative traditions  
25  
26 becomes a driving force of CBE. However, CBE also shares many characteristics with traditional  
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28 entrepreneurship and 'acts entrepreneurially in creating and managing a new venture embedded in  
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30 its existing social structure and the processes differ in terms of the beneficiaries of these activities  
31  
32 and the choice of its locations' (Johnstone & Lionais, 2004). Peredo and Chrisman (2006) explored  
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34 how the community acts as an entrepreneur when its members, acting as owners, managers, and  
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36 employees, collaboratively create or identify a market opportunity, and organize themselves to  
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38 respond to it using the existing social structure.  
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45 Although there are number of studies on both theoretical and empirical CBE (Huggins &  
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47 Thompson, 2012; Peredo & Chrisman; 2006), few empirical studies leading to a definitive  
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49 explanation of how CBE can work exist, especially in the context of exploring traditional craft  
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51 communities in developing nations. Also, most of the local craft community development  
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53 approaches attempted so far have been established as charity or aid, and this top-down approach  
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3 fails to develop effective CBE due to lack of real community engagement and failure to promote  
4 entrepreneurial behaviours within the community (Burkey, 1993). Another key problem in  
5 community developmental approaches is that outsiders (charities, development organizations,  
6 regional or national governments) conceive and manage most projects, leading to a lack of  
7 substantial understanding of ownership or entrepreneurship among community (Parwez, 2017).  
8 Accordingly, once the developmental program ends, in many cases community members lose  
9 ownership and have little or no interest in continuing the initiative (Paul, 1987). Therefore,  
10 externally led enterprise development efforts frequently meet with significant challenges in  
11 gaining the effective participation of community members (Mansuri & Rao, 2013). Thus, the gap  
12 in the literature is the nexus between the cultivation CBE concepts and the creation of operational  
13 linkages in community development to support sustainable community-led economic development  
14 (Khalid, Sharma & Dubey, 2020). As Scrase (2003) notes, artisan production is common in low  
15 and middle-income countries, but provides in most cases a precarious living supported by  
16 intermittent government and development agency initiatives leaving producers at the periphery of  
17 economic development and increasingly marginalised within their wider society.

18  
19 Sri Lanka is an emerging economy with a rich craft history of tradition. The textile craft  
20 sector (handloom textiles, batik and beeralu) was one of the most significant contributors to  
21 household revenue among craft communities for almost three thousand years and still operates as  
22 a cottage industry (SLEDB, 2021; Department of Textile Industry, 2021). [There remains](#)  
23 [significant demand for this centuries old craft business due to its close links to cultural heritage.](#)  
24 [The craft persons preserve their enormous skills and knowhow as a heritage tradition, to foster this](#)  
25 [traditional culture \(Coomaraswamy, 1956\). Handloom craft is highly labour intensive, low energy](#)  
26 [and primarily placed in rural areas \(EDB 2019\) of the country. The Sri Lankan handloom weaving](#)

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3 industry currently operates in three segments as, community-based handloom businesses,  
4  
5 government involved handloom businesses and private entrepreneurial and retailing business.  
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7  
8 Although the craft sector is in decline, the sector has many elements of CBE and this study aims  
9  
10 to identify how these can be strengthened through co-created initiatives to improve sustainability  
11  
12 and support community wealth building. CBE potentially offers a route to achieving co sustainable  
13  
14 livelihood development (SLEDB, 2020).  
15

## 16 17 18 **Methods**

19  
20 A qualitative research strategy emphasizing inductive reasoning was used to gain insights into the  
21  
22 current economy, social and entrepreneurial standing of the Sri Lankan handloom sector, enabling  
23  
24 an effective understanding of socio-cultural opportunities and barriers to CBE within our target  
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26 communities (Lincoln & Guba,1985). The study took a cross sectional approach accomplished  
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28 through application of grounded theory (Bryman, 2003). Data was collected through case studies,  
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30 field observations and a participatory action research (PAR) strand. Multi-case study is a useful  
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32 approach for understanding ambiguous or underexplored concepts for facilitating generalization  
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34 (Taylor, 2013; Yin, 2009) that can reveal common features of a phenomenon that persist across  
35  
36 different contexts. PAR involves collaborative knowledge production by researchers and  
37  
38 community, for better understand and enhance community functions through shared, participatory  
39  
40 research (Brydon-Miller et al., 2011). Multiple case studies and PAR workshops were employed  
41  
42 as a means of challenging inequalities experienced in handloom communities and putting their  
43  
44 lived experience at the heart of our research. Fletcher, MacPhee & Dickson (2015) described an  
45  
46 approach for the cross-data analysis conducting participatory action research (PAR) in a  
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48 longitudinal multi-case study, with particular focus on cross-case analysis. This study too followed  
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50 the cross-data analysis method for mixed inductive-deductive coding technique with combining  
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3 the codes with case studies (deductive) and PAR (inductive) for the interpretation process. Thus,  
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5 our iterative approach of problem identification, action and reflection, together with co-creation of  
6  
7 design and marketing innovations enabled development of practical solutions as well as supporting  
8  
9 theory building based on real-world experience. Triangulation enabled exploration of the research  
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11 problem from several viewpoints, to confirm the credibility, validity and generalizability of our  
12  
13 conclusions (Bryman, 2003; Hollweck, 2016; Yin, 2014; Olsen, Haralambos & Holborn, 2004).  
14  
15 By recording depth and details, data was constantly checked for consistency, reliability, and  
16  
17 quality. The target population was the handloom craft communities in Sri Lanka. The study sample  
18  
19 was built by a progressive sampling strategy through theoretical sampling techniques. Three  
20  
21 leading handloom craft communities with a tradition of community orientation in Sri Lanka are  
22  
23 used as the sample and are briefly described below.  
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31 ***Thalagune Community*** – The only indigenous traditional weaving community currently operating  
32  
33 in Sri Lanka. Thalagune is a remote village in central Sri Lanka, where weavers have been passing  
34  
35 their weaving skills from generation to generation over many centuries.  
36

37 ***Madampellala Community*** - A weaving community established by the government of Sri Lanka  
38  
39 in 1950. However, with the introduction of the open economy in 1977, this community experienced  
40  
41 a decline and weavers struggled to continue the business. In 2006, Madampellela weaving  
42  
43 community was redeveloped under a government development program. This program intervened  
44  
45 to introduce a new customer base and marketing channels to sustain the community-based  
46  
47 business.  
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51 ***Marathamunie Community*** - Originating as far back as the 18th century with skills transmitted  
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53 from generation to generation in the Eastern part of the country by Arabian Muslims. Currently  
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3 Maruthamunai is known for its family based and factory-based handloom weavers. The tsunami  
4  
5 disaster in 2004 had an adverse effect to this handloom business, however the business has been  
6  
7 re developed with the government support.  
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10 Commonly, handloom community weaving skills pass down from generation to  
11  
12 generation. There are few a members involved from each family in the weaving process, from ages  
13  
14 that range from 18 to 80 years. Each house has its own shed as the production space, which includes  
15  
16 2 to 3 looms. The same space was used to store yarns and other accessories required for the  
17  
18 production process. Both men and women are involved in the manufacturing process, men fulltime  
19  
20 and women while engaging in the household work too. There are weavers who do not have their  
21  
22 own looms but work for the neighbouring weaver families on a daily payment basis. Design  
23  
24 traditions within the handloom weaving industry tend to use more restrained palates of patterns  
25  
26 and colours, using simple traditional designs of geometrical, flowers, animals or strap-work. Many  
27  
28 of the motifs used are stylized images inspired by nature and immortalizes the traditional loom.  
29  
30 They make items including sarees, which are significantly worn among Sri Lankan women, and  
31  
32 sarongs for men, household linen such as bed linen, tableware, table mats, cushion covers, carpets  
33  
34 and accessories such as bags, shawls, and wall decorations targeting the tourism industry. The  
35  
36 communities primarily sell their products indirectly to the local market through a middleman, who  
37  
38 facilitates sales.  
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44 Case studies were conducted with these 3 leading handloom communities to facilitate  
45  
46 cross-case investigation and evaluation through multiple case study concept described by  
47  
48 Hollweck (2016) & Yin (2014) and Baxter & Jack (2008). A semi-structured interview  
49  
50 questionnaire was developed, with open-ended questions, exploring their lived experiences,  
51  
52 entrepreneurial efforts and current business experiences. There were 12 interviews conducted in  
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3 Sinhala and Tamil languages, each around two hours long, and with the informed consent of the  
4 participants, the interviews were transcribed, summarized, and generated summary sheets.  
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7  
8 Participatory action research (PAR) was employed with the same handloom weaving  
9 communities, enabling communities to engage in problem identification and solution  
10 development, using inclusive Ketso tool kit (Greenwood & Levin, 2006). [Ketso can be used in](#)  
11 [small focus groups to support PAR, enabling questions to be framed in a way that helps researcher](#)  
12 [and participants, to identify problems, uncover deeper meanings, build solutions and promote](#)  
13 [group interaction during the workshop](#) (Ketso, 2010). This research strategy supported generating  
14 knowledge for the empowerment of impoverished groups by taking action to promote social  
15 analysis and change (Silverman, 2015). Each workshop was conducted for more than three hours  
16 with 5 community leaders [participating](#), sharing their community business experiences [and](#)  
17 [identifying barriers and facilitators to CBE](#). Further, the Ketso tool itself permitted keep recordings  
18 with Ketso tabulating sheets, [analyzing the results, which is especially useful for looking for](#)  
19 [patterns in the data, coding, and for organizing the results of multiple workshops](#) using the Ketso  
20 spreadsheet tool.  
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38 A combination of data analytical plans suggested by Silverman (2015), Spiggle (1994) and  
39 Gioia, Corley and Hamilton (2012) formed the basis of the analysis process. Raw data used the  
40 constant comparative approach, which is based on the analytical aspect of grounded theory  
41 (Silverman, 2015). This engaged review and re-reviews of the field observations, case study and  
42 PAR workshop material created from the data collection process, summarizing, abstracting into  
43 concepts and aggregation to themes. Key themes within the case studies were community history  
44 and current community status, existing craft designs and practices, products and process, supply  
45 chain, markets and marketing strategy and opportunities for and barriers to enterprise. Field  
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3 observations and interviews data were constantly compared within emerging patterns and  
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5 summarized. The case study responses were then sorted into descriptive categories, abstracted into  
6  
7 concepts. The final themes were aggregated based on the most significant and common responses  
8  
9 received by all 3 communities.  
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## 12 13 14 **Results**

15  
16 We identified five inter-related themes from our data, which hinder the development of  
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18 community-based enterprise in the handloom sector; social status, generational differences, closed  
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20 community, barriers to innovation, and restricted networks, and two themes which could both  
21  
22 hinder and support the development of community-based entrepreneurship; family and cultural  
23  
24 heritage.  
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28 Handloom weaving in Sri Lanka has a documented tradition of c3000 years, but weavers  
29  
30 believe it does not confer social status, parents who can afford to do so encourage children to leave  
31  
32 the community,  
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35 We like our children to find alternative jobs other than involvement in handloom business,  
36  
37 this business does not guarantee a consistent income. In certain months we didn't earn any  
38  
39 income. Therefore, we couldn't even manage our day to expenses. Also, we would like  
40  
41 them to get better recognition with a different livelihood engagement” (Participant 2).

42 Sri Lanka sees significant rural to urban migration, with early migration profiles, meaning  
43  
44 younger people are those most likely to migrate in search of work, or for marriage (Perera, 2020),  
45  
46 reducing the pool of potential weavers, and removing the age group most likely to use the Internet  
47  
48 as a tool for innovation. Because handloom weavers in Sri Lanka are largely reliant on middlemen  
49  
50 to access raw materials and to get their finished goods to market, this puts weavers in the position  
51  
52 of sub-contractors, reducing their agency and income, which in turn lowers the status of those  
53  
54 engaged in this highly skilled sector; urban dwellers are not aware of the skill involved in this  
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3 ancient craft, but recognise that the weavers are relatively poor and powerless, leading the weavers  
4  
5 to seek to improve the status of their children,  
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8 “We tried our level best to give good education to our children. So, we like to see them  
9 engage in white collar work than the craft work. Otherwise, they won’t get recognition in  
10 our society”. (*Participant 3*)  
11

12 Handloom weaving is not recognised by wider society as a valuable contribution to the  
13 economy, despite its importance as a tourist attraction, and weavers are not seen as business owners  
14 or self-employed, but rather as workers under the control of middlemen. This represents lower  
15 social status, and many parents encourage their children to seek new opportunities in urban areas  
16 while young people themselves aim to leave the community to seek other work,  
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24 From my childhood I help my parents’ handloom business. But it’s my dream to find an  
25 employment with new technological engagement. Then I can get good recognition from  
26 our society. (*Participant 9*)  
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28  
29 Thus, perceived and actual low status of the craft is threatening the survival of these ancient  
30 traditions, despite the potential of the sector as a low-carbon, high-value element of the economy.  
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33  
34 The data showed social and cultural influences from community members also limited  
35 sustainable growth of the sector, although social and cultural factors could also potentially be a  
36 strength in fostering CBE. Our communities wanted to maintain traditional practices and ensure  
37 the cultural heritage of weaving continued; this was a strong motivator for maintaining handloom,  
38 despite the difficulties.  
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46 “Still, we continue some products such as wall hangers done using traditional weaving  
47 techniques inspired by Sri Lankan cultural heritage. Every time it has equal demand.”  
48 (*Participant 1*)  
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3 The participants described existing business opportunities as mainly due to their  
4 traditional/unique handloom weaving skills and current market appreciation for ethical production,  
5  
6 handmade and fair-trade products, particularly among tourists.  
7  
8

9  
10 ‘We would like to continue our handloom craft using our own cultural inspirations.  
11 Tourists who came to us like products that inspired by Sri Lankan craft heritage’  
12 (*Participant 2*)  
13

14 “Foreign customers love the products with our traditional handloom structures. They really  
15 appreciate culturally inspired products. Specially gift items that signify the cultural  
16 heritage.” (*Participant 11*)  
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18

19 However, innovation was seen as a potential threat rather than an opportunity, as it was  
20 considered this might dilute the craft heritage, damage reputation and lead to the ultimate  
21 destruction of heritage. Older community members had a limited understanding of innovation, not  
22 recognising business model, marketing, supply, and distribution of products could all be areas for  
23 innovation, saw innovation as related solely to production methods and considered this might be  
24 damaging to their craft heritage.  
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33 Many of us still use the same basic technology in our industry. It’s really challenging us to  
34 engage with new technological innovation (*Participant 6*).  
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37 However, younger weavers were open to innovation, although noting substantial barriers  
38 to innovation existed within their communities,  
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42 Our community elders always continue the same products from years. But I love to try new  
43 products range. Currently I am undergoing a diploma program related to craft in reputed  
44 institute in the country. I hope I will get necessary knowledge. My intention is to design  
45 new range of products for the market. (*Participant 4*)  
46  
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48 Where younger people remained in the community, working alongside their family, there  
49 were instances of younger weavers managing to develop product innovation, alongside  
50 maintaining traditional approaches to manufacture,  
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3 I am 23 years old. I started my own business very recently. I got my basic knowledge from  
4 my parents and well experienced crafts persons from my community. However, I Google  
5 and found information related to new products. So, I planned these products inspired from  
6 related new innovation, via internet. Already I have good demand for my range all over the  
7 country. I hope to use new information technology to improve our community products in  
8 this way. *(Participant 14)*  
9

10  
11 The potential for family-led innovation where young people remain in the community  
12 indicates innovation opportunities for handloom, which could be further developed, through CBE  
13 but we found family could offer both an opportunity for CBE, and act as a barrier. The close-knit,  
14 family led communities supported each other in completing work, fixing equipment, sharing skills  
15 and resources,  
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19  
20 In our community each family work separately. Sometimes immediate family and extended  
21 family run the same business. Or sometimes immediate family members do their individual  
22 business. However, they all support to each other in performing their task when necessary.  
23 *(Participant 6)*  
24  
25

26 Community members were proud of their family, their identity, and their cultural heritage  
27 but communities are reluctant to open up to outsiders, generally resistant to innovation or even to  
28 allow the community to grow by training outsiders who showed an interest in learning the craft.  
29  
30

31 Thalagune community, we all one related family, consists of seven individual families. Our  
32 youngsters will come up soon as next generation. But we protect our weaving techniques  
33 and our traditional 'Dumbara designs' within our community family. Wherever we sell our  
34 community products we have our own family identity (participant 2)  
35  
36

37  
38 In part this problem is due to lack of networks and knowledge. Middlemen guard their  
39 knowledge of supply chains, retail outlets and pricing strategies, and rural weavers have few urban  
40 contacts and little knowledge of how to build such networks to support them in moving to a more  
41 entrepreneurial approach to business, without the involvement of middlemen.  
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47 The reliance on middlemen stifles business development, there is no incentive to innovate  
48 as the middleman takes a significant proportion of profit. Furthermore, communities lacked  
49 confidence and knowledge to manage without a middleman. Lack of knowledge, alongside lack  
50 of funds were identified as key barriers to innovations in the supply chain, product designing,  
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3 manufacturing, and marketing by all the participants while further barriers were the need to access  
4  
5 support for business development with little knowledge of processes or agencies involved.  
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7  
8 Mostly our current networks exist within the community. We share everything within our  
9 community members. Sometimes within our family. However, we have realized how  
10 limited these networks. (*Participant 13*)  
11

12 Our networks have [been] limited to few parties. But gradually we have realized the  
13 limitation of them and try to extend the relationships with outside partners. Specially raw  
14 material supplies and retailers. (*Participant 5*)  
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18 Innovation to overcome marketing barriers were significant barriers for developing  
19 entrepreneurship,  
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23 Most of products go to market through a third person involvement. Because we don't have  
24 appropriate understanding of market our products. This third person sell our products via  
25 his brand or directing to a retailer. (*Participant 6*)  
26

27 We don't have any idea of marketing our products. Time to time government introduce  
28 some channel. But it won't sustain. (*Participant 5*)  
29

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31  
32 Non-brand identity, marketing through intermediaries, marketing community products  
33 under different retailer brands, lack of networking, lack of marketing and retailing capability, little  
34 knowledge in advanced marketing such as e-marketing and lack of infrastructure to use e-  
35 marketing tools were revealed as major marketing barriers. Once again, the importance of  
36 encouraging the younger community members to remain was highlighted, as where digitally savvy  
37 youth were involved, they were able to innovate with direct digital marketing, as noted by one  
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46 older community member,  
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48 We got used to get help from third party to market our products. Anyway, now our  
49 youngsters who is good in IT, support us for our own marketing to a certain extent. So, our  
50 community may have hope of our product marketing in future (*Participant 12*)  
51

52  
53 Marketing innovation relies on family having the ability to use online tools. Mobile phone  
54 penetration in Sri Lanka is very high, with a penetration rate of 144 subscriptions per 100 people  
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3 (Statista, 2021), suggesting that support with digital marketing and digital networking skills  
4  
5 development may encourage CBE and reduce reliance on middlemen.  
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8 Based on the exploration done in case studies and PAR, study was recognized that the  
9  
10 community skills, current product range and local business setting. As a results two training  
11  
12 workshops were conducted following the co-creation process (Sanders and Stappers, 2008) to  
13  
14 investigate the possibility of applying new developments to the handloom industry. Four expert  
15  
16 textile designers were engaged with the workshop to enhance knowledge and skill of community  
17  
18 craft persons in acquainting with designing, market trends and customers. A range of community  
19  
20 products; clothing and accessories were collaboratively explored and developed.  
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26 *Insert* Figure 1 - Co-creation collaborative process  
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31 Communities practice to utilize the entire piece of handloom materials they produce for  
32  
33 end products and there is no fabric waste generation. Most of the existing products are rectangular  
34  
35 in shape such as saree, sarong, bed covers, pillowcases and serviettes. The co-creation  
36  
37 collaborative team attempted to adhere to the similar concept and exploited the 'zero material  
38  
39 waste concept' in new product innovation. Thus, the team was keen to focus on the new product  
40  
41 range where waste fabrics, from one product, is utilized to create another by-product targeting  
42  
43 home décor and fashion accessories. These waste fabrics were planned to be utilized creatively  
44  
45 and systematically for the by-product focused on the yarn and fabric waste.  
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51 *Insert* Figure 2 - Product innovation process  
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3 The co-creation prototyping process allowed the craft person to distinguish a traditional  
4 product range and possible innovations in terms of design and manufacturing. Furthermore,  
5 products were presented to retailers and customers and their responses were used for product  
6 improvement. Partnering with designers, craft persons, apparel manufacturers, retailers and  
7 customers through the co-creation process, it enables network enhancement for the community  
8 business growth. This exercise was a shared learning effort to exchange knowledge. The craft  
9 persons benefited through gaining design knowledge, potential product innovations and  
10 identifying market standings during the collaborative process. Innovative handloom products  
11 were completely strange to the communities and craft persons understood the market  
12 opportunities they can tap.  
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## 28 **Discussion**

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30 Our results permitted the inductive development of new concepts and groupings grounded in  
31 existing notions of the development of CBE within Sri Lankan handloom communities supported  
32 by the empirical evidence. The following themes emerged as important factors for the development  
33 of CBE within the craft communities, social status, generational differences, closed community,  
34 barriers to innovation, and restricted networks, family and cultural heritage, which were condensed  
35 social networks (capital), social status, family involvement (family web) in business and  
36 innovation to produce our model of CBE. Supporting communities to build their knowledge, skills  
37 and capacity in these areas will, our findings suggest, facilitate the successful development of  
38 sustainable community-based enterprise in rural communities.  
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51 Based on the data analysis and findings, four emerging aspects of our CBE model shown  
52 in Figure 3 can be described as follows.  
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*Insert* Figure 3 - CBE Model

**Social capital – Networks**

Social networking is one of the important aspects for CBE growth, in forming and maintaining relationships, and it is a foundation of community social capital that enables entrepreneurs' access to resources (Kwon, Heflin & Ruef, 2013; Westlund & Adam, 2010). Research finds social capital influences economic performance (Laursen, Masciarelli & Prencipe, 2012) and supports invention (Perry-Smith & Mannucci, 2017). in business development. Entrepreneurs use social networks for opportunity development, market exploration, customer engagement (Turkina, 2017; O'Donnell et al., 2001) resource acquisition (Street & Cameron, 2007; Sullivan & Ford, 2014). Social capital at an individual level, mainly personal networks, promotes entrepreneurship (Street & Cameron, 2007; Van der Meer, 2003). In addition, in a community setting social networks disperse; not only to the individual who possess the network, but also to the entire community (Ruiter & De Graaf, 2006) through community cohesion and information flows, and without differentiation to individual levels (Hite & Hesterly, 2001).

This study revealed that social networks external to the community are limited, restricted and weak. In turn this significantly diminishes the CBE opportunities of craftspeople. This is mainly due to rural community locations, the desire to protect traditional approaches from outsiders and lack of access to digital tools. Therefore, handloom community entrepreneurial effort is currently stagnating, with few business development opportunities. Scholars find networks are not static, and that they can change in response to entrepreneurial needs in a given situation promoting business development. (Hite,2008; Elfring & Hulsink, 2007).

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3 This study recognized opportunities for improving network engagement and activation.  
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5 The study further noted social networks as connections enabling better business relationship  
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7 among the communities and related supply chains was impeded by the use of middlemen.  
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10 However, there are (often poorly exploited and weak) entrepreneurial networks comprising the  
11  
12 handloom communities, supply chain: raw material suppliers, service providers) and customers,  
13  
14 but these need support in order to work effectively for the weaving communities. Though these  
15  
16 networks are currently weak, there are three distinct but restricted social networks existing within  
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18 the handloom communities, type 1 with local raw material suppliers, type 2 through middlemen to  
19  
20 local retailers and type 3 between craft communities.  
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24 However, networking with entrepreneurial supports (government, financial and  
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26 educational institutions) and directly with customers is limited. We have noted recent government  
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28 action aiming to support handloom and craft development which aims to stimulate networks of  
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30 handloom craft businesses, however, our findings are that top-down initiatives are rarely  
31  
32 successful in improving network development (Paul, 1987; Mansuri & Rao, 2013). Marathamunie  
33  
34 Community is an illustrative of the benefits of a self-generated network, and research in other  
35  
36 settings suggests developing skills for networking rather than trying to build network for the  
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38 weaving communities may be more beneficial (Bellingcroft, 2012). Marathamunie community has  
39  
40 developed weak ties (Granovetter, 1983) to a much greater extent than the other two communities.  
41  
42 They used inter-community networks to import raw materials directly, doing necessary colouring  
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44 within community dying plants without third-party involvement. Correspondingly, this  
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46 community were sustaining a direct customer base across the country with the effective utilization  
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48 of weak ties in marketing (Burt, 2002; Granovetter, 1983; Aldrich, Zimmer & Jones, 1986).  
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3 Burt (2000) and Baum, Calabrese and Silverman (2000), argued that the network structural  
4 characteristics like structural holes, derive significant benefits while Podolny & Baron (1997) and  
5 Granovetter (1983), claim that the interactive characteristics of networks; strong or weak ties offer  
6 significant advantages to members of the network. Weak connections refer to a larger group of  
7 people with whom an entrepreneur has no interaction, are the more effective network ties (Hite,  
8 2008; Burt, 2002). These unrestricted and relationships that aren't emotionally charged seem to  
9 improve the likelihood of meeting new business in CBE setups (Aldrich, Zimmer & Jones, 1986).  
10 Furthermore, links to buyers and suppliers provide entrepreneurs with access to a range of capitals,  
11 including information on new business locations, future markets for products, conversation and  
12 advice, and capital sources (Johannisson, 1986). Hence, supplier and consumer recommendations  
13 are most effective in building CBE networks (Hite, 2008). Granovetter (1983) and many  
14 subsequent entrepreneurial and network studies confirm the blending of strong and weak ties are  
15 vital to confirm the success of social network of an entrepreneur (Hite, 2008; Burt, 2002). We see  
16 that our weaving communities are very closely connected with each other and the intermediary  
17 and are somewhat resistant to working with outsiders for fear of giving away valuable information.  
18 However, Granovetter (1983) and Burt (2000) argue that an ideal entrepreneurial network must  
19 have a mix of strong and weak links because the essence of these ties affects how networks operate  
20 and structure, this insight is useful in setting out how to further develop CBE within the Sri Lankan  
21 and other craft-based communities (Burt, 2002; Downs, 2017).

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Entrepreneurs in craft businesses could gain advantage by exploiting structural holes (Baum, Calabrese & Silverman, 2000; Downs, 2017). Since these opportunities are often encountered outside of the local community, structural holes may assist in connecting product designers, local and international raw material suppliers, and potential buyers. Yet, the study

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2  
3 indicates that information regarding opportunities, innovation and resources for craft  
4 entrepreneurship are not freely available in these societies and community entrepreneurs need to  
5 realize the importance of them and actively seek them out.  
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9  
10 As this study found, in isolation, neither social nor human capital can fully describe how  
11 entrepreneurs spot opportunities in craft industries. As a result, the study looked at the network's  
12 function as another contingency factor, distinguishing between resource mobilization and  
13 opportunity identification in the handloom market. By identifying these causes, the study tackled  
14 Stuart and Sorenson's (2003) challenge of distinguishing network effects on opportunity  
15 identification from network consequences on resource mobilization (Coleman, 1988). Our study  
16 emphasized that the related institutional support and networks within the supply chain would be  
17 the most effective mediator for this purpose. Hence, these distinctions may enable improvements  
18 in the considerate of primary mechanisms of network properties and networks characteristics  
19 relating to the community entrepreneurial practices. Therefore, networks in craft-based CBE need  
20 to be comprised of diverse networking functional characteristics and structural and relational  
21 embeddedness to function within different community entrepreneurial circumstances.  
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#### 40 **Social Status**

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42 Occupational status is an element of socioeconomic status, an abbreviation for income level, power  
43 and educational qualifications related with occupational (Burgard, Schwartz & Stewart, 2003;  
44 Mare, 1987). According to Wrights (1997) typology, possession of skill is one indicator of the  
45 social class position and social and economic status of a person enabling others to evaluate this as  
46 part of a combination of wealth, career and education (Noël, 2018).  
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3 Within the craft sector generational progression persists particularly in indigenous weaving  
4 communities such as Thalagune where community growth is entirely based within the related  
5 family group by generation. However, the study discovered an unwillingness to become craftsman  
6 among the young generations of communities, linked to perceptions of lower social status. Young  
7 people expressed strong preferences for technological or office-based occupations and  
8 conventional eight-hour jobs outside the community as these are believed to be more prestigious  
9 occupations. Thus, perceptions of lower social status significantly reduce the numbers of young  
10 people joining the family business, which, if the pattern continues, has significant implications for  
11 long-term sustainability. Thus, we find that socio-cultural barriers act to prevent adoption of CBE  
12 among youngers. However, recent growth of policy interest in developing creative industries may  
13 boost sector status may help reverse this trend.  
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### 31 **Innovation Mix**

32 Sustainability innovation for products and processes improvement are the keys of sustainable  
33 development leading to sustainable marketplace (Mortati, 2015). Our study findings reveal that  
34 sustainable entrepreneurship development in craft communities requires innovative approach for  
35 new products, processes and marketing. The four areas our research identified for innovation  
36 support are, product design, improved product manufacturing techniques, marketing strategy and  
37 infrastructure support to encourage new CBE opportunities.  
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47 Design is considered as a cross functional and multidisciplinary innovation activity  
48 (WESGRO, 2000). Most handloom products are similar across community craft producers. These  
49 products are mainly associated with traditional designs and development methods and need a  
50 radical change to enable sustainable and innovative design approaches (Fletcher, 2013; Tung,  
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3 2012) to be successful in a high-end competitive fashion market. The study results reveal the  
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5 significance of blending traditional handloom craft with contemporary designing in offering a  
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7 range of innovative products for market demand, but design innovation is limited in the handloom  
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9 communities of Sri Lanka. Traditional crafts rely on knowledge handed down through generations,  
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11 but adapting, reusing and recombining existing craft knowledge with innovative design will enable  
12  
13 innovative products and broaden markets. Handloom in Sri Lanka is a tacit expression of  
14  
15 intangible cultural heritage, and these expert skills are rooted in someone or within a local  
16  
17 community (Dissanayake, et al., 2017), but these factors can be retained alongside sustainable  
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19 innovative design, respecting traditional craft practices.  
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24 As the study discovered, communities are not able to offer a range of products meeting  
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26 market requirements. Therefore, our model highlights the need for strategic design innovation and  
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28 design intervention as a bridge to fill the gap between traditional artisans and mainstream markets,  
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31 Marketing strategy is one of the key aspects to gain competitive business benefits in  
32  
33 expanding business performance (Sharma, 2004; Cotterill & Putsis, 2000). However, the study  
34  
35 revealed that the marketing challenges are one of the dominant issues encountered by the handloom  
36  
37 CBE. They do not have clearly defined target markets and are poorly equipped to innovate in  
38  
39 marketing. Most community producers trade their products using informal channels such as  
40  
41 weekly fairs, seasonal fairs or most commonly through intermediate persons. They have few direct  
42  
43 customers, minimizing the producers profit and leading to the community businesses being  
44  
45 uneconomic. Intermediaries involvement is a vital challenge for the current handloom business  
46  
47 process as intermediaries largely benefit from the products of the community members and have  
48  
49 a significant interest in maintaining the status quo, rather than in encouraging innovation and  
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51 broadening community-based enterprise. The role of intermediaries results in a major share of  
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3 community products going to market through various retailer brands without indicating  
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5 community identity, breaking the link between the producer and consumer.  
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8           The study found handloom communities have very little understanding and knowledge of  
9  
10 the domestic market and market networks which hampers their developing markets for themselves,  
11  
12 linking back to their reliance on strong, and community based familial networks and lack of wider,  
13  
14 weak networks which may facilitate access to new knowledge and opportunities. Furthermore,  
15  
16 they do not have the ability to engage external marketing agencies to support them, due to the cost  
17  
18 (Van Scheers, 2011). Very limited practices of social media based marketing and social media  
19  
20 networking take place within the community businesses, and where this does occur it is always  
21  
22 with the involvement of community youth. Our research indicated that simple strategies such as  
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24 providing distance learning resources to develop marketing skills among the younger, more  
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26 digitally literate member of the handloom communities could potentially improve marketing  
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28 innovation.  
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### 36 **Family Web**

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38 The study reveals family bonded businesses within handloom industry create more advantages  
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40 than individual CBE business. We use the term family web here to describe the family involvement  
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42 in craft business processes within local culture. This expresses how immediate family contributes  
43  
44 to the business expansion process and to the progress of the business through different generational  
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46 stages of the extended family (children, adults and even senior members in the family), each  
47  
48 playing different and often multiple roles. Individuals who have been involved with family  
49  
50 businesses since childhood have a unique form of human capital in terms of firm- specific, tacit  
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52 experience, acquired from comprehensive exposure to the sector, and can contribute more with the  
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3 potential they already have (Habbershon, Williams & MacMillan, 2003; Sirmon, & Michael,  
4  
5 2003). Further, the family web enhances the business with the involvement of extended members  
6  
7 supporting their entrepreneurial action within the families of communities.  
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10 Thalagune community is a perfect example of family-oriented CBE business, which has  
11  
12 survived through several generations. This community attempt to sustain their community identity  
13  
14 as 'Dumbara Weaving' which is unique to their products and manufacturing techniques. Also, they  
15  
16 preserve their traditional designs and manufacturing technology only within the community  
17  
18 permitting its' use only for the community.  
19  
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21 The study identified unity and mutual support within the family and the family web  
22  
23 businesses as integral to success with synergies due to trusting relationships, task-specific  
24  
25 knowledge (Sirmon & Michael, 2003). The family offers support such as financial aid and skill to  
26  
27 the business (Cotterill & Putsis, 2000), Family webs are sustained through strong ties in  
28  
29 community culture that is characterized by deep family affinity (Granovetter, 1983; Burt, 2002).  
30  
31 The strong tie keeps the family web together creating strong networks of relational support for the  
32  
33 CBE family business. These family webs create opportunities for open discussion and allow a  
34  
35 diverse range of views, which can foster innovation and creative ideas. However, there are  
36  
37 disadvantages and clashes due to different viewpoints of the business direction, role of individuals  
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39 in the business, personal feelings of bitterness and emotions, and the close knit family may be  
40  
41 inward facing, and less able to build the networks of weak ties (Granovetter, 1983; Burt, 2002;).  
42  
43 needed to ensure business sustainability and innovation. However, our study reports well  
44  
45 performing craft family webs have that recognise such barriers and are enabled to address  
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47 shortcomings for the betterment of the business can implement change to long-standing practices.  
48  
49 Overall, we conclude communities are proud of their family webs, good name of the family and  
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3 the community they are a part of. They express their intention to continue to develop a rich cultural  
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5 life, supporting their intangible cultural heritage for the wellbeing of generations to come and so  
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7 future generations may gain prestige and a good reputation in the community.  
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## 10 11 **Conclusion and Recommendations**

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13 The study reveals the existing craft sector needs support to move from the community-based  
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15 production currently in place to develop a model of sustainable CBE which will support economic  
16  
17 gain and bring additional non-economic benefits to communities. Yet, most existing approaches,  
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19 supported by governments or other external agencies have ended up as support or aid for livelihood  
20  
21 rather than serving to build communities or developing their business confidence as independent,  
22  
23 cooperative entrepreneurs. In large part existing approaches have failed due to misaddressing or  
24  
25 misunderstanding the cultural identity of the community, that is personified by its cooperative ethic  
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27 which would be a driving force of successful CBE. Policy interventions are needed to promote  
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29 CBE among craft communities, as well as to encourage catalytic participation through facilitating  
30  
31 professional engagement in communities to enable knowledge transfer to take place. The current  
32  
33 conditions of resources and infrastructure in craft-based sectors in developing regions are not  
34  
35 effectively captured with existing models of entrepreneurship, and this is in part why top-down  
36  
37 efforts at expanding these sectors to provide sustainable livelihoods tend to have limited success.  
38  
39 Therefore, these findings span the gap in current models of CBE business within the craft sector  
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41 for community development efforts.  
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48 This study proposes a new model with an explanatory framework for the development of  
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50 CBE of the local craft communities. This study suggests that CBE has the potential to assume a  
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52 critical role in improving the livelihoods of craft communities and encouraging local development  
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54 from the concept offered. Reflections from the study findings suggest four key aspects of CBE:  
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3 social networks, family business efforts (family-web), improving the social status of the  
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5 community members and support for innovation in technology, marketing and design have the  
6  
7 potential to enable more sustainable CBE. This new model of CBE focuses on bottom-up  
8  
9 development of indigenous communities to facilitate network building alongside focussed  
10  
11 interventions. Further, creation of an education infrastructure fostering entrepreneurship  
12  
13 (developing skills in marketing, pricing, network building and supply chains) plus provision of a  
14  
15 legal framework for CBE would assist in developing the four key aspects and improve  
16  
17 opportunities for CBE to be developed into a sustainable business model so related government  
18  
19 institutions and external institutions can offer mutually beneficial partnerships in maintaining  
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21 CBE's autonomy as craft communities in goal setting and decision making without intermediary  
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23 party intervention.  
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### 31 **Declaration of interest statement**

32  
33 The authors declare no conflict of interest  
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35

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Figure 1 - Co-creation collaborative process

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Figure 2 - Product innovation process

Peer Review Only

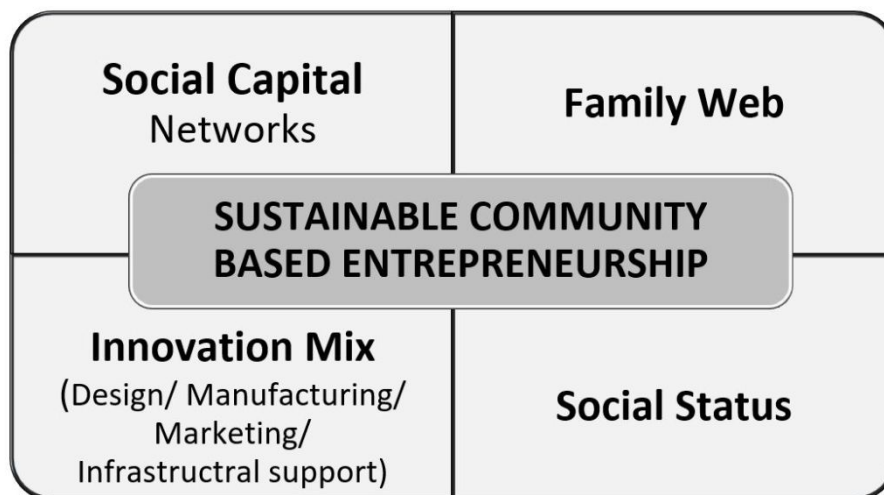


Figure 3 - CBE Model

## Community-Based Family Enterprise and Sustainable Development in Rural Sri Lanka

### Abstract

This paper proposes a novel theoretical model for the community-based enterprise, which could assist in achieving UN sustainable development goals within craft communities in developing nations. This model focuses on building enterprise skills in vulnerable communities, sustaining traditional crafts and strengthening community capacity for self-determination. This article distils qualitative data from case studies, participatory action research workshops and field observations within traditional handloom craft communities in Sri Lanka. We explore the prevailing status of community-based entrepreneurship practices and argue that under current practices entrepreneurial culture is not deeply embedded in community life, leading young people to move away from the traditional way of life and damaging the cohesion of traditional communities. This study establishes the need to sustain levels of social capital, support family networks, and encourage innovation to develop enterprise in craft communities. We recommend a range of strategies for overcoming structural and socio-cultural barriers to enterprise and to establish community-based sustainable development.

**Keywords:** Sustainable Community development; Community-based entrepreneurship; Family; Innovation mix; Social status



## Introduction

The voices of traditional rural communities in developing countries are seldom heard, although many of the UN Sustainable Development Goals aim to improve outcomes in rural areas. Such communities face multiple threats to their existence, including economic migration of younger people, loss of land, climate change and loss of cultural heritage (de Luca et al., 2021). Entrepreneurial initiatives are employed as one of the key development notions within impoverished communities, as a route towards sustainable community development (Korsching & Allen, 2004; Kraus et al., 2020), and empirical studies on economic development have considered community issues as a principal element in developing entrepreneurial action amongst impoverished people (Cornwall, 1998; Parwez, 2017). However, fostering and sustaining an entrepreneurial atmosphere within community settings in developing countries is challenging due to deeply embedded cultural norms not supporting new business development, especially in rural areas. This study addresses the research question ‘how can community based enterprise provide a platform for sustainable development in craft communities?’ and examines entrepreneurial challenges exploring key opportunities and barriers to community-based entrepreneurship (CBE) growth in Sri Lankan handloom communities through combining participatory action research (PAR) and case studies. The main objective of the study is to develop a theoretical model of sustainable CBE, able to support governments and other agencies in fostering innovation and adding vitality to handloom community business.

## Sustainable Community-Based Entrepreneurship

CBE is a social enterprise model integrating the diverse aspects of social, cultural, environment and economic characteristics of the community (Peredo & Chrisman, 2006; Torri, 2010),

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2  
3 supporting the pursuit of a community individual and group goals over short and long term  
4  
5 (Cramer et al., 2002). CBE characterizes a promising policy for encouragement of local sustainable  
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7 development and new approach for economy and sustainable development through  
8  
9 entrepreneurship efforts (Peredo & Chrisman, 2006).  
10

11  
12 CBE is often referred to as pro-poor and seen as offering local economic development  
13  
14 interventions in developing economies as it exploits existing resources and assets of  
15  
16 the community, adding economic value, creating jobs, and keeping scarce resources within the  
17  
18 community (Parwez, 2017; Tshikovhi, 2014). CBE is an unconventional form of entrepreneurship  
19  
20 based on viewing collective and individual interests as fundamentally complementary and seeing  
21  
22 community values and the concept of the common good as essential elements in enterprise  
23  
24 development. Hence, the community's cultural identity embodied in its cooperative traditions  
25  
26 becomes a driving force of CBE. However, CBE also shares many characteristics with traditional  
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28 entrepreneurship and 'acts entrepreneurially in creating and managing a new venture embedded in  
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30 its existing social structure and the processes differ in terms of the beneficiaries of these activities  
31  
32 and the choice of its locations' (Johnstone & Lionais, 2004). Peredo and Chrisman (2006) explored  
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34 how the community acts as an entrepreneur when its members, acting as owners, managers, and  
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36 employees, collaboratively create or identify a market opportunity, and organize themselves to  
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38 respond to it using the existing social structure.  
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45 Although there are number of studies on both theoretical and empirical CBE (Huggins &  
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47 Thompson, 2012; Peredo & Chrisman; 2006), few empirical studies leading to a definitive  
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49 explanation of how CBE can work exist, especially in the context of exploring traditional craft  
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51 communities in developing nations. Also, most of the local craft community development  
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53 approaches attempted so far have been established as charity or aid, and this top-down approach  
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3 fails to develop effective CBE due to lack of real community engagement and failure to promote  
4 entrepreneurial behaviours within the community (Burkey, 1993). Another key problem in  
5 community developmental approaches is that outsiders (charities, development organizations,  
6 regional or national governments) conceive and manage most projects, leading to a lack of  
7 substantial understanding of ownership or entrepreneurship among community (Parwez, 2017).  
8 Accordingly, once the developmental program ends, in many cases community members lose  
9 ownership and have little or no interest in continuing the initiative (Paul, 1987). Therefore,  
10 externally led enterprise development efforts frequently meet with significant challenges in  
11 gaining the effective participation of community members (Mansuri & Rao, 2013). Thus, the gap  
12 in the literature is the nexus between the cultivation CBE concepts and the creation of operational  
13 linkages in community development to support sustainable community-led economic development  
14 (Khalid, Sharma & Dubey, 2020). As Scrase (2003) notes, artisan production is common in low  
15 and middle-income countries, but provides in most cases a precarious living supported by  
16 intermittent government and development agency initiatives leaving producers at the periphery of  
17 economic development and increasingly marginalised within their wider society.

18  
19 Sri Lanka is an emerging economy with a rich craft history of tradition. The textile craft  
20 sector (handloom textiles, batik and beeralu) was one of the most significant contributors to  
21 household revenue among craft communities for almost three thousand years and still operates as  
22 a cottage industry (SLEDB, 2021; Department of Textile Industry, 2021). There remains  
23 significant demand for this centuries old craft business due to its close links to cultural heritage.  
24 The craft persons preserve their enormous skills and knowhow as a heritage tradition, to foster this  
25 traditional culture (Coomaraswamy, 1956). Handloom craft is highly labour intensive, low energy  
26 and primarily placed in rural areas (EDB 2019) of the country. The Sri Lankan handloom weaving

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3 industry currently operates in three segments as, community-based handloom businesses,  
4  
5 government involved handloom businesses and private entrepreneurial and retailing business.  
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7  
8 Although the craft sector is in decline, the sector has many elements of CBE and this study aims  
9  
10 to identify how these can be strengthened through co-created initiatives to improve sustainability  
11  
12 and support community wealth building. CBE potentially offers a route to achieving co sustainable  
13  
14 livelihood development (SLEDB, 2020).  
15

## 16 17 18 **Methods**

19  
20 A qualitative research strategy emphasizing inductive reasoning was used to gain insights into the  
21  
22 current economy, social and entrepreneurial standing of the Sri Lankan handloom sector, enabling  
23  
24 an effective understanding of socio-cultural opportunities and barriers to CBE within our target  
25  
26 communities (Lincoln & Guba,1985). The study took a cross sectional approach accomplished  
27  
28 through application of grounded theory (Bryman, 2003). Data was collected through case studies,  
29  
30 field observations and a participatory action research (PAR) strand. Multi-case study is a useful  
31  
32 approach for understanding ambiguous or underexplored concepts for facilitating generalization  
33  
34 (Taylor, 2013; Yin, 2009) that can reveal common features of a phenomenon that persist across  
35  
36 different contexts. PAR involves collaborative knowledge production by researchers and  
37  
38 community, for better understand and enhance community functions through shared, participatory  
39  
40 research (Brydon-Miller et al., 2011). Multiple case studies and PAR workshops were employed  
41  
42 as a means of challenging inequalities experienced in handloom communities and putting their  
43  
44 lived experience at the heart of our research. Fletcher, MacPhee & Dickson (2015) described an  
45  
46 approach for the cross-data analysis conducting participatory action research (PAR) in a  
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48 longitudinal multi-case study, with particular focus on cross-case analysis. This study too followed  
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50 the cross-data analysis method for mixed inductive-deductive coding technique with combining  
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3 the codes with case studies (deductive) and PAR (inductive) for the interpretation process. Thus,  
4  
5 our iterative approach of problem identification, action and reflection, together with co-creation of  
6  
7 design and marketing innovations enabled development of practical solutions as well as supporting  
8  
9 theory building based on real-world experience. Triangulation enabled exploration of the research  
10  
11 problem from several viewpoints, to confirm the credibility, validity and generalizability of our  
12  
13 conclusions (Bryman, 2003; Hollweck, 2016; Yin, 2014; Olsen, Haralambos & Holborn, 2004).  
14  
15 By recording depth and details, data was constantly checked for consistency, reliability, and  
16  
17 quality. The target population was the handloom craft communities in Sri Lanka. The study sample  
18  
19 was built by a progressive sampling strategy through theoretical sampling techniques. Three  
20  
21 leading handloom craft communities with a tradition of community orientation in Sri Lanka are  
22  
23 used as the sample and are briefly described below.  
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31 ***Thalagune Community*** – The only indigenous traditional weaving community currently operating  
32  
33 in Sri Lanka. Thalagune is a remote village in central Sri Lanka, where weavers have been passing  
34  
35 their weaving skills from generation to generation over many centuries.  
36

37 ***Madampellala Community*** - A weaving community established by the government of Sri Lanka  
38  
39 in 1950. However, with the introduction of the open economy in 1977, this community experienced  
40  
41 a decline and weavers struggled to continue the business. In 2006, Madampellela weaving  
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43 community was redeveloped under a government development program. This program intervened  
44  
45 to introduce a new customer base and marketing channels to sustain the community-based  
46  
47 business.  
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51 ***Marathamunie Community*** - Originating as far back as the 18th century with skills transmitted  
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53 from generation to generation in the Eastern part of the country by Arabian Muslims. Currently  
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3 Maruthamunai is known for its family based and factory-based handloom weavers. The tsunami  
4  
5 disaster in 2004 had an adverse effect to this handloom business, however the business has been  
6  
7 re developed with the government support.  
8  
9

10 Commonly, handloom community weaving skills pass down from generation to  
11  
12 generation. There are few a members involved from each family in the weaving process, from ages  
13  
14 that range from 18 to 80 years. Each house has its own shed as the production space, which includes  
15  
16 2 to 3 looms. The same space was used to store yarns and other accessories required for the  
17  
18 production process. Both men and women are involved in the manufacturing process, men fulltime  
19  
20 and women while engaging in the household work too. There are weavers who do not have their  
21  
22 own looms but work for the neighbouring weaver families on a daily payment basis. Design  
23  
24 traditions within the handloom weaving industry tend to use more restrained palates of patterns  
25  
26 and colours, using simple traditional designs of geometrical, flowers, animals or strap-work. Many  
27  
28 of the motifs used are stylized images inspired by nature and immortalizes the traditional loom.  
29  
30 They make items including sarees, which are significantly worn among Sri Lankan women, and  
31  
32 sarongs for men, household linen such as bed linen, tableware, table mats, cushion covers, carpets  
33  
34 and accessories such as bags, shawls, and wall decorations targeting the tourism industry. The  
35  
36 communities primarily sell their products indirectly to the local market through a middleman, who  
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38 facilitates sales.  
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44 Case studies were conducted with these 3 leading handloom communities to facilitate  
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46 cross-case investigation and evaluation through multiple case study concept described by  
47  
48 Hollweck (2016) & Yin (2014) and Baxter& Jack (2008). A semi-structured interview  
49  
50 questionnaire was developed, with open-ended questions, exploring their lived experiences,  
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52 entrepreneurial efforts and current business experiences. There were 12 interviews conducted in  
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3 Sinhala and Tamil languages, each around two hours long, and with the informed consent of the  
4 participants, the interviews were transcribed, summarized, and generated summary sheets.  
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7  
8 Participatory action research (PAR) was employed with the same handloom weaving  
9 communities, enabling communities to engage in problem identification and solution  
10 development, using inclusive Ketso tool kit (Greenwood & Levin, 2006). Ketso can be used in  
11 small focus groups to support PAR, enabling questions to be framed in a way that helps researcher  
12 and participants, to identify problems, uncover deeper meanings, build solutions and promote  
13 group interaction during the workshop (Ketso, 2010). This research strategy supported generating  
14 knowledge for the empowerment of impoverished groups by taking action to promote social  
15 analysis and change (Silverman, 2015). Each workshop was conducted for more than three hours  
16 with 5 community leaders participating, sharing their community business experiences and  
17 identifying barriers and facilitators to CBE. Further, the Ketso tool itself permitted keep recordings  
18 with Ketso tabulating sheets, analyzing the results, which is especially useful for looking for  
19 patterns in the data, coding, and for organizing the results of multiple workshops using the Ketso  
20 spreadsheet tool.  
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38 A combination of data analytical plans suggested by Silverman (2015), Spiggle (1994) and  
39 Gioia, Corley and Hamilton (2012) formed the basis of the analysis process. Raw data used the  
40 constant comparative approach, which is based on the analytical aspect of grounded theory  
41 (Silverman, 2015). This engaged review and re-reviews of the field observations, case study and  
42 PAR workshop material created from the data collection process, summarizing, abstracting into  
43 concepts and aggregation to themes. Key themes within the case studies were community history  
44 and current community status, existing craft designs and practices, products and process, supply  
45 chain, markets and marketing strategy and opportunities for and barriers to enterprise. Field  
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3 observations and interviews data were constantly compared within emerging patterns and  
4 summarized. The case study responses were then sorted into descriptive categories, abstracted into  
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6 concepts. The final themes were aggregated based on the most significant and common responses  
7  
8 received by all 3 communities.  
9

## 14 **Results**

15  
16 We identified five inter-related themes from our data, which hinder the development of  
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18 community-based enterprise in the handloom sector; social status, generational differences, closed  
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20 community, barriers to innovation, and restricted networks, and two themes which could both  
21  
22 hinder and support the development of community-based entrepreneurship; family and cultural  
23  
24 heritage.  
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27  
28 Handloom weaving in Sri Lanka has a documented tradition of c3000 years, but weavers  
29  
30 believe it does not confer social status, parents who can afford to do so encourage children to leave  
31  
32 the community,  
33

34  
35 We like our children to find alternative jobs other than involvement in handloom business,  
36  
37 this business does not guarantee a consistent income. In certain months we didn't earn any  
38  
39 income. Therefore, we couldn't even manage our day to expenses. Also, we would like  
40  
41 them to get better recognition with a different livelihood engagement” (Participant 2).

42  
43 Sri Lanka sees significant rural to urban migration, with early migration profiles, meaning  
44  
45 younger people are those most likely to migrate in search of work, or for marriage (Perera, 2020),  
46  
47 reducing the pool of potential weavers, and removing the age group most likely to use the Internet  
48  
49 as a tool for innovation. Because handloom weavers in Sri Lanka are largely reliant on middlemen  
50  
51 to access raw materials and to get their finished goods to market, this puts weavers in the position  
52  
53 of sub-contractors, reducing their agency and income, which in turn lowers the status of those  
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55 engaged in this highly skilled sector; urban dwellers are not aware of the skill involved in this  
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3 ancient craft, but recognise that the weavers are relatively poor and powerless, leading the weavers  
4  
5 to seek to improve the status of their children,  
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7  
8 “We tried our level best to give good education to our children. So, we like to see them  
9 engage in white collar work than the craft work. Otherwise, they won’t get recognition in  
10 our society”. (*Participant 3*)  
11

12 Handloom weaving is not recognised by wider society as a valuable contribution to the  
13 economy, despite its importance as a tourist attraction, and weavers are not seen as business owners  
14 or self-employed, but rather as workers under the control of middlemen. This represents lower  
15 social status, and many parents encourage their children to seek new opportunities in urban areas  
16 while young people themselves aim to leave the community to seek other work,  
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24 From my childhood I help my parents’ handloom business. But it’s my dream to find an  
25 employment with new technological engagement. Then I can get good recognition from  
26 our society. (*Participant 9*)  
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28  
29 Thus, perceived and actual low status of the craft is threatening the survival of these ancient  
30 traditions, despite the potential of the sector as a low-carbon, high-value element of the economy.  
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33  
34 The data showed social and cultural influences from community members also limited  
35 sustainable growth of the sector, although social and cultural factors could also potentially be a  
36 strength in fostering CBE. Our communities wanted to maintain traditional practices and ensure  
37 the cultural heritage of weaving continued; this was a strong motivator for maintaining handloom,  
38 despite the difficulties.  
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46 “Still, we continue some products such as wall hangers done using traditional weaving  
47 techniques inspired by Sri Lankan cultural heritage. Every time it has equal demand.”  
48 (*Participant 1*)  
49

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3 The participants described existing business opportunities as mainly due to their  
4 traditional/unique handloom weaving skills and current market appreciation for ethical production,  
5  
6 handmade and fair-trade products, particularly among tourists.  
7  
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9  
10 ‘We would like to continue our handloom craft using our own cultural inspirations.  
11 Tourists who came to us like products that inspired by Sri Lankan craft heritage’  
12 (*Participant 2*)  
13

14 “Foreign customers love the products with our traditional handloom structures. They really  
15 appreciate culturally inspired products. Specially gift items that signify the cultural  
16 heritage.” (*Participant 11*)  
17  
18

19 However, innovation was seen as a potential threat rather than an opportunity, as it was  
20 considered this might dilute the craft heritage, damage reputation and lead to the ultimate  
21 destruction of heritage. Older community members had a limited understanding of innovation, not  
22 recognising business model, marketing, supply, and distribution of products could all be areas for  
23 innovation, saw innovation as related solely to production methods and considered this might be  
24 damaging to their craft heritage.  
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33 Many of us still use the same basic technology in our industry. It’s really challenging us to  
34 engage with new technological innovation (*Participant 6*).  
35  
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37 However, younger weavers were open to innovation, although noting substantial barriers  
38 to innovation existed within their communities,  
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42 Our community elders always continue the same products from years. But I love to try new  
43 products range. Currently I am undergoing a diploma program related to craft in reputed  
44 institute in the country. I hope I will get necessary knowledge. My intention is to design  
45 new range of products for the market. (*Participant 4*)  
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48 Where younger people remained in the community, working alongside their family, there  
49 were instances of younger weavers managing to develop product innovation, alongside  
50 maintaining traditional approaches to manufacture,  
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3 I am 23 years old. I started my own business very recently. I got my basic knowledge from  
4 my parents and well experienced crafts persons from my community. However, I Google  
5 and found information related to new products. So, I planned these products inspired from  
6 related new innovation, via internet. Already I have good demand for my range all over the  
7 country. I hope to use new information technology to improve our community products in  
8 this way. *(Participant 14)*  
9

10  
11 The potential for family-led innovation where young people remain in the community  
12 indicates innovation opportunities for handloom, which could be further developed, through CBE  
13 but we found family could offer both an opportunity for CBE, and act as a barrier. The close-knit,  
14 family led communities supported each other in completing work, fixing equipment, sharing skills  
15 and resources,  
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18  
19  
20 In our community each family work separately. Sometimes immediate family and extended  
21 family run the same business. Or sometimes immediate family members do their individual  
22 business. However, they all support to each other in performing their task when necessary.  
23 *(Participant 6)*  
24  
25

26 Community members were proud of their family, their identity, and their cultural heritage  
27 but communities are reluctant to open up to outsiders, generally resistant to innovation or even to  
28 allow the community to grow by training outsiders who showed an interest in learning the craft.  
29  
30

31 Thalagune community, we all one related family, consists of seven individual families. Our  
32 youngsters will come up soon as next generation. But we protect our weaving techniques  
33 and our traditional 'Dumbara designs' within our community family. Wherever we sell our  
34 community products we have our own family identity (participant 2)  
35  
36

37  
38 In part this problem is due to lack of networks and knowledge. Middlemen guard their  
39 knowledge of supply chains, retail outlets and pricing strategies, and rural weavers have few urban  
40 contacts and little knowledge of how to build such networks to support them in moving to a more  
41 entrepreneurial approach to business, without the involvement of middlemen.  
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45 The reliance on middlemen stifles business development, there is no incentive to innovate  
46 as the middleman takes a significant proportion of profit. Furthermore, communities lacked  
47 confidence and knowledge to manage without a middleman. Lack of knowledge, alongside lack  
48 of funds were identified as key barriers to innovations in the supply chain, product designing,  
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3 manufacturing, and marketing by all the participants while further barriers were the need to access  
4  
5 support for business development with little knowledge of processes or agencies involved.  
6

7  
8 Mostly our current networks exist within the community. We share everything within our  
9 community members. Sometimes within our family. However, we have realized how  
10 limited these networks. (*Participant 13*)  
11

12 Our networks have [been] limited to few parties. But gradually we have realized the  
13 limitation of them and try to extend the relationships with outside partners. Specially raw  
14 material supplies and retailers. (*Participant 5*)  
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17  
18 Innovation to overcome marketing barriers were significant barriers for developing  
19 entrepreneurship,  
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22  
23 Most of products go to market through a third person involvement. Because we don't have  
24 appropriate understanding of market our products. This third person sell our products via  
25 his brand or directing to a retailer. (*Participant 6*)  
26

27 We don't have any idea of marketing our products. Time to time government introduce  
28 some channel. But it won't sustain. (*Participant 5*)  
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31  
32 Non-brand identity, marketing through intermediaries, marketing community products  
33 under different retailer brands, lack of networking, lack of marketing and retailing capability, little  
34 knowledge in advanced marketing such as e-marketing and lack of infrastructure to use e-  
35 marketing tools were revealed as major marketing barriers. Once again, the importance of  
36 encouraging the younger community members to remain was highlighted, as where digitally savvy  
37 youth were involved, they were able to innovate with direct digital marketing, as noted by one  
38  
39 older community member,  
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48 We got used to get help from third party to market our products. Anyway, now our  
49 youngsters who is good in IT, support us for our own marketing to a certain extent. So, our  
50 community may have hope of our product marketing in future (*Participant 12*)  
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53 Marketing innovation relies on family having the ability to use online tools. Mobile phone  
54 penetration in Sri Lanka is very high, with a penetration rate of 144 subscriptions per 100 people  
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3 (Statista, 2021), suggesting that support with digital marketing and digital networking skills  
4 development may encourage CBE and reduce reliance on middlemen.  
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8 Based on the exploration done in case studies and PAR, study was recognized that the  
9 community skills, current product range and local business setting. As a results two training  
10 workshops were conducted following the co-creation process (Sanders and Stappers, 2008) to  
11 investigate the possibility of applying new developments to the handloom industry. Four expert  
12 textile designers were engaged with the workshop to enhance knowledge and skill of community  
13 craft persons in acquainting with designing, market trends and customers. A range of community  
14 products; clothing and accessories were collaboratively explored and developed.  
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26 *Insert* Figure 1 - Co-creation collaborative process  
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31 Communities practice to utilize the entire piece of handloom materials they produce for  
32 end products and there is no fabric waste generation. Most of the existing products are rectangular  
33 in shape such as saree, sarong, bed covers, pillowcases and serviettes. The co-creation  
34 collaborative team attempted to adhere to the similar concept and exploited the 'zero material  
35 waste concept' in new product innovation. Thus, the team was keen to focus on the new product  
36 range where waste fabrics, from one product, is utilized to create another by-product targeting  
37 home décor and fashion accessories. These waste fabrics were planned to be utilized creatively  
38 and systematically for the by-product focused on the yarn and fabric waste.  
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51 *Insert* Figure 2 - Product innovation process  
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3 The co-creation prototyping process allowed the craft person to distinguish a traditional  
4 product range and possible innovations in terms of design and manufacturing. Furthermore,  
5 products were presented to retailers and customers and their responses were used for product  
6 improvement. Partnering with designers, craft persons, apparel manufacturers, retailers and  
7 customers through the co-creation process, it enables network enhancement for the community  
8 business growth. This exercise was a shared learning effort to exchange knowledge. The craft  
9 persons benefited through gaining design knowledge, potential product innovations and  
10 identifying market standings during the collaborative process. Innovative handloom products  
11 were completely strange to the communities and craft persons understood the market  
12 opportunities they can tap.  
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## 28 **Discussion**

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30 Our results permitted the inductive development of new concepts and groupings grounded in  
31 existing notions of the development of CBE within Sri Lankan handloom communities supported  
32 by the empirical evidence. The following themes emerged as important factors for the development  
33 of CBE within the craft communities, social status, generational differences, closed community,  
34 barriers to innovation, and restricted networks, family and cultural heritage, which were condensed  
35 social networks (capital), social status, family involvement (family web) in business and  
36 innovation to produce our model of CBE. Supporting communities to build their knowledge, skills  
37 and capacity in these areas will, our findings suggest, facilitate the successful development of  
38 sustainable community-based enterprise in rural communities.  
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51 Based on the data analysis and findings, four emerging aspects of our CBE model shown  
52 in Figure 3 can be described as follows.  
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*Insert* Figure 3 - CBE Model

**Social capital – Networks**

Social networking is one of the important aspects for CBE growth, in forming and maintaining relationships, and it is a foundation of community social capital that enables entrepreneurs' access to resources (Kwon, Heflin & Ruef, 2013; Westlund & Adam, 2010). Research finds social capital influences economic performance (Laursen, Masciarelli & Prencipe, 2012) and supports invention (Perry-Smith & Mannucci, 2017). in business development. Entrepreneurs use social networks for opportunity development, market exploration, customer engagement (Turkina, 2017; O'Donnell et al., 2001) resource acquisition (Street & Cameron, 2007; Sullivan & Ford, 2014). Social capital at an individual level, mainly personal networks, promotes entrepreneurship (Street & Cameron, 2007; Van der Meer, 2003). In addition, in a community setting social networks disperse; not only to the individual who possess the network, but also to the entire community (Ruiter & De Graaf, 2006) through community cohesion and information flows, and without differentiation to individual levels (Hite & Hesterly, 2001).

This study revealed that social networks external to the community are limited, restricted and weak. In turn this significantly diminishes the CBE opportunities of craftspeople. This is mainly due to rural community locations, the desire to protect traditional approaches from outsiders and lack of access to digital tools. Therefore, handloom community entrepreneurial effort is currently stagnating, with few business development opportunities. Scholars find networks are not static, and that they can change in response to entrepreneurial needs in a given situation promoting business development. (Hite,2008; Elfring & Hulsink, 2007).

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3 This study recognized opportunities for improving network engagement and activation.  
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5 The study further noted social networks as connections enabling better business relationship  
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7 among the communities and related supply chains was impeded by the use of middlemen.  
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10 However, there are (often poorly exploited and weak) entrepreneurial networks comprising the  
11  
12 handloom communities, supply chain: raw material suppliers, service providers) and customers,  
13  
14 but these need support in order to work effectively for the weaving communities. Though these  
15  
16 networks are currently weak, there are three distinct but restricted social networks existing within  
17  
18 the handloom communities, type 1 with local raw material suppliers, type 2 through middlemen to  
19  
20 local retailers and type 3 between craft communities.  
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23  
24 However, networking with entrepreneurial supports (government, financial and  
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26 educational institutions) and directly with customers is limited. We have noted recent government  
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28 action aiming to support handloom and craft development which aims to stimulate networks of  
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30 handloom craft businesses, however, our findings are that top-down initiatives are rarely  
31  
32 successful in improving network development (Paul, 1987; Mansuri & Rao, 2013). Marathamunie  
33  
34 Community is an illustrative of the benefits of a self-generated network, and research in other  
35  
36 settings suggests developing skills for networking rather than trying to build network for the  
37  
38 weaving communities may be more beneficial (Bellingcroft, 2012). Marathamunie community has  
39  
40 developed weak ties (Granovetter, 1983) to a much greater extent than the other two communities.  
41  
42 They used inter-community networks to import raw materials directly, doing necessary colouring  
43  
44 within community dying plants without third-party involvement. Correspondingly, this  
45  
46 community were sustaining a direct customer base across the country with the effective utilization  
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48 of weak ties in marketing (Burt, 2002; Granovetter, 1983; Aldrich, Zimmer & Jones, 1986).  
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3 Burt (2000) and Baum, Calabrese and Silverman (2000), argued that the network structural  
4 characteristics like structural holes, derive significant benefits while Podolny & Baron (1997) and  
5 Granovetter (1983), claim that the interactive characteristics of networks; strong or weak ties offer  
6 significant advantages to members of the network. Weak connections refer to a larger group of  
7 people with whom an entrepreneur has no interaction, are the more effective network ties (Hite,  
8 2008; Burt, 2002). These unrestricted and relationships that aren't emotionally charged seem to  
9 improve the likelihood of meeting new business in CBE setups (Aldrich, Zimmer & Jones, 1986).  
10 Furthermore, links to buyers and suppliers provide entrepreneurs with access to a range of capitals,  
11 including information on new business locations, future markets for products, conversation and  
12 advice, and capital sources (Johannisson, 1986). Hence, supplier and consumer recommendations  
13 are most effective in building CBE networks (Hite, 2008). Granovetter (1983) and many  
14 subsequent entrepreneurial and network studies confirm the blending of strong and weak ties are  
15 vital to confirm the success of social network of an entrepreneur (Hite, 2008; Burt, 2002). We see  
16 that our weaving communities are very closely connected with each other and the intermediary  
17 and are somewhat resistant to working with outsiders for fear of giving away valuable information.  
18 However, Granovetter (1983) and Burt (2000) argue that an ideal entrepreneurial network must  
19 have a mix of strong and weak links because the essence of these ties affects how networks operate  
20 and structure, this insight is useful in setting out how to further develop CBE within the Sri Lankan  
21 and other craft-based communities (Burt, 2002; Downs, 2017).

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Entrepreneurs in craft businesses could gain advantage by exploiting structural holes (Baum, Calabrese & Silverman, 2000; Downs, 2017). Since these opportunities are often encountered outside of the local community, structural holes may assist in connecting product designers, local and international raw material suppliers, and potential buyers. Yet, the study

1  
2  
3 indicates that information regarding opportunities, innovation and resources for craft  
4 entrepreneurship are not freely available in these societies and community entrepreneurs need to  
5  
6 realize the importance of them and actively seek them out.  
7  
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9  
10 As this study found, in isolation, neither social nor human capital can fully describe how  
11 entrepreneurs spot opportunities in craft industries. As a result, the study looked at the network's  
12 function as another contingency factor, distinguishing between resource mobilization and  
13 opportunity identification in the handloom market. By identifying these causes, the study tackled  
14 Stuart and Sorenson's (2003) challenge of distinguishing network effects on opportunity  
15 identification from network consequences on resource mobilization (Coleman, 1988). Our study  
16 emphasized that the related institutional support and networks within the supply chain would be  
17 the most effective mediator for this purpose. Hence, these distinctions may enable improvements  
18 in the considerate of primary mechanisms of network properties and networks characteristics  
19 relating to the community entrepreneurial practices. Therefore, networks in craft-based CBE need  
20 to be comprised of diverse networking functional characteristics and structural and relational  
21 embeddedness to function within different community entrepreneurial circumstances.  
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#### 40 **Social Status**

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42 Occupational status is an element of socioeconomic status, an abbreviation for income level, power  
43 and educational qualifications related with occupational (Burgard, Schwartz & Stewart, 2003;  
44 Mare, 1987). According to Wrights (1997) typology, possession of skill is one indicator of the  
45 social class position and social and economic status of a person enabling others to evaluate this as  
46 part of a combination of wealth, career and education (Noël, 2018).  
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3 Within the craft sector generational progression persists particularly in indigenous weaving  
4 communities such as Thalagune where community growth is entirely based within the related  
5 family group by generation. However, the study discovered an unwillingness to become craftsman  
6 among the young generations of communities, linked to perceptions of lower social status. Young  
7 people expressed strong preferences for technological or office-based occupations and  
8 conventional eight-hour jobs outside the community as these are believed to be more prestigious  
9 occupations. Thus, perceptions of lower social status significantly reduce the numbers of young  
10 people joining the family business, which, if the pattern continues, has significant implications for  
11 long-term sustainability. Thus, we find that socio-cultural barriers act to prevent adoption of CBE  
12 among younger. However, recent growth of policy interest in developing creative industries may  
13 boost sector status may help reverse this trend.  
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### 31 **Innovation Mix**

32 Sustainability innovation for products and processes improvement are the keys of sustainable  
33 development leading to sustainable marketplace (Mortati, 2015). Our study findings reveal that  
34 sustainable entrepreneurship development in craft communities requires innovative approach for  
35 new products, processes and marketing. The four areas our research identified for innovation  
36 support are, product design, improved product manufacturing techniques, marketing strategy and  
37 infrastructure support to encourage new CBE opportunities.  
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47 Design is considered as a cross functional and multidisciplinary innovation activity  
48 (WESGRO, 2000). Most handloom products are similar across community craft producers. These  
49 products are mainly associated with traditional designs and development methods and need a  
50 radical change to enable sustainable and innovative design approaches (Fletcher, 2013; Tung,  
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3 2012) to be successful in a high-end competitive fashion market. The study results reveal the  
4  
5 significance of blending traditional handloom craft with contemporary designing in offering a  
6  
7 range of innovative products for market demand, but design innovation is limited in the handloom  
8  
9 communities of Sri Lanka. Traditional crafts rely on knowledge handed down through generations,  
10  
11 but adapting, reusing and recombining existing craft knowledge with innovative design will enable  
12  
13 innovative products and broaden markets. Handloom in Sri Lanka is a tacit expression of  
14  
15 intangible cultural heritage, and these expert skills are rooted in someone or within a local  
16  
17 community (Dissanayake, et al., 2017), but these factors can be retained alongside sustainable  
18  
19 innovative design, respecting traditional craft practices.  
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24 As the study discovered, communities are not able to offer a range of products meeting  
25  
26 market requirements. Therefore, our model highlights the need for strategic design innovation and  
27  
28 design intervention as a bridge to fill the gap between traditional artisans and mainstream markets,  
29  
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31 Marketing strategy is one of the key aspects to gain competitive business benefits in  
32  
33 expanding business performance (Sharma, 2004; Cotterill & Putsis, 2000). However, the study  
34  
35 revealed that the marketing challenges are one of the dominant issues encountered by the handloom  
36  
37 CBE. They do not have clearly defined target markets and are poorly equipped to innovate in  
38  
39 marketing. Most community producers trade their products using informal channels such as  
40  
41 weekly fairs, seasonal fairs or most commonly through intermediate persons. They have few direct  
42  
43 customers, minimizing the producers profit and leading to the community businesses being  
44  
45 uneconomic. Intermediaries involvement is a vital challenge for the current handloom business  
46  
47 process as intermediaries largely benefit from the products of the community members and have  
48  
49 a significant interest in maintaining the status quo, rather than in encouraging innovation and  
50  
51 broadening community-based enterprise. The role of intermediaries results in a major share of  
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3 community products going to market through various retailer brands without indicating  
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5 community identity, breaking the link between the producer and consumer.  
6

7  
8 The study found handloom communities have very little understanding and knowledge of  
9  
10 the domestic market and market networks which hampers their developing markets for themselves,  
11  
12 linking back to their reliance on strong, and community based familial networks and lack of wider,  
13  
14 weak networks which may facilitate access to new knowledge and opportunities. Furthermore,  
15  
16 they do not have the ability to engage external marketing agencies to support them, due to the cost  
17  
18 (Van Scheers, 2011). Very limited practices of social media based marketing and social media  
19  
20 networking take place within the community businesses, and where this does occur it is always  
21  
22 with the involvement of community youth. Our research indicated that simple strategies such as  
23  
24 providing distance learning resources to develop marketing skills among the younger, more  
25  
26 digitally literate member of the handloom communities could potentially improve marketing  
27  
28 innovation.  
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### 36 **Family Web**

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38 The study reveals family bonded businesses within handloom industry create more advantages  
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40 than individual CBE business. We use the term family web here to describe the family involvement  
41  
42 in craft business processes within local culture. This expresses how immediate family contributes  
43  
44 to the business expansion process and to the progress of the business through different generational  
45  
46 stages of the extended family (children, adults and even senior members in the family), each  
47  
48 playing different and often multiple roles. Individuals who have been involved with family  
49  
50 businesses since childhood have a unique form of human capital in terms of firm- specific, tacit  
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52 experience, acquired from comprehensive exposure to the sector, and can contribute more with the  
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3 potential they already have (Habbershon, Williams & MacMillan, 2003; Sirmon, & Michael,  
4  
5 2003). Further, the family web enhances the business with the involvement of extended members  
6  
7 supporting their entrepreneurial action within the families of communities.  
8  
9

10 Thalagune community is a perfect example of family-oriented CBE business, which has  
11  
12 survived through several generations- This community attempt to sustain their community identity  
13  
14 as 'Dumbara Weaving' which is unique to their products and manufacturing techniques. Also, they  
15  
16 preserve their traditional designs and manufacturing technology only within the community  
17  
18 permitting its' use only for the community.  
19  
20

21 The study identified unity and mutual support within the family and the family web  
22  
23 businesses as integral to success with synergies due to trusting relationships, task-specific  
24  
25 knowledge (Sirmon & Michael, 2003). The family offers support such as financial aid and skill to  
26  
27 the business (Cotterill & Putsis, 2000), Family webs are sustained through strong ties in  
28  
29 community culture that is characterized by deep family affinity (Granovetter, 1983; Burt, 2002).  
30  
31 The strong tie keeps the family web together creating strong networks of relational support for the  
32  
33 CBE family business. These family webs create opportunities for open discussion and allow a  
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35 diverse range of views, which can foster innovation and creative ideas. However, there are  
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37 disadvantages and clashes due to different viewpoints of the business direction, role of individuals  
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39 in the business, personal feelings of bitterness and emotions, and the close knit family may be  
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41 inward facing, and less able to build the networks of weak ties (Granovetter, 1983; Burt, 2002;).  
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43 needed to ensure business sustainability and innovation. However, our study reports well  
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45 performing craft family webs have that recognise such barriers and are enabled to address  
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47 shortcomings for the betterment of the business can implement change to long-standing practices.  
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49 Overall, we conclude communities are proud of their family webs, good name of the family and  
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3 the community they are a part of. They express their intention to continue to develop a rich cultural  
4 life, supporting their intangible cultural heritage for the wellbeing of generations to come and so  
5 future generations may gain prestige and a good reputation in the community.  
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## 10 **Conclusion and Recommendations**

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12 The study reveals the existing craft sector needs support to move from the community-based  
13 production currently in place to develop a model of sustainable CBE which will support economic  
14 gain and bring additional non-economic benefits to communities. Yet, most existing approaches,  
15 supported by governments or other external agencies have ended up as support or aid for livelihood  
16 rather than serving to build communities or developing their business confidence as independent,  
17 cooperative entrepreneurs. In large part existing approaches have failed due to misaddressing or  
18 misunderstanding the cultural identity of the community, that is personified by its cooperative ethic  
19 which would be a driving force of successful CBE. Policy interventions are needed to promote  
20 CBE among craft communities, as well as to encourage catalytic participation through facilitating  
21 professional engagement in communities to enable knowledge transfer to take place. The current  
22 conditions of resources and infrastructure in craft-based sectors in developing regions are not  
23 effectively captured with existing models of entrepreneurship, and this is in part why top-down  
24 efforts at expanding these sectors to provide sustainable livelihoods tend to have limited success.  
25 Therefore, these findings span the gap in current models of CBE business within the craft sector  
26 for community development efforts.  
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47 This study proposes a new model with an explanatory framework for the development of  
48 CBE of the local craft communities. This study suggests that CBE has the potential to assume a  
49 critical role in improving the livelihoods of craft communities and encouraging local development  
50 from the concept offered. Reflections from the study findings suggest four key aspects of CBE:  
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3 social networks, family business efforts (family-web), improving the social status of the  
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5 community members and support for innovation in technology, marketing and design have the  
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7 potential to enable more sustainable CBE. This new model of CBE focuses on bottom-up  
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9 development of indigenous communities to facilitate network building alongside focussed  
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11 interventions. Further, creation of an education infrastructure fostering entrepreneurship  
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13 (developing skills in marketing, pricing, network building and supply chains) plus provision of a  
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15 legal framework for CBE would assist in developing the four key aspects and improve  
16  
17 opportunities for CBE to be developed into a sustainable business model so related government  
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19 institutions and external institutions can offer mutually beneficial partnerships in maintaining  
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21 CBE's autonomy as craft communities in goal setting and decision making without intermediary  
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23 party intervention.  
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### 31 **Declaration of interest statement**

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33 The authors declare no conflict of interest  
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