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Institute for Community Studies
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SUPPORTS AND CHALLENGES FOR COMMUNITY BUSINESSES

Lessons learnt from Power to Change's legacy programme evaluations, November 2022

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About Power to Change

Power to Change is the independent trust that strengthens communities through community business. We use our experience to bring partners together to fund, grow and back community business to make places thrive. We are curious and rigorous; we do, test and learn. And we are here to support community business, whatever the challenge. We know community business works to create thriving places when local people take ownership over spaces that matter and deliver services that communities need. From pubs to libraries; shops to bakeries; swimming pools to solar farms, community businesses are locally rooted, community-led and trade for community benefit to make life better for local people. There are currently 11,300 community businesses across England with combined assets of £870 million, employing more than 37,000 people.

Since 2015 Power to Change has made significant investments in research, evaluation, and data analysis to better understand whether community businesses improve places, and, if so, whether Power to Change has supported them to do so. The outcomes of these investments are evident in the supporting evidence we have provided on our impact to-date. The robust evidence base we have developed has shown why the community business model is vital to enabling communities across England to thrive. Power to Change asked the Institute for Community Studies to conduct a review of evaluations commissioned as part of this overall investment in research, to capture learning about how best to support community businesses in future.

About The Institute for Community Studies

The Institute for Community Studies is powered by and part of the not-for-profit organisation, The Young Foundation. It's a new kind of research institute, with people at its heart. The Institute gives increasing weight to the stories, experience and evidence created in communities, supported through its national network of researchers. It provokes direct engagement with business and those influencing change, bridging the gap between communities, evidence and policymaking.

Acknowledgements

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Executive summary

This report summarises findings from a desk-based review of 17 publications commissioned by Power to Change, to share findings on the support and challenges that are faced by community businesses. Looking across Power to Change's grant and support programmes such as the Bright Ideas, Trade Up and Community Business Fund programmes, the report has organised findings across the four stages of development that community businesses might typically undergo.

Pre-venture stage	Inception stage	Growth stage	Scale stage

Figure 1: the four stages of development that community businesses move through (Plunkett Foundation, 2015)

Doing so has highlighted the impact of support targeted to the needs of community businesses at a point in time, but also the value of longer-term, holistic or wraparound support that community businesses might benefit from over their lifetime. From this, four key recommendations for funding and support have emerged, to help Power to Change and other funders to support community businesses to thrive.

Understand community businesses by stage or business model

Community businesses are frequently categorised and understood by their sector, both by funders and by community businesses themselves. Community businesses may need specialist support or face specific challenges in line with their venture or model, so when understood by their sector, the available support may not be relevant to their needs. A community business may access suitable support if it is understood as a growth-stage community business or a community interest company (CIC), rather than a health and wellbeing community business. Previous research by Power to Change has recommended creating pathways for community businesses to allow them to access the right support at different stages in their life cycles.

Use network approaches to better connect support within and between programmes

The review found that network approaches were effective in providing wrap-around support to community businesses, particularly in the provision of technical advice. This was because as challenges in developing a community business occur, expertise could be sourced from another part of the network. It follows that further support should involve this approach. Network approaches such as peer networks and enabler hubs can be developed in an iterative way, where members of the network may change over time to ensure the support provided is relevant. However, this also requires community businesses to be equipped with enough resources in the form of time, or an equal give-take relationship, to contribute to a networked approach.

Design financial support to mirror stages of development

The review has highlighted that the level of funding, the flexibility of the funding, and the wrap-around support embedded within programmes needs to be reflective of the challenges faced at each stage of development. The review highlighted a gap in supporting community businesses to become less grant-reliant and more self-sufficient. In particular, flexible funding beyond the inception phase allows established community businesses to continue being supported without penalty if they lose funding, are accountable to shareholders, or need to diversify their services away from their original plan. Larger grants that are longer-term in focus are vital and must provide freedom and flexibility for investing in new ventures.

Support the cultural development of community businesses

There is a need to support the cultural development of community businesses who emerge from their community. Support over time that accounts for the ways community businesses evolve as they transition between each stage is needed, and as community businesses establish and mature, the need to support cultural development becomes more specific and critical to the success of the community business. Both of these may involve wrap-around support from partners, or the network approach used by Power to Change's hubs and networks.

Section 1: **Introduction**

This report summarises findings from a desk-based review of 17 publications commissioned by Power to Change, undertaking a thematic content analysis approach across evaluation reports, programme summaries, thorough research outputs, and commentaries. This corpus of publications shares a range of findings on the support and challenges that are faced by community businesses. The findings have been organised within this report along the four stages of development that community businesses move through (Plunkett and Swersky, 2015). In undertaking this analysis, this report seeks to answer three key questions:

1. What have we learnt about what works for supporting community businesses at the different stages of their development (pre-venture, inception, growth, scale)?

2. What challenges are funding and support helping to address in the sector?

3. What should this mean for the future of funding and support for community businesses?

Pre-venture stage	The pre-venture phase represents a point at which members of a local community become aware of a local problem, need, or opportunity, to which a community business could be the answer. This trigger could take different forms: a valued local public asset such as a library or a sports centre could be under threat from budget cuts; a longstanding local business like a pub or a shop could be struggling financially or be subject to plans that would undermine its local role; or a local need might have emerged, for example, a lack of broadband access, that local people themselves are well-placed to meet.
Inception stage	The inception stage is the point at which a community business is formalised, graduating from an idea sketched on a napkin to a functioning organisation. At this phase, organisational structures are adopted, business planning takes place, and things are formalised within the community businesses.
Growth stage	The growth stage is a formative, high-risk stage for any community business. It is the moment of truth that decides whether or not early momentum can be translated into a financially and socially sustainable organisation. Here volunteers may become paid staff, governance arrangements may be made, and the importance of sound financing becomes apparent.
Scale stage	The scale stage is where community businesses have established a sustainable organisation and look at what could be achieved next. Businesses at this stage are doing good work, but find themselves improvising as they may be looking to change sectors or diversify their provision. As they look to their next venture, new challenges await, so novel approaches to support and funding are required.

Table 1: the four stages of development that community businesses move through (Plunkett and Swersky, 2015)

Power to Change programmes and support

Looking across the four stages of development, this review considered reflections and findings from a number of Power to Change's programmes, listed below. Bright Ideas, Trade Up and the Community Business Fund were specifically designed to support community businesses through the stages of community business development by which this report is organised. Others, such as the Next Generation Community Energy, Empowering Places, and Homes in Community Hands programmes provided support to organisations more broadly. Nonetheless, findings have been analysed and presented against the four stages of development that community businesses move through.

Bright Ideas

Bright Ideas supported grantees to achieve their bespoke objectives. It helped community groups and businesses develop their ideas, by giving them a better understanding of the community business sector, granting them access to funding and expertise, and supporting them to better engage with their local community.

Trade Up

This programme helps to build the confidence of community business leaders to increase their income from trading. Grants are provided to community businesses to invest in new equipment or diversify their work. The programme drew inspiration from peers who were running similar activities or similar business models and involves a peer support network where community businesses can access a space to get feedback from peers.

Community Business Fund

This programme supported community businesses to enhance the value of their capital assets (by acquiring new assets, increasing the value of existing assets, and covering running costs), and helped them increase their trading activity. Whilst the support from the network was primarily financial, beneficiaries of the fund were able to join a peer network where they could access ongoing support.

Next Generation Community Energy

The Next Generation Community Energy programme involves funding for community businesses addressing energy issues in communities. The funding is offered flexibly and without rigid criteria to allow growing community businesses the freedom to use the funding in ways that they need without being penalised. This means that if community businesses are required to repay capital over time to shareholders, then they can receive the much-needed funding without the risk of being penalised for such arrangements.

Initial Grants Programme

This 2015 programme was the first grants programme delivered by Power to Change. It provided funding to community businesses from across the UK, to support a range of projects seeking to address challenges faced by individuals and communities. Community businesses were granted capital funding, revenue investments, capital spend and funding to develop services and activities.

Empowering Places

The Empowering Places model involves network approaches to supporting community businesses that are rooted in or working for their local communities. This approach is delivered by involving those who might be seeking to start a community business as well as those who are local residents and have a vested interest in the area and might either use community businesses or volunteer with them, and training such individuals through Enabler Hubs and Peer support networks.

Homes in Community Hands

The Homes in Community Hands programme made grants in excess of £5.1 million, providing 60 individual grants to 44 different organisations. The funding covered grants to CLH projects, grants to CLH enabler organisations, and grants to/investments in other funding and finance mechanisms. The programme supported the planned development of around 5,000 homes.

Section 2: **Pre-venture stage**

The pre-venture stage of community businesses often emerges when local challenges arise. It is rare for people to rely on community businesses as a source of solutions for local problems or opportunities, but when they do these groups are often informal and voluntarily run. This pre-venture stage is the lightbulb moment when a group of local people realise solutions to a problem. Indeed, this phase is distinguished by the personal interest of a committed group of people, and it proceeds on the back of personal, informal research into potential options. At this stage, a number of questions arise that determine success or failure. Is there is awareness of community business viability? If so, can enough local people then be enthused about the cause? Can this enthusiasm then be translated into hard commitments of time and expertise?

It is often the pre-venture phase that gives community businesses much of their distinctive character. Often, in their early days, community businesses may be impromptu, haphazard and – in a positive sense – unprofessional. It is inherently inclusive, bringing together a group of people who are united by the fact that they live nearby and share a cause. It is fundamentally about taking ownership of a problem or opportunity. It is these informal characteristics, as much as formal legal status, that make community businesses a distinctive category of social enterprise activity in their own right. At the same time, at these stages, groups are often reliant on one or two key individuals whose goodwill and volunteering cannot be guaranteed. As such, its inherently impromptu and unprofessional nature of origin and reliance on individuals is also what makes pre-venture stage community businesses vulnerable to challenges in capacity, sustainability, and overall impact.

While pre-venture stage is one less commonly discussed across the literature, the support provided by Power to Change to community businesses recognises this phase as one in its own right in the life cycle of community businesses. Evaluations commissioned by Power to Change on community ownership, community housing, and community business durability provide important insight into the support and funding that community businesses, or informal community groups, received through benefitting from Power to Change programmes and supports. Additionally, examination of programmes aimed at pre-venture community businesses, such as Bright Ideas and Homes in Community Hands, contain prescient findings that when abstracted, show support from which community businesses at large could benefit. Examples include capacity enhancements resulting from networking and peer support, and financial support.

Existing support at pre-venture stage

Enabler hubs and peer networking

Across multiple programmes, Power to Change supported community businesses using an activator model, whereby community businesses support other smaller community businesses in their locality. Support mechanisms such as enabler hubs and peer networks also involved catalysts, which were key individuals often associated with similar community organisations, that can support the growth of the community business over time. Power to Change's Community Business Fund involved a peer brokerage arrangement where community businesses could access support from a peer organisation.

Across the evaluations and reports on Power to Change programmes, it was clear that involving pre-venture community businesses in supportive networks, such as peer networks and enabler hubs, enabled instigators of community businesses to access relevant support. The nature of these networks depended on the focus of the programme, as community businesses were connected to more mature and developed community businesses addressing a similar mission or project. For example, for pre-venture community businesses working to develop community housing associations, involvement in support hubs increased the number of groups that took provisional interest in becoming community businesses and significantly increased the number of community-led housing groups.

The enabler hubs developed throughout Power to Change's programmes for pre-venture community businesses involved stakeholders who possessed business skills, legal and financial expertise, and an understanding of how to develop environments that are conducive to community-led ventures. These hubs were designed to influence the wider ecosystem to create an enabling environment for nascent community businesses with regard to the specific projects they undertake. Part of this involved creating partnerships with private sector organisations to support the funding of community businesses, identifying local influencers and gatekeepers in communities, engaging trade associations to help community businesses, and advocating at public authority level.

Indeed, where these hubs were most effective was with involvement from key local stakeholders, particularly when place-based approaches were taken, such as those within Power to Change's Homes in Community Hands programme. Likewise, working with local authorities within the hubs can make local environments more conducive to community-based solutions by increasing the impact and scale of influence of hubs. In the case of Homes in Community Hands, their involvement helped community businesses to be more aware of local land disposal policies or other policies and financial instruments which enable individual housing projects.

A similar model of support for early-stage or pre-venture community businesses was peer networks. Power to Change supported community businesses by facilitating platforms for peer-learning between community businesses facing comparable challenges. This support has been most helpful for community businesses that require sector or project-specific expertise to ensure they meet external requirements, physical or spatial needs of their target service users. For instance, pre-venture community businesses within the health and wellbeing sector must develop appropriate contract arrangements and partnerships with commissioners, requiring significant sector specific support and peer networking (Hull et al. 2016).

Additionally, the importance of this approach for community businesses involved in the acquisition and management of community assets has been found across Power to Change's reviews of asset ownership and within their Trade Up and Empowering Places programmes. Such findings concern the importance of networking for asset-managing community businesses in addressing skill gaps through peer networks, as they can access opportunities for reflection or inspiration from the networks to help with managing assets.

In Power to Change's Trade Up programme, pre-venture community businesses drew inspiration from peers who were running similar activities or similar business models. Similarly, the peer support network enabled feedback from peers, who acted as a sounding board for ideas, or a source of knowledge by sharing their learnings having managed their own assets. The peer-learning and study sessions also enabled grantees to take a step back from the day-to-day operations of their community businesses, to think more strategically about their asset(s). Many grantees could develop new ideas for income generation and could reflect on the structure of their organisation.

A key approach in ensuring the right support reaches the community businesses at this stage was the involvement of key personnel who could ensure the hub or network was operating effectively. Examples of these include peer brokers and hub catalysts – individuals who helped community businesses better understand their communities' needs, identify the strengths and gaps of their business and improve internal processes. This approach had a positive impact on community businesses when the key individuals were paired well with the pre-venture community businesses.

Early finance interventions

Across Power to Change's programmes, pre-venture development has been supported through early finance intervention such as micro-grants and other capital grants. These micro-grants cover the small early costs that informal local groups may face when getting started. Evaluations of the different programmes suggested these offered more than financial viability, also playing a role as a valuable endorsement of a pre-venture community business' credibility. Micro-grants can give pre-venture community businesses the financial capital necessary to ensure that local people are mobilised and enthused as part of the development of the community business.

Other small funds may be provided when pre-venture community businesses require specific or specialised support. Where this was found was when informal groups emerged to attend to specific issues relating to community housing, community ownership, and health and wellbeing. Indeed, the funding offered to groups at this stage with these projects in mind reflected the needs and risks of such ventures. For instance, where funding was provided for pre-venture community businesses approaching asset ownership, the funding enabled the development of revenue streams through asset acquisition, which provided greater degrees of financial sustainability as community businesses transitioned into their inception phase.

Enabler hubs and peer networks again seemed to play an important role in interlinking support for community businesses accessing financial support. This supported community businesses within peer networks in asset acquisitions where specialist support and financial support were required. Likewise, community-led housing developments required initial funding injections to support the community businesses within enabler hubs. A review of the Community Business Fund found that 40% of community businesses who were supported through the funding also used the expertise of their peer brokers to gain an understanding of community needs, or the demand from the community. For example, one community business used its peer brokerage support to conduct community consultation through surveys.
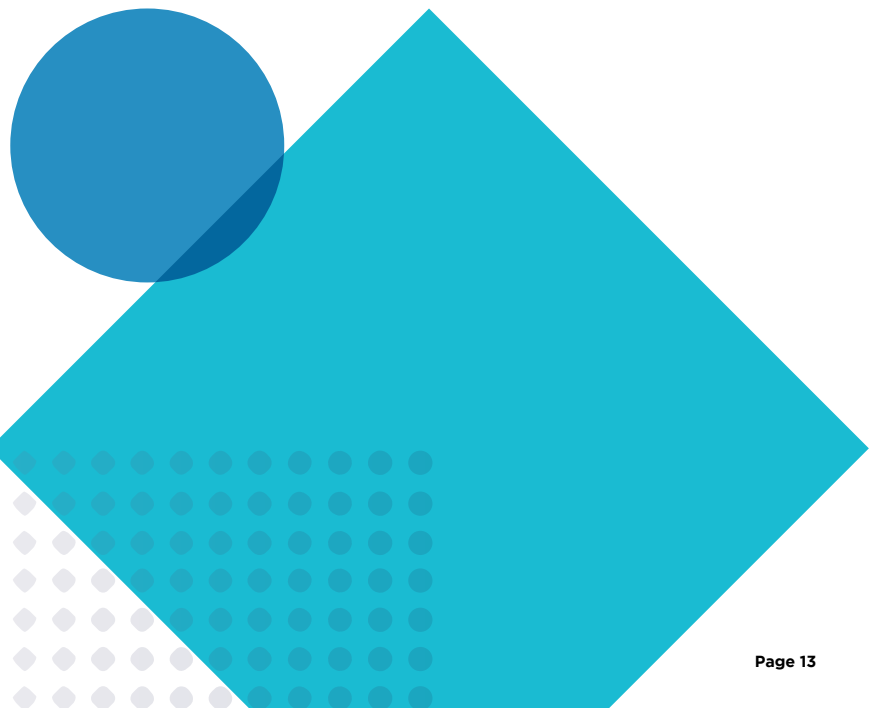
Case study – supporting community businesses to develop their ideas

The Bright Ideas programme supported grantees to achieve their own bespoke objectives. It helped community groups and businesses develop their ideas, by giving them a better understanding of the community business sector, granting them access to funding and expertise, and by supporting them to better engage with their local community. Bright Ideas helped build the confidence of community business leaders by developing their knowledge, legitimacy and expertise.

"Power to Change enabled us to [increase capacity] and gave us the initial sort of core capacity to explore some ideas…. you want the ability to be able to go and explore ideas a bit. You know, which one is gonna fizzle out which one is actually going to come to something… Otherwise, how can you firm up your strategy? You'll just have these ideas, but if you haven't got the capacity to really properly test them out, then they're always just floating around 'like, maybe we could do that'."

Bright Ideas grantee

Bright Ideas increased the confidence of community business leaders by creating a greater sense of legitimacy around their idea. This involved supporting them through various learning opportunities – i.e., peer learning opportunities, access to online resources, webinar and grantee networking events. This increased the individual confidence of leaders as well as their group's. It also provided a greater credibility in the eyes of external stakeholders such as local authorities, the community, and funders. Bright Ideas must be understood in the context of enabling factors and challenges for community businesses at various stages of development, including at their pre-venture stage:

Enabling factors	Challenges
– Strong communication and marketing strategy – Internal support and buy-in – Positive relationship with Bright Ideas advisors – Support from local community and stakeholders – Ability to fundraise	– Difficult team dynamics and lack of support for the idea – Capacity of the group – Issues with fundraising or trading

The Bright Ideas programme emphasises the need to support early-stage community businesses, demonstrating the role of programme co-design, flexible and bespoke support, peer networks and long-term support that can be built on in future support offers to pre-venture community businesses.

Opportunities for further support

A key challenge for community businesses at the pre-venture stage is to maintain the motivation and capacity that led to the initial formation of the community group. In such a nascent stage, groups are typically yet to receive financing, and participation is voluntary and therefore unsustainable in nature. While Power to Change's support has in many ways reflected the needs of community groups at pre-venture stage, evaluations and research have highlighted gaps and opportunities for more differentiated support, to more wholly address challenges and barriers for community businesses at this stage of development.

As discussed, enabler hubs, peer networks and catalyst resources such as peer brokers have undoubtedly played an important role in sharing learning and building capacity amongst pre-venture stage community businesses. There is value in energising and educating communities about the possibilities of community businesses to support more communities to translate 'lightbulb moments' for addressing local challenges, into more sustainable, place-based solutions. As well as communities, there is also an identified need to educate local authority officers, who are often across the table in early negotiations over a new community business.

It was identified that more targeted support for capacity development was needed, given their informal nature and unregistered status at the pre-venture stage. Whilst valuable given the general lack of support for community businesses at pre-venture stage, support offered through the enabler hubs and peer networks were generally seen to be better suited to later stages of development. For example, in some cases the recommendations made by peer brokers were not appropriate given where in the journey community businesses were or given the size of the organisation at the pre-venture stage.

The publications in this corpus highlight that additional capacity support focused on understanding the funding landscape in their geography/sector would be useful, particularly given the prominent role of volunteers at this stage, who may hold less knowledge in this regard. While additional capacity and skills can be accessed by collaborating with local charities or groups such as their local voluntary action council, community council, or credit union, working with other organisations can push up costs or reduce the proportion of funding a community business can access.

Many of the leaders of the community businesses supported through Power to Change's various programmes shared that financial challenges were faced at the pre-venture stage. As typically informal groups, community businesses were not neatly eligible for existing funding initiatives offered by Power to Change and other funders, as they may not yet be trading, or are organisations that are transitioning to become more like a community business. Where they could access funding initiatives, the use and benefit to pre-venture community businesses suggests that more flexible, small-scale funding is most helpful in facilitating their access to and management of assets, and in mitigating risks, especially when this was interlinked with the right technical and practical support as part of Power to Change programme support.

Section 3: **Inception stage**

When community businesses reach the point of inception, their venture becomes formalised and more technical expertise becomes essential. Indeed, the needs of community businesses at this stage differs from their pre-venture needs, with success coming down to specialist skills, from negotiation to financial modelling, and specialist knowledge covering everything from planning procedures to employment law.

Groups at their inception stage are understood as being new entrants to the community business market as they become registered community businesses. By nature, the inception stage of development involves challenges for informal groups who, for the first time, need to formalise their operations to progress their ventures further. Registering as a community interest company (CIC) or another form of community business such as a charitable company limited by guarantee is required, and this process is not simple. There are multiple models which groups can adopt to become a formal community business with each bringing benefits and limitations for what community businesses can do, shaping their future significantly.

For example, what may be suitable for community businesses whose venture contains the acquisition of an asset may not be suitable for a community business that is service-based or a community-led housing business. This is because community businesses may want to benefit from rate relief, an asset lock, or an asset of community value listing, which CICs and cooperative and community benefit societies can access, but charities cannot. The needs of a community business in the inception phase vary substantially depending on the sector they fall into and the technical expertise for which model is most appropriate seldom exists within the core group of volunteers developing the community business.

Further to the model that the community businesses can adopt, reports related to the inception of community businesses showed that the process of business planning further complicates the challenges these groups face at their inception phase. A report on how the concept of sector be useful to understand and support community businesses showed that business planning becomes a particularly significant challenge for recently formed community businesses (Meghjee et al, 2020). This is because purposeful mission statements and values for the community business must underpin the business planning for the social impact or value of community businesses to be made for the community. Again, this brings challenges to community businesses regardless of the venture or the sector they operate in, as this is likely to be a new challenge for those leading the community business.

The review highlighted the need for various skills and resources at the inception phase, including: business planning skills, understanding financing options, navigating the complex set of legal structures that a community business can take, asset management and contract management. A report that Plunkett and Swerwky (2015) conducted on behalf of Power to Change confirmed that whilst the support needs of community businesses are relatively well-served, there are still large numbers of community businesses that cannot access the support they need. For example, over 58% of their 130 survey respondents claimed to have never used specialist support for asset purchases, and 62% claimed they had not received advice for winning contracts or raising investment. This suggests that it is not easy to find specialist advice.

Existing support at inception stage

Targeted technical support

At inception, because of the implications of the types of business models adopted and the business planning, there is a clear and pressing need for more specialist and technical support. Therefore, Power to Change has provided support in line with the business models that are outlined as appropriate for community businesses. This means that support can be targeted to the particular venture or social mission that the community business has, such as acquiring an asset, providing health and wellbeing services, or improving house affordability and energy efficiency in a particular locality.

Examples of where such specialist support has been provided by Power to Change include help negotiating with local authorities over the transfer of an asset, support turning around a business, connecting community business leaders to partner organisations, other support agencies, and members of the community. Indeed, partnership development at this stage is important and so much of Power to Change's programme support focuses on this approach. Such support improved community businesses integrated and collaborative approach with partners, proving fundamental to their success as a community business. Support also enabled the community businesses to raise their profile as they became registered entities and enabled them to balance income generation against the demands of forming partnerships and collaboration.

This support can take many forms and has been provided by Power to Change through their Next Generation programme to support community energy businesses. Additionally, the peer network and enabling hubs that have been embedded within Power to Change programmes such as Bright Ideas, Trade Up, and the Community Business Fund have also ensured such support is provided to community businesses at this stage.

Start-up funding

At the inception stage, the funding offered to groups needs to reflect their stage of development and the nature of their organisational model. With groups evolving from pre-venture to the point at which they become recognised as community businesses, they may not be eligible for many grants or financing mechanisms. In particular, seed funding within Power to Change's programmes has been used by groups to fund the process of becoming a registered community business. In other cases, seed funding was used to pay for external expertise and access other technical support.

Examples of where community businesses can be supported at this stage include the Initial Grants Programme and the Community Business Fund. Both funds supported diverse community businesses with some being in their inception stage, as 79 community businesses were funded through the Community Business Fund and 40 community businesses were supported by the Initial Grants Programme. Around 9% of Initial Grants Programme applicants were successful, with the main reason for being unsuccessful that they did not fit the definition of a community business.

This suggests that further support is needed in terms of funding for community businesses in their inception phase. Similarly, the Community Business Fund grantees were not representative of the wider community business market, as larger, more established (and those based in London) were more likely to be granted funding than others. Again, this shows that support is needed at this stage,

Case study – supporting emerging community businesses to develop

The Empowering Places programmes is mobilising catalyst organisations – locally rooted organisations that have strong relationships with both their community and strategic local organisations – to support emerging community businesses. This includes support through skills and training, coaching and intensive support, incubating, providing seed grants and positioning and networking. Through these catalyst organisations, Power to Change is working towards community businesses being supported to have confidence in their ideas and the skills to build a business.

"Money is helpful, but being able to learn from other people, getting business advice and peer learning, has driven us to where we are."

Empowering Places participating community business

"Receiving professional advice, development and training on leadership and power got us to the next level. We are now taking part in sector meetings."

Empowering Places participating community business

Empowering Places has supported community businesses to develop the confidence, resources, skills and knowledge needed to feel supported to pursue and develop ideas and take risks. The use of catalyst organisations is creating a more sustainable and trusting ecosystem for community organisations to develop, whilst creating opportunities for skills and training that is suitable for the local operating context. Community businesses have reported being able to think more strategically, gaining exposure to different ways of working through peer learning. An impact report of the programme has also highlighted the value of less tangible support in the form of informal ongoing day-to-day support, advice and external perspective and access to catalyst staff members' knowledge.

Enabling factors	Challenges
– Distributed, local support by organisations with supportive resources and networks – Business development situated within wider context and strategic relationships in a place – Personalised skills training – Reducing financial burden during inception stage	– Financial risk continuing to act as a barrier for many – Challenges in unlocking space and assets to trade from – Challenges in establishing themselves within the community – Overreliance on catalyst organisations

While Empowering Places is an experimental programme, it demonstrates the value of technical advice and start-up funding to help build confidence of emerging community businesses, demonstrating the role of enabling local infrastructure and targeted support for helping community businesses to navigate an exciting but challenging period.

Opportunities for further support

Because registering pre-venture groups as community businesses is required for groups to progress, segmenting the sector by business model (rather than trade or activity), can enable support to be provided to community businesses which are appropriate. Indeed, if support programmes were aimed towards groups based on their business model, rather than based on the sector they operate in, it may mean that the support can support the community business in a longer term and more sustainable way. This could mean support is provided to community businesses more flexibly as they do not need to fit within a more fixed criterion for support based on a sector typology.

Due to the clear and pressing need for more specialist and technical support for community businesses at this stage, future support programmes could prioritise ensuring that community businesses are provided with expertise, knowledge, and experience within what is offered. The Empowering Places evaluation commissioned by Power to Change showed that training in governance, marketing, funding and finance was needed to start or strengthen community businesses. The evaluation showed that additional intensive support was necessary for community businesses at this stage, with this support coming from working within networks or by being coached in one-on-one arrangements.

Further, support at this stage should involve supporting community business leaders by fostering connections and partnerships. As, when emerging from communities, there may not be a balance to the connections that have been fostered by community business leaders. Several reports highlighted that social capital needs to be fostered within community businesses at this stage, with the connections bridged between community members and public authorities being fostered for bonding social capital to be mobilised (Kleinheins et al, 2020; O'Flynn et al, 2021).

While across the different programmes, funding at the inception stage could be used to build capacity, findings from these reports suggest that non-financial support was most appropriate at this stage. This suggests that support packages should involve technical or specialist advice to build the capacity of the community businesses, with support built in to enhance the financial capacity too.

Section 4: **Growth stage**

The growth stage represents the moment when a community business develops into a financially and socially sustainable organisation, growing to become durable over time. This includes growing revenues, so earned income becomes a foundation of planning the business model as structures become formalised. When community businesses grow, they go from relying on volunteers to employing staff, and from being led by founders to managers who are employed, with trustees being appointed. At this stage, succession planning and governance are concerns of community businesses, as founders are replaced by salaried managers. With this shift challenges around organisational finance, culture and partners arise.

Evaluations of Power to Change's programmes reveal situations, challenges, and considerations for supporting community businesses as they transition through inception to growth, and growth to scale. Indeed, as community businesses grow sustainability and durability are key considerations. Research reviewing the durability of community businesses reveals collective leadership, community engagement and accountability, business models, aligned entrepreneurial culture, networks, and partnerships as key for transitioning to and durability at growth stage. Not all five conditions need to be met to achieve durability.

With shifts to working more formally, a consistently emerging finding across Power to Change evaluations was that financing the growth of the community business was a major challenge. This challenge relates to the financial planning within the business model developed during inception and concerns the extent that community businesses could develop novel revenue streams and obtain grants. Community businesses at this stage were found to struggle to increase revenues, as trading is in its infancy. This lack of revenue growth represents a catch-22 issue where if community businesses struggle to grow, or 'get off the ground' after their inception, with little growth in financial capital, they struggle to implement staffing structures or make necessary investments in the organisation.

This follows on the structural changes within the community business as governance, senior management, and operational positions become fixed. For community businesses to grow, these positions should be inclusive and proactive to ensure that openness, engagement, continuous learning, adaptability, and creative problem solving remain within the workforce, and that most importantly, community interests continue to be served. At growth stage, members of the community should continue to be involved in the (co-)creation, delivery, and consumption of services and goods provided by community businesses, and if the business planning at the inception stage served its purpose, the community business should be providing benefit for their local community regardless of the sector they operate in, or the business model adopted.

Additionally, for growth as a community business to be durable, an aligned culture and a presence of networks and partnerships is required. This kind of culture is defined by values and the social mission incorporated and shared by everyone, starting with a vision about the ultimate purposes and values of the community business and its direction of travel. Such mission and values must be understood and shared across your community business also fosters shared ownership and a common sense of purpose required to manage organisational change successfully. Where culture is an afterthought for those running community businesses, there can be a lost sense of mission, disoriented employees, increased staff turnover, and a damaged public image.

Existing support at growth stage

Flexible funding to enable durability

As community businesses enter the market at growth stage, there may yet be an established revenue, trading, or capital presence. At this stage of community business development, Power to Change programmes demonstrated that grants or loans of between £75,000-£200,000 can be the difference between sustainability and failure or a hand-to-mouth existence that inhibits the longer-term developments that are needed for sustainability. Across programmes, Power to Change supported the growth of community businesses by providing a variety of funding opportunities, delivered as part of broader support programmes for such community businesses. These included revenue grants, capital grants and other funds.

For example, revenue grants were effective in providing community businesses with support to cover their initial running costs. This enabled community businesses to see through asset acquisition processes by covering running costs while resources were diverted to acquiring an asset. Additionally, grants were used to cover staff costs associated with developing and managing new trading activity, meaning that the organisational sustainability of community businesses was covered. Other funding from Power to Change such as through the Initial Grants Programme, the Community Business Fund, and the financial support in the Trade Up and Bright Ideas programmes, enabled community businesses to cover investment costs of or to ensure that staffing and infrastructure are sustainable.

Most important at growth stage proved to be flexibility. Often, Power to Change supported community businesses with their first source of funding since registering as a social enterprise. This plugged a gap, where a community businesses eligibility may have been less clear to those running or managing it, deeming it problematic to some funders. For instance, if a community business operates as a cooperative or community benefit society then funds are repaid to shareholders, which may be penalised by most funders. Within Power to Change's Next Generation Funding, these types of community businesses were supported to ensure they have a model in place which allows for funding to be attained.

Building capacity

Power to Change provided or connected community businesses with important capacity building support during the growth stage. For example, the Empowering Places programme involved the provision of skill and training support that can help community business leaders start, grow, and strengthen their business. Such training included governance, marketing, funding, and finance through a range of providers including those in the programme provider pool. Community businesses were also supported through coaching and intensive support from catalyst staff or delivery partners focused on supporting them through this growth stage.

Additionally, through such approaches, Power to Change supported community businesses by advocating for local authorities and other stakeholders to support and value community business, as well as using local networks to help the community businesses form strong connections and position themselves in their communities. This has included making introductions, involving the community businesses in local events, or linking them with other organisations that can support their work. Networks and partnerships were viewed as key success factors for the growth of a community business to be sustainable and durable, acting as a primary driver of creativity and greater sustainability.

Overall, the capacity support embedded within some of Power to Change's programmes, shows that network and partnership approaches to supporting community businesses have been effective in ensuring that growth occurs sustainably and equitably for community businesses. Networking was found to lead to the diversification of services and trading income, as a result of working with a diverse range of partners. As discussed, community hubs and peer networks are effective mechanisms for this. The use of activators and catalysts aligns with the approach of peer networks and hubs, but with this support being more specific to the growth phase of community business development.

Aligning culture and refocusing on mission

As community businesses enter the market there may be a temptation to shift away from their original venture. Having a culture which is focused on serving the community and a clear social mission underpinning this, can ensure mission drift does not occur. Power to Change supported community businesses at this stage by training staff members of community businesses in how to revisit their social mission. For example, the Trade Up programme helped community businesses to think about 'the why' of their organisation and to develop purposeful mission statements and values for their organisation, which could help them with business planning or understanding the social impact or value of their businesses to their community.

Case study – nurturing leadership for growth and resilience

Power to Change's Trade Up programme provides support to community businesses to improve their resilience to both early-stage businesses planning to increase trading, or established businesses who are making significant changes to their business plan to refocus on trading or develop a new/additional trading income stream. Community businesses have been supported through a small-group nine-month action learning programme, traditional or matched trading grants, and access to peer support.

"Because of the support I received from Trade Up, I was able to look at the business model and a lot of what came out of it was being able to sit with the staff and directors and do some planning. We found time to do that to make sure we were going in the right direction and obviously the money supported that as well... So, it helped us re-evaluate, refocus and prioritise where we would like to go."

Trade Up programme participant

The programme was found to improve resilience, in particular by refocusing the direction of their organisation, developing networks, and increasing their knowledge and confidence. The programme helped community businesses to move beyond focusing on day-to-day operation and prioritise organisational development. Support to develop purposeful mission statements helped community businesses with business planning and valuing their contribution to the community to encourage growth. While the matched trading funding encouraged a more entrepreneurial mindset and helped them to explore what income streams worked or didn't, community businesses were still found to have varying appetites for risk, which might impact on their potential for growth.

Enabling factors	Challenges
– Space for strategic planning and organisational development – Regional 'schools' for more targeted peer support – Small group sizes and action learning	– Capacity for leaders to embed learning in wider organisation – Continued reliance on grants – Confidence in the community business model by other stakeholders

Trade Up has brought together funding, capacity building and organisational development, resulting in an increase in community businesses' resilience. However, the challenges associated with the assumption of cascade learning from leaders into their wider organisations, highlights the need for organisational development support to extend beyond just leaders in order to achieve effective growth.

Opportunities for further support

As community businesses move beyond their inception and look to sustain themselves long into the future, the support and funding offered to support their growth needs to lay foundations for the longer-term sustainability of these organisations. While start-up funding offers were important at inception stage, at growth stage they are often too short-term or limited. Funding needs to account for the ventures that community businesses are undertaking. Funding at this stage should also be offered more flexibly in a way that can support community businesses in exploring and testing different ways to diversify revenue streams, and thus become more financially viable and resilient.

For example, longer-term funding can be associated with assets when community businesses have acquired them, allowing them to holistically build their business around the asset. Similarly, for community businesses providing health and wellbeing services or addressing housing and energy issues, longer-term grant funding and capital support can enable the community business to use grant funding more strategically as they grow.

Looking across the publications in this corpus suggests that at this stage, there is an opportunity for future support to build on the network approaches adopted at earlier stages of programme support, such as hubs. Additional stakeholders should be included in the support for community businesses, including other organisations and local authorities. To be adapted to this point in the development process, hubs would need to be financed with a long-term approach in mind. Additionally, the hubs need to be developed with key stakeholders engaged throughout the development process to ensure that the support needed is provided.

This type of support could involve organisations that are more mature and established and can build on their best practice. The community businesses can then be supported in replicating such work in the future as they mature further. Local authorities could be involved to facilitate the growth of community business in their area, and by working as part of a support network, such as the peer networks or enabler hubs they could provide this support by building effective, clear, and collaborative long-term relationships. A broader and more strategic approach with hubs is required to enable a more strategic approach to relationship management and more targeted advocacy strategies.

Section 5: **Scale stage**

The scale stage – the last in a community business's development – sees community businesses establish and mature into sustainable organisations. This stage is concerned with the long-term sustainment of aspects of the community businesses. However, community businesses at this stage find themselves in a unique position, where they may have matured or evolved beyond the remit of their original social mission, this stage of organisational development can present unforeseen and unusual challenges. Community businesses that operate at this stage are doing good work, but find themselves improvising, with some expanding beyond their original purpose.

Plunkett and Swerwky (2015) reported a social franchising approach where community businesses which operated in one area, were supported to provide a similar service elsewhere. This involved the same approach taken to growing the community business, but applied in the additional geographical area, ensuring that the community business stayed true to the local, bottom-up nature of the sector. An example of this, in this instance, would be for community businesses to acquire another asset. This could mean acquiring another community centre in another geographical area of the city, or a different asset type.

The advice of experts and specialists might be needed as community businesses at this stage may enter new markets or develop their offerings. This means they need help to articulate what they stand for and what support they need as they evolve. It may be that the community businesses need strategic support to ensure organisation stays true to its social mission, as well as ensuring other objectives such as maintaining the accessibility of a community asset, providing health and wellbeing opportunities, or improving the affordability of local homes. Relatively few community businesses known to Power to Change have reached the scale stage.

A challenge in managing community businesses as they look to scale is how succession planning is conducted. This covers a variety of aspects of the business including the leadership, the staffing and the financial planning. In small local community businesses, success depends disproportionately on the energy, commitment, and charisma of an individual founder and some willing volunteers. Meanwhile, scaling means professionalising leadership in a literal sense, replacing leaders who have a personal stake with paid managers and executives. For senior management changes to be made, governance arrangements need to be firm to make it through this difficult transition, and this may mean that trustees and board members may need to change, as the skills needed to govern an ever-growing community business have evolved.

Existing support at scale stage

Examples of support at the scale stage concern the development of partnerships that can be strengthened over time. The peer support and enabler hubs that community businesses are involved with at earlier stages of organisational development may not be as appropriate for mature community businesses that are looking to scale. Indeed, the involvement of such community businesses in these peer support infrastructures may change at this stage, if they shift to contributing to them, or create new relationships with organisations at similar stages of development.

Throughout this review, the network approach of many Power to Change programmes has been highlighted as a significant way for community businesses to be supported as they register and grow as organisations. However, in the programmes where this support was provided, some community businesses did not feel like peer brokers within peer networks were able to contribute specialist expertise or appropriate support, as the nature of the programme was not suitable given the maturity of the community businesses. This is despite the Community Business Fund's focus on peer networks for mature community businesses, indicating that adjustments would need to be made for the fund to support beyond the growth stage, into the scale stage.

In terms of funding, typically less support was found to be available at the scale stage. Support, such as the aforementioned Community Business Fund, were available to more mature community businesses looking to increase revenue and/or capital in order to grow and become durable. Trade Up offered matched grants to incentivise community businesses to grow their earned income, in the hope of becoming more innovative and adaptable as well as more financially sustainable. In the case of the later, an evaluation found that many community businesses will continue to need grant funding to buy capital equipment or to sustain core activity for long enough to develop areas of their business.

Case study – supporting community business to scale their activities

The Community Business Fund provided growth-focused grants to community businesses for capital or revenue funding, with the aim of supporting existing community businesses to progress towards greater self-sufficiency by increasing their trading income, securing an asset and / or significantly reducing revenue costs. This funding – anywhere between £50,000 and £300,000 – was accompanied by a peer brokerage model, whereby other community businesses would support them to co-identify their business development needs.

"We moved from edge of town to the high street… It felt like an important and significant move for lots of people in the town and I think you could say that it impacted on community empowerment and pride. [Capital investment] has supported us to understand what we need to have in place and what we have the potential to offer. And it has led us to this new phase that we are in now of looking to rebrand and sharpen our focus."

Community Business Fund grantee

The Community Business Fund was found to support grantees to increase the value of their asset in multiple ways, with grants also providing a safety net for community businesses when unexpected costs arose. It increased trading activity, including new income generating activities to help community businesses move from inception-stage ideas realisation to relative self-sufficiency, including helping to ensure assets were more suitable for said income generation. While some found the peer brokerage model useful, more mature community businesses highlighted the advice and support available through that model was not fit for purpose given where they were in the journey or the size of their community business. In particular, the flexible approach to grant management was evaluated to be an important feature of this programme for supporting more mature community businesses.

Enabling factors	Challenges
– Larger grants to overcome financial barriers – Peer brokers to help identify business development needs	– Internal factors such as business plans – External factors such as a supportive community – Trust and confidence in community businesses

Through the offer of large grants for the clear purpose of scale, the Community Business Fund has demonstrated the value of flexible funding to support a variety of social missions and business ventures to overcome significant financial barriers in order to lay foundations for long-term sustainability.

Opportunities for further support

Across Power to Change programme evaluations, the utility of both support and funding was disproportionate. Funding was more accessible and appropriate for community businesses at this stage, with the provision of support in need of improvement. There was a variety of funds that community businesses could apply for, but in the future, this funding needs to be longer-term in focus and be granted on more flexible terms to allow community businesses to diversify their services or their sector. For example, Meghjee et al, (2020) argued that this longer-term focus needs to reflect the changing nature of the community business market.

Peer support and networked approach has been a particular useful feature of programmes when community businesses find themselves at earlier stages of development, whereby Power to Change's peer infrastructure is delivered as a mechanism in the development and growth of community businesses. However, at the scale stage there is a need to adjust the approach to better suit the maturity of community businesses, and to account for the relatively fewer community businesses that operate within this stage. To support these community businesses, different peer infrastructures should also account for occasions where community are sustained but find themselves exploring novel ventures.

This could mean that the support at this stage reflects the situation that the community business is in, and other specific characteristics regarding their community, their sector, and the services they deliver. Future support should ensure that the expertise and advice is being provided by peers who have specific experience in line with the needs of the community business. Indeed, community businesses might need additional support to identify and be explicit about what their needs are, so that such bespoke support can be developed.

Further research into the needs and challenges for community businesses at the scale stage would help funders to better understand the role community businesses play as markets change. This could help funders focus support on community businesses in sectors where they are underrepresented. Such research would also advocate for the role of community businesses within the market, to build confidence in their viability amongst other stakeholders such as local government and volunteers. The review has also highlighted a call for funders to support community businesses to adapt and innovate in response to new opportunities, by providing flexibility for community businesses to adapt quickly and easily or to invest in the capacity needed to identify and respond to new opportunities.

Section 6: **Conclusion and recommendations**

Conclusion

The programmes and support provided by Power to Change, and the subsequent research and evaluation commissioned, make an important contribution to the evidence for what works, and what could work better, for supporting community businesses as they evolve from 'lightbulb moments' within communities, to sustained and formalised community businesses. Organising this evidence across the four stages of development that community businesses experience has highlighted a parallel staged support that community businesses need to answer to the different opportunities, challenges and barriers they face.

A key finding across the corpus is that as a community business evolves, so must its internal capacity, and so must the support that is offered through such a journey. The knowledge and skills required to respond to and involve the community at the pre-venture stage is vastly different to the knowledge of how to adopt business models, conduct business planning, and liaise with institutions such as local authorities at the inception and growth stage. To then actually grow the community business into a scalable organisation requires a specific skillset.

In a similar way, the nature of the connections that community business leaders must make will evolve over time as the organisation develops. As, at pre-venture stage, these connections may be with other well-meaning community members who want to achieve the same venture as the community business leaders. But as they proceed through the inception of the community business, connection to local authorities, local agencies, and service users become a priority for business sustainability to be achieved. Therefore, support is needed to ensure these connections can be developed over time.

The nature of financing community businesses was also seen to evolve distinctly over time, as they transition through the stages of development. Regardless of the geography or sector in which community businesses are operating, financial commitments grow over time. Financing shifts from low costs for exploration at the pre-venture stage, to significant funding required for technical expertise, asset acquisition or business maintenance,. Financial support offers should mirror both the scale and type of funding needed across these different stages.

The review has highlighted the technical nature of specialist advice and the specificity of funding increases over time, as community businesses mature and have clear objectives regarding their social missions. Overall, capacity support was found to be most beneficial when delivered through enabler hubs and peer networks, embedded in a number of Power to Change programmes. This support was particularly effective when delivered alongside grants to the community businesses. Nonetheless, as discussed, the review has identified significant gaps in support around transitioning into and out of inception phase. Additionally, support and funding for mature community businesses can be restrictive, and often potentially risk them being penalised regarding how this is used.

Across the corpus, as well as stage-specific support, Power to Change has been found to offer support that is more long-term and holistic in nature. In particular, network approaches offer an opportunity to build better connected support across different stages of development and between community businesses. This would help community businesses to navigate their own development, but also the local context and the sector at large. For example, the hub approach developed by Power to Change involved place-based support networks aimed at early-stage or pre-venture community businesses developing their local place, taking on assets, or creating community housing projects, with this same model was used for mature community businesses at their growth and scale phase.

Likewise, the peer networks developed by Power to Change, meant that community businesses could be supported with their initial emergence, as those with experience of start pre-venture or early-stage groups could lend their expertise to get things going. This support could be continued in a network approach as the community businesses developed their ideas, and often, the network had funding embedded within it to support the community businesses with capital to fund their venture. This approach where peer networks or catalyst organisations were used for support was vital for community businesses throughout all stages of development, especially where the focus of the community businesses work was place-based or geographical in nature.

Recommendations

Understand community businesses by stage or business model

Community businesses are frequently categorised and understood by their sector, both by funders and by community businesses themselves. Community businesses may need specialist support or face specific challenges in line with their venture or model, so when understood by their sector, the available support may not be relevant to their needs. A community business may access suitable support if it is understood as a growth-stage community business or a community interest company (CIC), rather than a health and wellbeing community business. Previous research by Power to Change has recommended creating pathways for community businesses to allow them to access the right support at different stages in their life cycles.

Use network approaches to better connect support within and between programmes

The review found that network approaches were effective in providing wrap-around support to community businesses, particularly in the provision of technical advice. This was because as challenges in developing a community business occur, expertise could be sourced from another part of the network. It follows that further support should involve this approach. Network approaches such as peer networks and enabler hubs can be developed in an iterative way where members of the network may change over time to ensure the support provided is relevant. However, this also requires community businesses to be equipped with enough resources in the form of time, or an equal give-take relationship, to contribute to a networked approach.

Design financial support to mirror stages of development

The review has highlighted that the level of funding, the flexibility of the funding, and the wrap-around support embedded within programmes need to be reflective of the challenges faced at each stage. The review highlighted a gap in supporting community businesses to become less grant-reliant and more self-sufficient. In particular, flexible funding beyond the inception phase allows established community businesses to continue being supported without penalty if they lose funding, are accountable to shareholders, or need to diversify their services away from their original plan. Larger grants that are longer-term in focus are vital and must provide freedom and flexibility for investing in new ventures.

Support the cultural development of community businesses

When supporting community businesses who emerge from their community, there is a need to support the cultural development within the community businesses. Support over time that accounts for the ways community businesses evolve as they transition between each stage is needed, and as community businesses establish and mature, the need to support cultural development becomes more specific and critical to the success of the community business. Both of these may involve wrap-around support from partners, or the network approach used by Power to Change's hubs and networks.

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