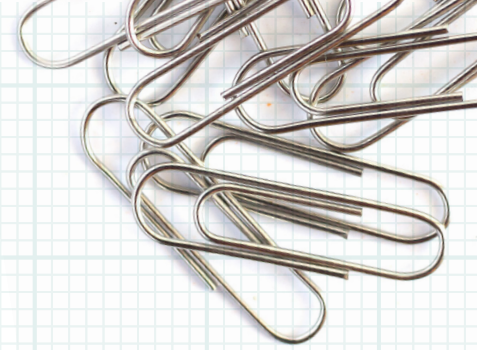




power to  
change

business in  
community  
hands

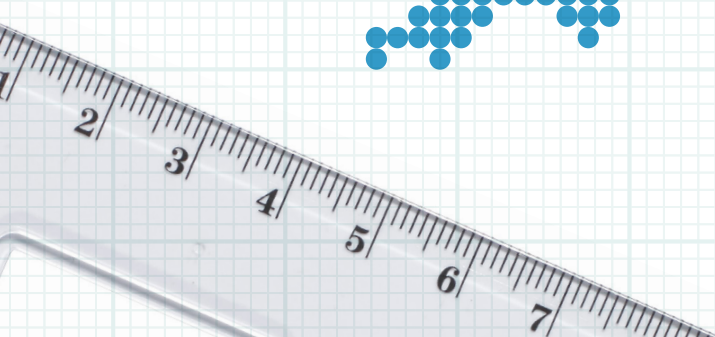
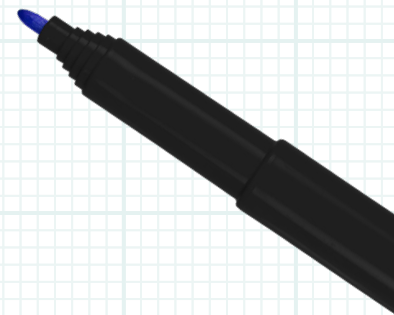


# Identifying

# Community

# Businesses

# in National Datasets



A report prepared for the Power to Change by the Enterprise Research Centre		SUPPORTED BY:	
WRITTEN BY:	DATE:		
Prof. Stephen Roper Dr. Karen Bonner	December 2017	<b>LOTTERY FUNDED</b>	

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## About this Report

Community businesses are small businesses, although they have many distinctive features that differentiate them from small private businesses. A core research question for Power to Change is around the definition and understanding of community business – how big is the community business market in England, how does it break down across industry sectors, and how is it performing? To help us to tackle these questions, we commissioned a team at the Enterprise Research Centre to look at whether existing business datasets can provide any of this information relating specifically to community business. This report describes their approach and findings. This work has been built upon and tested as part of our annual research into the community business market, and the findings of that work, *The Community Business Market in 2017*, can be read on the Power to Change Research Institute webpages.

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## About the authors

Stephen Roper is Professor of Enterprise at Warwick Business School and Director of the Enterprise Research Centre. His research focuses on using micro-econometric approaches to understanding innovation. His current research focuses on commercialisation of the science base, innovation in the service sector, inclusive innovation, local innovation benchmarks and university-industry collaboration. Stephen regularly acts as a consultant for OECD and the World Bank on issues related to small business development and innovation policy including projects in Abu Dhabi, Mexico, Israel, Poland, Columbia and Austria over the last two years.

Dr Karen Bonner is a Lecturer in Entrepreneurship at Queens University, Belfast. She also works with the Enterprise Research Centre to provide support to the Demography and Innovation research themes. Her teaching and research interests have a policy focus and lie within the areas of entrepreneurship, innovation and small and medium-sized enterprise (SME) growth. Karen co-authors the UK Global Entrepreneurship Monitor (GEM) report. She also has extensive experience utilising micro-data to examine aspects of firm performance in both Northern Ireland and the UK.

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## Summary of findings

### 01 –

The aim of this project was to test the proposition that we can identify a robust sample of community businesses using Companies House data and/or the Inter-departmental Business Register (or IDBR) which can be used by Power to Change as a sampling frame for future survey activity.

### 02 –

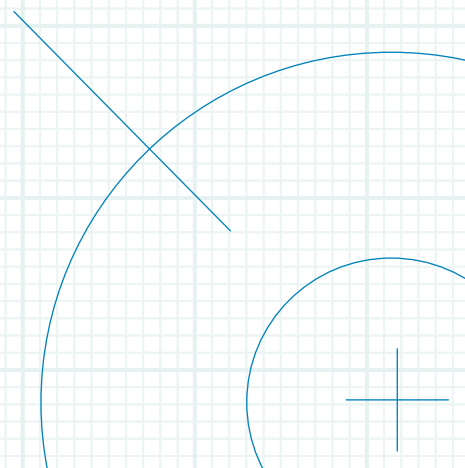
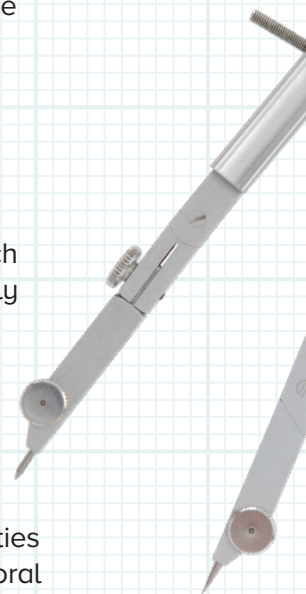
We focus on Companies House data as this provides biographical data for each firm and a more flexible search criteria when accessed through the commercially provided FAME database.

### 03 –

Iteration with Power to Change staff and examination of sample lists for four cities resulted in a final search strategy involving a combination of legal status, sectoral identifiers, organisational indicators and size measures. This identified a list of around 23,000 potential community companies across the UK and a list of these was provided to Power to Change, along with this report. The list can be found on the Power to Change website alongside this report.

### 04 –

Although probably the best that can be done, this final list is likely to contain a significant number of 'false positives'. Any survey work using this list might therefore want to include some form of early filter question to establish clearly whether individual businesses do consider themselves to be community companies.



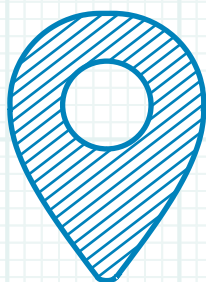
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## Introduction

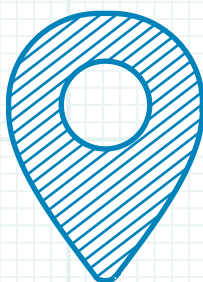


The aim of this project was to test the proposition that we can identify a robust sample of community businesses using Companies House data and/or the Inter-departmental Business Register (or IDBR). Both datasets are available to the Enterprise Research Centre (ERC) research team through the Secure Data Service and their universities.

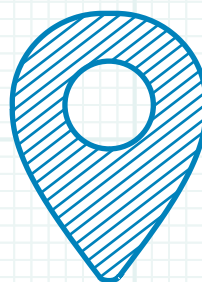
The intention was to initially focus on four areas (Bristol, Liverpool, Plymouth and Sheffield) for which Power to Change already have a good understanding of the population of community businesses. If a successful set of criteria could be drawn up which would identify community businesses in each respective area, as verified by Power to Change, then this would be applied to the full UK dataset to provide a sampling frame for future survey work.



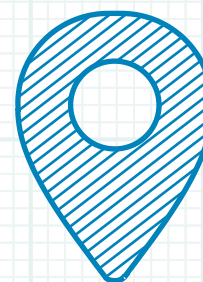
**Bristol**



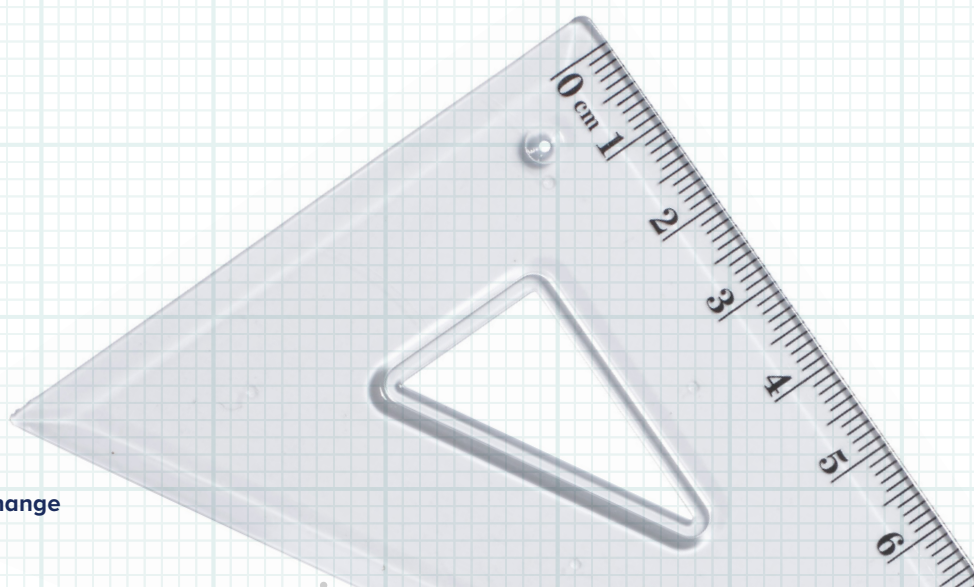
**Liverpool**



**Sheffield**



**Plymouth**





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## Data sources

- We initially proposed to focus on two data sources, each of which have very different properties and therefore offer different advantages:

**Companies House** data in the UK covers all companies registered with limited liability status or any other statutory status (e.g. CIC, LLP, PLC). It includes the accounting history of the business and details of directors and business activities. Large companies are required to register full accounts – including a full balance sheet and profit and loss account – but smaller companies (including most community businesses) are only required to register partial accounts which include only very limited accounting information. More specifically, very little turnover or employment information is available for smaller firms. The potential value of Companies House data is therefore in its comprehensive coverage of which firms exist – and their background details – rather than the accounting information which it can provide. It may therefore provide a survey sampling frame but is unlikely to be an alternative to conducting a business survey. It might also be useful for drawing heat or density maps reflecting the number of community businesses in each area.

Companies House data is made available commercially through a database called FAME or Financial Analysis Made Easy. This is readily searchable by geographic area, sector, and using different firm characteristics and has very flexible output formats. The firm identifiers in the data base include CICs and a flag for companies limited by guarantee. Charities are also identified. These flags alongside a sectoral identifier are most likely to generate a list of potential community businesses.

**IDBR** is a UK government data resource which includes information on all UK firms with either a VAT registration or PAYE account. The data is made available to the research community in anonymous form, i.e. we can see individual firm data (employment, turnover etc.) and some characteristics of each firm but are not able to identify firm identity. In particular, we have no details of the company name and address or leadership. The IDBR may therefore be useful to Power to Change in drawing heat or density maps and providing context for any survey activity. It will not provide a sampling frame for any survey activity. Community companies will need to be identified here primarily by sector (i.e. 4 digit SIC code).

Because of the potential to provide both density data (by area) and the potential to generate survey sampling frames our primary focus will be on FAME data rather than IDBR data.



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## Study approach

### 3.1 Understanding Community Business

The first stage of the analysis was to understand the working definition which Power to Change use to distinguish community companies. Through a combination of meetings and analysing their report “The Community Business Market in 2016” a list of criteria was drawn up which would identify their primary activities and filter out those businesses which were not community-based.

The resulting key criteria were used in terms of narrowing the pool of businesses:

1. They are likely to be CICs, Charities or Limited by Guarantee
2. They are single site
3. Report turnover of less than £10m

The following additional criterion was also suggested as worth exploring in case the above yielded too wide a sample:

4. Directors’ addresses and the operating site of the business should be in the same locality

The sectoral criterion was initially based on the definitions used in table in Appendix A of the report *The Community Business Market in 2016*. In the first instance a text search of these sectors was used.<sup>1</sup>

### 3.2 Results of data analysis and search strategy

The basis of the search strategy was to provide Power to Change with the resulting business names and addresses of those identified through the above criteria. Given this it was not feasible to use the IDBR as the version made available to researchers is anonymised. The search strategy was thus undertaken on the FAME dataset only.

The resulting search strategy is detailed in Appendix One; using a combination of Criteria 1-3 as listed above along with the sectoral text filters yielded a total of 791 businesses in the four cities. It was not feasible on FAME to add Criterion 4 (directors’ addresses) to the search algorithm but the directors’ city and postcode was included amongst the resulting output file so that it could be subsequently used as a filtering variable in Excel.

<sup>1</sup> Power to Change (2016), *The Community Business Market in 2016*. London: Power to Change. Available at: <http://www.powertochange.org.uk/research/the-community-business-market-2016/>



This initial set of businesses was sent to Power to Change for distribution amongst its Programme Managers who would verify the validity of the businesses names as community businesses. The output file contained company name, address, postcode, city, Companies House Number, directors' city and directors' postcode.

The list of businesses for each city was categorised, by the Programme Managers, as either definite, possible or not community businesses. The scale of non-matches was considerable suggesting that this initial search included too many companies that were outside the scope of interest. There also appeared to be relevant businesses that had not been picked up through our search strategy.

A second more refined approach was subsequently adopted with the aim of excluding, from the search results, non-relevant businesses but selecting those that had previously not been picked up. This was undertaken in several steps:

1. The full list of CIC companies in the four cities was selected

A new set of criteria to add in additional (non-CIC classified) companies was established by identifying from the returned lists the 5-digit SIC codes of those identified as both definite and possible matches:

2. Companies limited by guarantee; industrial/provident or charitable organisations within those SIC codes were selected
3. The list was restricted to the four cities
4. The list was restricted further to those with the text "community" or "communities" within the company trade description.
5. A further restriction, which had been proposed by one of the regional managers, to restrict the companies to those with at least 5 directors was not included as it removed too many of the results previously deemed as definites.

Appendix 2 contains the 5 digit SIC codes for this more refined search algorithm.

This subsequent search result yielded 1,650 CIC companies (from step 1) and a further 352 businesses (from steps 2-4 excluding duplicates).

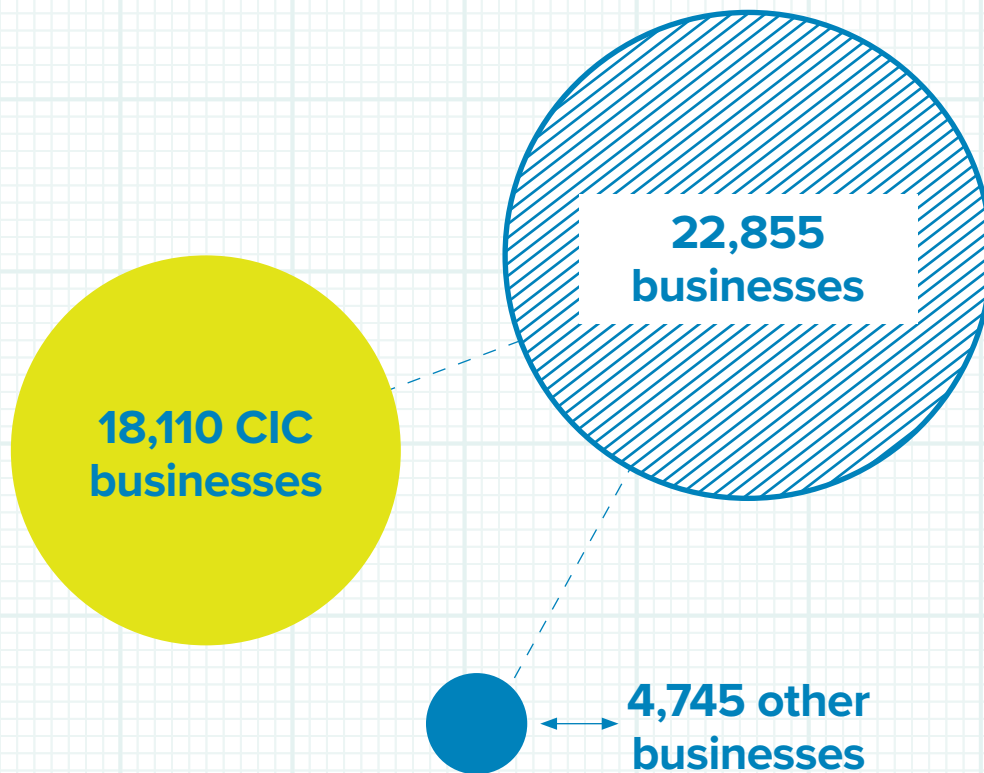
In subsequent discussions it was regarded that this list represented a more complete set of community businesses than had been identified by the first search strategy.



### 3.3 UK sampling frame

It was deemed appropriate to re-run the search algorithm, based on the above set of criteria (1-4) for the whole of the UK. This would provide the best attempt of creating a sampling frame from which any survey of community businesses could be undertaken.

The accompanying excel sheet contains the list of potential community businesses throughout the UK. There are a total of 22,855 businesses comprised of 18,110 CIC businesses and 4,745 other businesses (excluding duplicates).



## Appendix one: Initial FAME Search Strategy

1. Legal form: Guarantee, Charitable organization	516,900
2. CIC Companies	17,004
3. No of trading addresses: max=1	10,132,648
4. Turnover (th GBP): Last available year, max=9,999	588,171
5. Trade description, UK SIC classification, Overview (All sections): AnyWords("community hub") AND NoWords("school")	23
6. Trade description, UK SIC classification, Overview (All sections): AnyWords("sports" , "leisure")	81,792
7. Trade description, UK SIC classification, Overview (All sections): AnyWords("transport")	140,476
8. Trade description, UK SIC classification, Overview (All sections): AnyWords("food" , "catering" , "and" , "food production")	152,112
9. Trade description, UK SIC classification, Overview (All sections): AnyWords("craft industry" , "craft production")	5
10. Trade description, UK SIC classification, Overview (All sections): AnyWords("environment" , "nature" , "conservation")	11,491
11. Trade description, UK SIC classification, Overview (All sections): AnyWords("shops" , "cafes")	47,590
12. Trade description, UK SIC classification, Overview (All sections): AnyWords("energy")	7,495
13. Trade description, UK SIC classification, Overview (All sections): AnyWords("housing")	145,416
14. Trade description, UK SIC classification, Overview (All sections): AnyWords("library")	3,605
15. Trade description, UK SIC classification, Overview (All sections): AnyWords("arts centre")	155
16. Trade description, UK SIC classification, Overview (All sections): AnyWords("finance")	18,553
17. Trade description, UK SIC classification, Overview (All sections): AnyWords("digital")	4,627
18. Trade description, UK SIC classification, Overview (All sections): AnyWords("health" , "and" , "social" , "care") AND NoWords("school")	153,321
19. Trade description, UK SIC classification, Overview (All sections): AnyWords("pubs" , "public house")	3,377
20. Postal regions: Prim. trading address, R/O address: Liverpool (L), Bristol (BS), Plymouth (PL), Sheffield (S)	458,346
Boolean search : (1 Or 2) And 3 And 4 And (5 Or 6 Or 7 Or 8 Or 9 Or 10 Or 11 Or 12 Or 13 Or 14 Or 15 Or 16 Or 17 Or 18 Or 19) And 20	<b>TOTAL</b>
	<b>791</b>

## Appendix two: Five-Digit SIC (2007) Code List

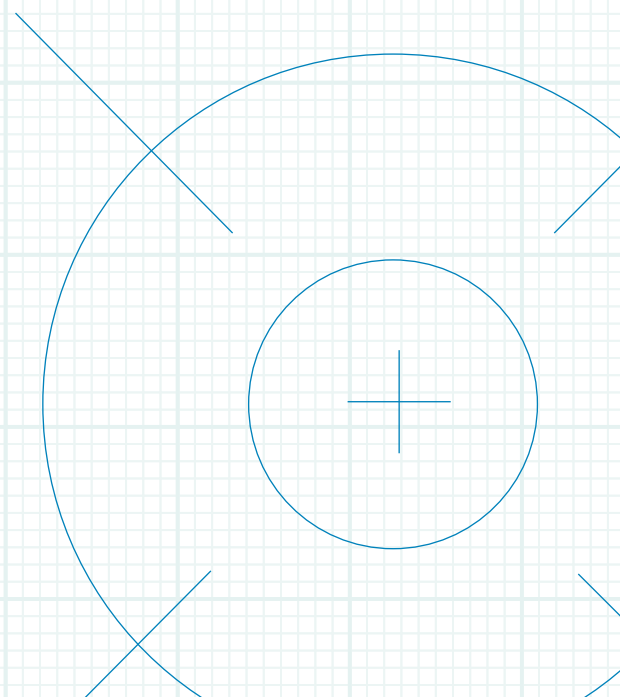
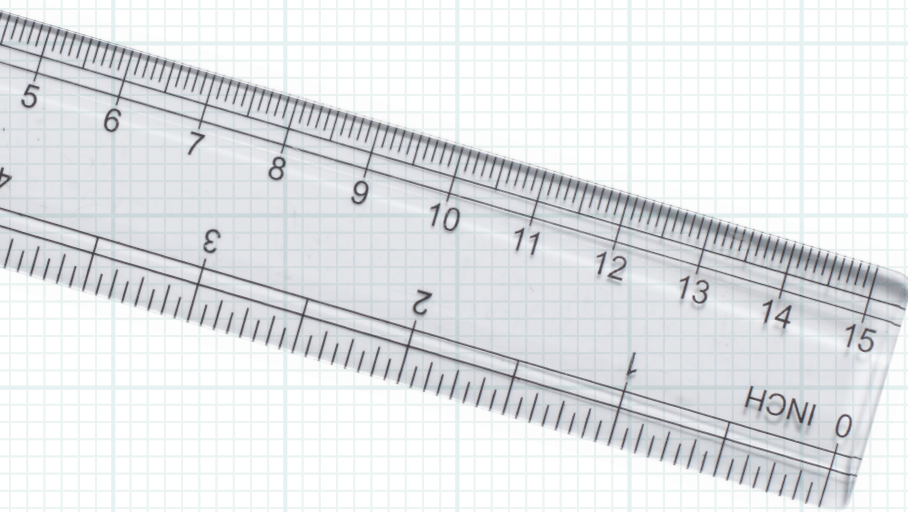
<b>01130</b>	Growing of vegetables and melons, roots and tubers
<b>01500</b>	Mixed farming
<b>10710</b>	Manufacture of bread; manufacture of fresh pastry goods and cakes
<b>31090</b>	Manufacture of other furniture
<b>35110</b>	Production of electricity
<b>38320</b>	Recovery of sorted materials
<b>47110</b>	Retail sale in non-specialised stores with food, beverages or tobacco predominating
<b>47210</b>	Retail sale of fruit and vegetables in specialised stores
<b>47290</b>	Other retail sale of food in specialised stores
<b>47640</b>	Retail sale of sporting equipment in specialised stores
<b>47799</b>	Retail sale of second-hand goods (other than antiques and antique books) in stores
<b>49319</b>	Urban, suburban or metropolitan area passenger land transport other than railway transportation by underground, metro and similar systems
<b>49390</b>	Other passenger land transport n.e.c.
<b>55900</b>	Other accommodation
<b>56102</b>	Unlicensed restaurants and cafes
<b>56210</b>	Event catering activities
<b>59131</b>	Motion picture distribution activities
<b>61200</b>	Wireless telecommunications activities
<b>68202</b>	Letting and operating of conference and exhibition centres
<b>68209</b>	Letting and operating of own or leased real estate (other than Housing Association real estate and conference and exhibition services) n.e.c.
<b>70210</b>	Public relations and communication activities
<b>70229</b>	Management consultancy activities (other than financial management)



<b>74909</b>	Other professional, scientific and technical activities (not including environmental consultancy or quantity surveying) n.e.c.
<b>81300</b>	Landscape service activities
<b>82990</b>	Other business support service activities n.e.c.
<b>84110</b>	General public administration activities
<b>85510</b>	Sports and recreation education
<b>85520</b>	Cultural education
<b>85590</b>	Other education n.e.c.
<b>85600</b>	Educational support activities
<b>86101</b>	Hospital activities
<b>86210</b>	General medical practice activities
<b>86220</b>	Specialist medical practice activities
<b>86900</b>	Other human health activities
<b>87200</b>	Residential care activities for learning disabilities, mental health and substance abuse
<b>87300</b>	Residential care activities for the elderly and disabled
<b>87900</b>	Other residential care activities
<b>88100</b>	Social work activities without accommodation for the elderly and disabled
<b>88910</b>	Child day-care activities
<b>88990</b>	Other social work activities without accommodation n.e.c.
<b>90030</b>	Artistic creation
<b>90040</b>	Operation of arts facilities
<b>91011</b>	Library activities
<b>91040</b>	Botanical and zoological gardens and nature reserve activities
<b>93110</b>	Operation of sports facilities



<b>93120</b>	Activities of sport clubs
<b>93130</b>	Fitness facilities
<b>93199</b>	Other sports activities (not including activities of racehorse owners) n.e.c.
93290	Other amusement and recreation activities
94110	Activities of business and employers membership organisations
94990	Activities of other membership organisations n.e.c.
96090	Other personal service activities n.e.c.





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