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hands



Trading Up: Match Trading® for Community Businesses as a powerful incentive for regeneration post-COVID



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the School for Social Entrepreneurs and Renaisi
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social
entrepreneurs

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Executive summary

There are more than 9,000 [community businesses](#) across England set up as cafés, swimming pools, pubs, breweries, shops, bakeries, community hubs, launderettes and even woodlands. They serve our most vulnerable people and 67% are located in our most deprived areas. Community businesses provide vital services, jobs, facilities, volunteering, reduce isolation, build social capital and improve well-being. Community businesses are as diverse as the communities they serve and, through the work they do, they help tackle some of society's biggest problems in areas facing the most profound social disadvantage. They typically fund their services with a mix of earned income (income from trading) and grants, and generate 58 percent of income from trading.

Accountable to their local communities, community businesses have proven crucial throughout the Covid-19 crisis. They have coordinated local responses to the pandemic – providing support as people lost their jobs, were furloughed or told to shield.

This report demonstrates the impact of the Community Business Trade Up programme, a five year, £6.5million support programme aimed at strengthening community businesses. The aim of the programme is to help participants increase their trading income, build an entrepreneurial mindset, reduce grant dependency and be financially sustainable. Run by the School for Social Entrepreneurs (SSE) in partnership with Power to Change, this programme has provided 279 participants with a transformative nine month learning programme, up to £10,000 [Match Trading](#) grant and the support of a network of other community business leaders.

Created by the SSE, Match Trading is grant-funding that pound-for-pound matches an increase in income from trading. What distinguishes the Community Business Trade Up programme is its experimental approach to evaluating grant-making. A small 'control' cohort of grantees received a traditional grant alongside the main cohort of grantees who received a Match Trading grant.

Key findings:

1. Incentivised grants work

The average increase in annual income from trading that can be attributed to receiving the Match Trading grant is £9,190. Trade Up participant businesses achieved this increase in trading income despite the fact that over half (54 per cent) of them are based in the most deprived areas in the country.

2. Incentivised grants reduce grant dependency

The use of Match Trading grants is shown to drive an increase in income from trading as a proportion of total revenue. A 9.5 percentage point shift in this 'trading ratio' is credited to the Match Trading grant mechanism.

3. Entrepreneurial mindsets

The learning programme gives participants the business skills, confidence and peer support to develop a truly entrepreneurial culture. All this contributes to an organisation's chances of long-term sustainability via more diverse income streams, greater social impact and the ability to adapt to future crises.

Future implications

Power to Change knows that community businesses can make an important, sustainable, contribution to the wellbeing and prosperity of communities. But the market needs ongoing support to realise its full potential. This understanding was already at the heart of the Power to Change's strategy for 2019–22. The pandemic has thrown it into sharper focus.

Although the Trade Up programme was not designed for a crisis, it has already proved relevant in the Covid-19 context. It provides a ready-made and effective programme of support where participants contribute to shaping the learning content themselves to ensure it meets their changing needs.

Many organisations have responded to the immediate demands of the crisis with short-term measures, to maintain the services and support they provide. They may now need to consider more radical changes, to meet growing demand in the long-term in an increasingly challenging economic climate.

Meanwhile, the pandemic has accelerated localism. This renders centrally produced 'top-down' approaches unsuitable. Top-down approaches are unlikely to reflect the variety of local circumstances, nor the needs of communities as they recover from the crisis. In such turbulent times, well-informed programmes of support are vital. Crucially, this assistance should be devised with input from those that ultimately depend on it. Although a national programme, Community Business Trade Up supports an approach based on localism.



Alastair Wilson, CEO of School for Social Entrepreneurs, said:
“Community businesses strengthen local economies and enrich the fabric of society. But running them can be challenging, especially during the pandemic. This report shows clearly that Match Trading grants work as an incentive to reduce grant dependency. Coupled with an entrepreneurial learning programme, this approach will be key to building back communities from the bottom up.”



Vidhya Alakeson, CEO of Power to Change said: *“The Covid-19 pandemic has shown just how agile community businesses can be, many adapting quickly to meet the needs of their local community. But the social and economic outlook remains challenging and in order to survive in a constantly shifting ‘new normal’, community businesses will need to build resilience. The Community Business Trade Up programme gives them the tools and support they need to adapt and continue to be the backbone of our pandemic recovery.”*



Introduction

The COVID-19 crisis exposed how unequal the UK is. In the impending post-pandemic recession, industries such as retail, accommodation and hospitality will bear much of the brunt of job losses. Yet these industries account for a disproportionate number of jobs in deprived areas. Locality's report [Communities Work](#) (2020) shows how deprived neighbourhoods are facing 'double distress' – already suffering from employment deprivation, now facing a high risk of COVID-related job losses. As community businesses are twice as likely to be found in these areas as elsewhere, already providing stable employment for more than 33,000 people and supporting others struggling to find work, they will clearly play an increasingly important role.

There are more than 9,000 [community businesses](#) across England, providing a huge variety of much-needed services and facilities – cafés, swimming pools, pubs, breweries, bakeries, community hubs, launderettes and even woodlands. Accountable to their local communities and providing vital services, jobs and volunteering opportunities, community businesses bring people together to transform their neighbourhoods.

Community Businesses have already proved crucial to local communities throughout the COVID-19 crisis. Many coordinated the local response to the pandemic, as people lost their jobs, were furloughed or told to shield. Indeed they were ideally placed to do this as locally-based trading organisations, with many operating accessible physical assets such as community centres, shop buildings or village halls.

Community businesses have the ambition and ability to tackle many local challenges, using their income for the benefit of the community. They work with and support a diverse group of people: the customers for their goods and services, the wider group of beneficiaries that the business was created to support, the staff they employ and the volunteers they engage, as well as their members, supporters and their shareholders. There is no 'one size fits all' approach to community business and this is reflected in the mix of income sources on which they depend – typically a blend of grants and trading.

62% of community businesses earn most of their income from trading¹, and these have tended to be amongst the more resilient organisations in the sector. While grant funding provides a useful boost to any community organisation's finances, an over-dependence on grants as a primary source of income can be an issue, even in far less challenging times. It can lead to mission drift, as grantees find they need to prioritise the objectives of their funders over their own, and ongoing projects can become vulnerable if the funding they depend on comes to an end or funders' objectives change.

Community businesses that generate a more substantial proportion of their income from their own trading activities can operate more independently, flexibly and confidently. As they can provide services and support that are likely to be more sustainable in the longer term, ultimately having a greater impact on the economic and social wellbeing of the communities they serve, this is what the Trade Up programme was designed to incentivise.

¹ Source: John Higton, Rachael Archer, Dr Rebecca Steer, Irshad Mulla and Amelia Hicklin (Dec 2019) 'The Community Business Market in 2019' available at <https://www.powertochange.org.uk/wp-content/uploads/2019/12/CBM-19-Report-DIGITAL-1.pdf>.

The Trade Up programme has supported 279 participant organisations since launching in 2017, and is currently open for applications to the final annual round, which runs from April 2021. This report summarises learnings from Renaisi's interim evaluation of the programme, and draws from data on grantees and their applications, and surveys and interviews with participants. Renaisi is a social enterprise committed to understanding what it takes to improve a place. For twenty years it has worked with individuals, communities, charities, social enterprises and government to understand what supports, influences and drives change.



What is Community Business Trade Up?

The [Trade Up programme](#) was created in 2017 by [The School for Social Entrepreneurs](#) (SSE) and [Power to Change](#), the independent trust supporting community businesses in England. It aims to increase the potential impact of individual community businesses by helping them grow their income from trading, creating a more sustainable community business sector that is less dependent on funding from grants.

The Trade Up programme provides funding, learning and peer support, and works primarily with early-stage community businesses in England – those operating for less than five years – alongside some more established community businesses which are making significant changes to their trading models. To be eligible, organisations must be planning to grow for the benefit of the local community and committed to the learning programme, so that they gain maximum benefit.

The Trade Up programme offers:

- **Match Trading grant** – an innovation in grant-funding that matches pound for pound an increase in income from trading, up to £10,000. By rewarding sales growth, community businesses are incentivised to become less grant-dependent by increasing the income they earn from trading.
- **Learning** – a 12-day programme over nine months, tailored to the specific needs of participants and covering a wide range of business skills.
- **Peer support** – a group of community business leaders, meeting regularly to help each other out.

The programme is delivered by SSE's local teams across the country. Participants in the programme take part in regional groups or 'cohorts' of around 10 – 12 people. Within these cohorts of 10 – 12, participants learn together and support one another with their learning and to earn their Match Trading grant. The programme allows the lead participant to bring along a second key person from their organisation to the learning programme; the main participant can bring a 'plus one'. This offers the opportunity for learners from the same organisation to develop their new ideas together. It can also help learners to embed ideas they have gained from the programme when they're back at work, with support from another person to get buy-in from their team.

Community businesses can make a sustainable contribution to the wellbeing of local communities but the market needs ongoing support in the form of grant funding before it is mature enough to realise its full potential. The coronavirus pandemic and anticipated recession have thrown this into sharper focus and the funding and support programme has become even more important.

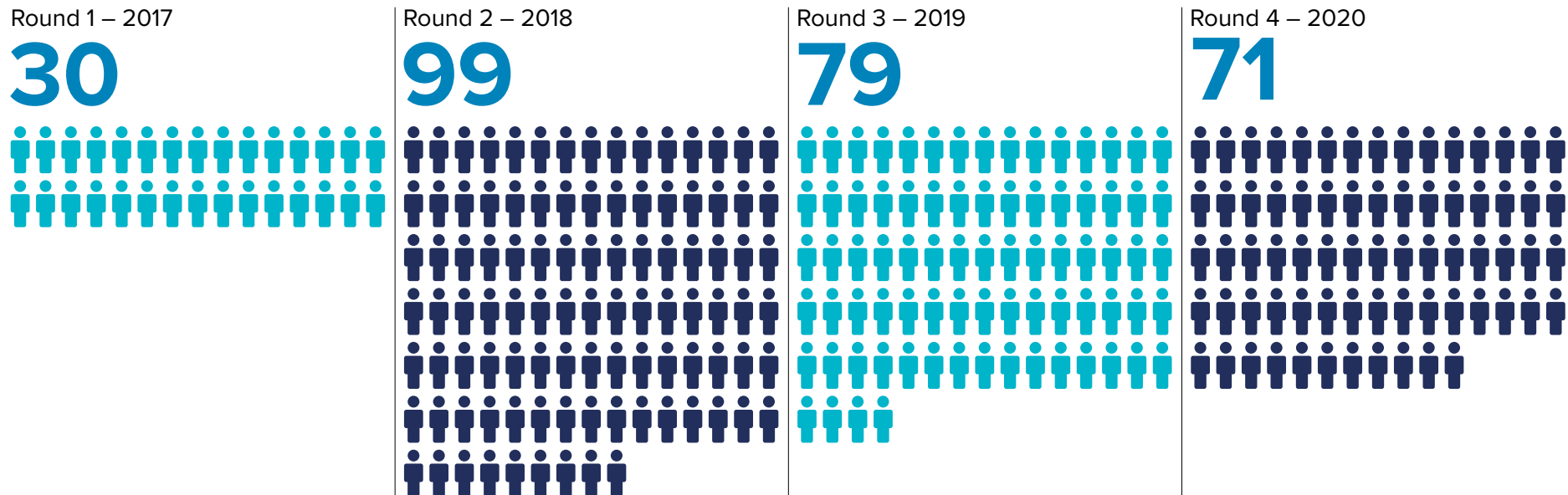
What kind of community businesses are on the programme?

The Community Business Trade Up programme launched in 2017.

Since then it has supported 279 community businesses in four annual funding rounds. A fifth and final round begins in April 2021, for which applications are currently open.

This section provides an overview of the variety of organisations that have benefited from the funding and support. Although they are as varied as the community business market itself, beneficiaries are particularly prevalent in those categories where trading already plays a proportionately greater role in generating income. You can find further detail in Appendix 1.

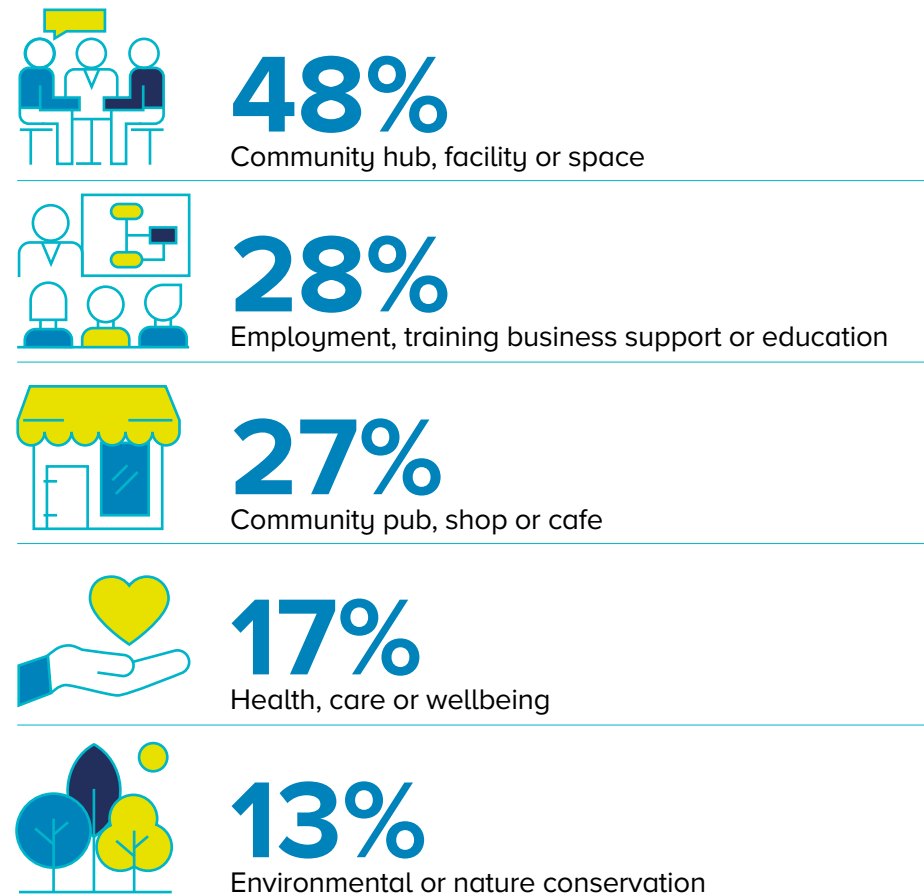
Figure 1: Number of grantees, by round



Distribution across the sector

Community businesses are as diverse as the communities they serve, developing and delivering services that reflect the distinctive needs of the areas where they work and the people that live and work there. To help build an understanding of the community business market, Power to Change has developed a range of categories reflecting the primary areas in which businesses engage, or the services they typically provide, although many community businesses provide multiple services across those categories. The Trade Up programme supports community business across the full range, with participants distributed broadly in line with the usual spread of those services in the sector. Community hubs account for more than half of the Trade Up programme participants (48 percent). Community businesses providing employment, training, business support or education services make up more than a quarter of the Trade Up programme participants at 28 percent. Pubs, shops and cafés account for 27 percent of businesses supported by the programme. Alongside economic and employment support, the Trade Up programme participants are also well distributed in sectors with more focus on social and wellbeing (17 per cent) or environmental (13 per cent) outcomes.

Figure 2: Most common sectors for Community Business Trade Up participants

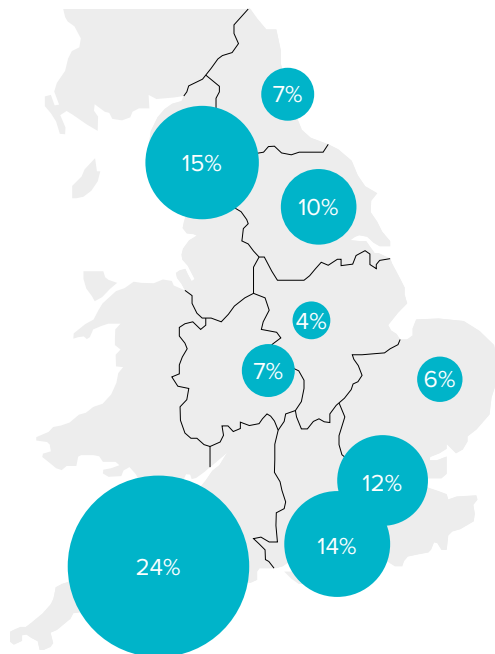


Location

The Trade Up programme participant organisations are located, but not evenly distributed, across all nine regions of England – they are particularly numerous in the largest South West region (24 per cent) for example, but found least frequently in the comparably large East and West Midlands (4 and 7 per cent) and the East of England (6 per cent).

Figure 3: Regional distribution of Community Business Trade Up participants

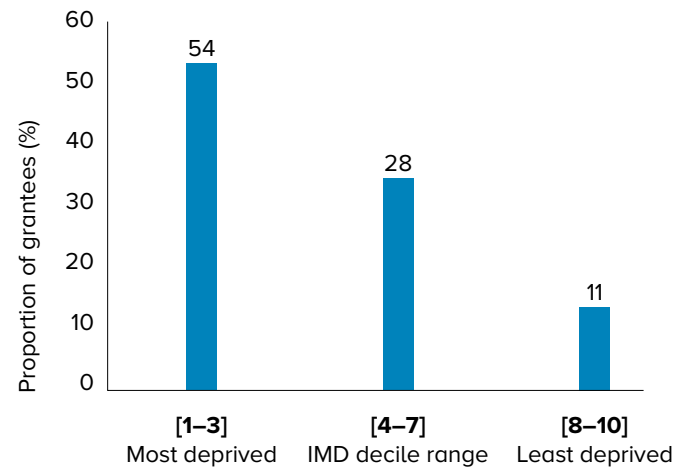
Trade Up grantees by region



As community businesses in general are much more likely to have developed where communities experience high levels of deprivation, and particularly in urban areas, the Trade Up programme participants are similarly likely to be found more densely in areas where communities are facing particular challenges to their economic outlook and social wellbeing.

Indices of multiple deprivation (IMD) measure relative deprivation across a range of indicators, from education, income and employment, access to housing and services, to crime and living environment. More than half of participants on the Trade Up programme were located in those areas of England facing the most profound deprivation, with an index of 1–3 (See Chart 1).

Chart 1: Location of Trade Up grantees by index of multiple deprivation (n=217)

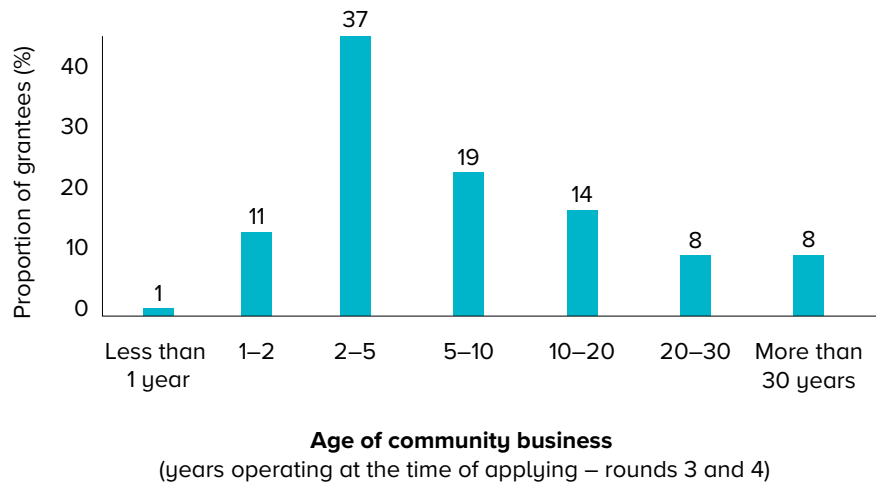


Note: The lower the IMD, the more deprived the area. This chart excludes 62 community businesses for whom postcode data was not available.

Age of the Trade Up programme participants

The distribution of participants by the length of time their business has been in operation reflects how the programme works primarily with early-stage community businesses operating for less than five years, together with some established community businesses which were in the process of transforming their operations when they took part in the programme.

Chart 2: Age of community business at time of applying (n=147)



Note: Excludes 12 community businesses for whom data was not available.

Baseline total income

The majority of the Trade Up programme participants across the first three rounds of the programme, nearly two-thirds, had a baseline total income (their income at the start of the programme) of £100,000 or less (65 per cent), while few had more than £200,000 (16 per cent).

Figure 4: Baseline total income of the Trade Up programme participants (their income when they started the programme).



What is Match Trading and how does it work?

Created by the SSE and launched in 2017, Match Trading support has been awarded to more than 500 voluntary, community and social enterprise organisations as part of learning programmes from the School for Social Entrepreneurs. These have been run in partnership with a wide variety of organisations sharing aims to build a sustainable social enterprise sector, including Power to Change, Rank Foundation, Lloyds Banking Group, the Scottish Government, Guy's and St Thomas' Charity, The National Lottery Community Fund, and Access – the Foundation for Social Investment.

Match Trading supports community businesses to develop more sustainable business models and create greater impact in the longer term. It provides an incentive for organisations to increase trading, by matching sales growth pound for pound.

Match Trading participants receive a grant that is matched to the increase in their income from trading from the previous year, capped at £10,000. For example, if a Match Trading grant recipient grows their income from trading by £6,000, then they receive a Match Trading grant of £6,000. If however they increase by only £4,000, their grant will also be £4,000. If they increase their trading income by £13k, they would still just receive the maximum Match Trading grant of £10,000.

[This 90-second animation](#) explains Match Trading grants.



Community businesses on average raise 57 per cent of their income from selling products and services² – half of which comes from activities at venues such as cafés, shops and pubs or from hiring out meeting space. The most sustainable businesses depend more on earning from these activities, while relying less on grants.

Match Trading aims to help community businesses generate a greater proportion of their income from their own trading activities, enabling them to become more self-reliant and operate with the flexibility and confidence that comes with a reduced dependence on grant funding.

“I like that the Match Trading grant is empowering and enabling. You don't feel beholden. If you don't step up your trading you don't get the money. The Match Trading money also has given us a cushion. We have managed to do so much more. We now have a bigger van and we are a month ahead on rent. We now have proper signage. It has upped awareness about us and enabled us to reach more sales.”

Danny Dawes, Grandads Front Room

² Power to Change analysis of 2018 financial accounts data for 1,058 community businesses.

How effective is Match Trading?

What distinguishes the evaluation of the Community Business Trade Up programme was a decision taken at the outset to adopt an experimental approach, with one ‘control’ cohort (ie. small group of learner participants) established each year alongside the main Match Trading cohorts. All participants across both groups received the same learning programme and peer-to-peer support package. However, while the grant received by the main cohorts’ participants is matched to their trading income up to a £10,000 cap, community businesses in the control cohort receive an unconditional £10,000 grant, which is wholly unrelated to their trading performance.

This gets to the heart of the matter: does Match Trading incentivise trading income growth? If it does, then the performance of the main cohorts should exceed the performance of the otherwise identical control cohort. In particular, this approach improves on the traditional ‘before and after’ analysis often used in third sector evaluations. The obvious drawback with that approach is that it does not capture what would have happened anyway.



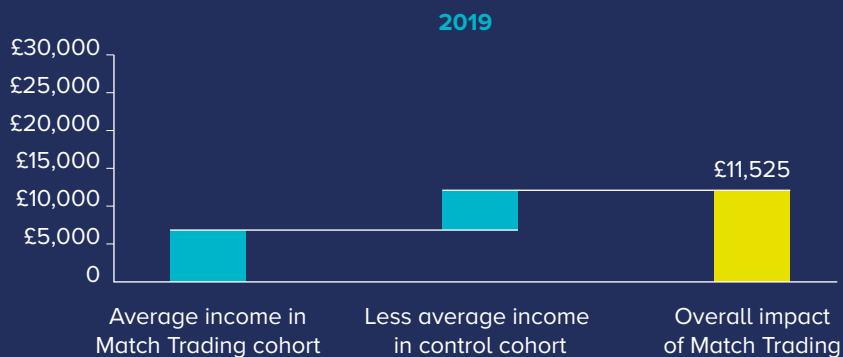
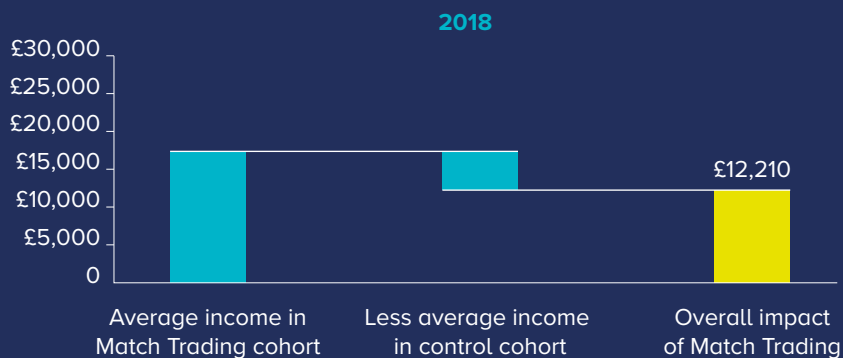
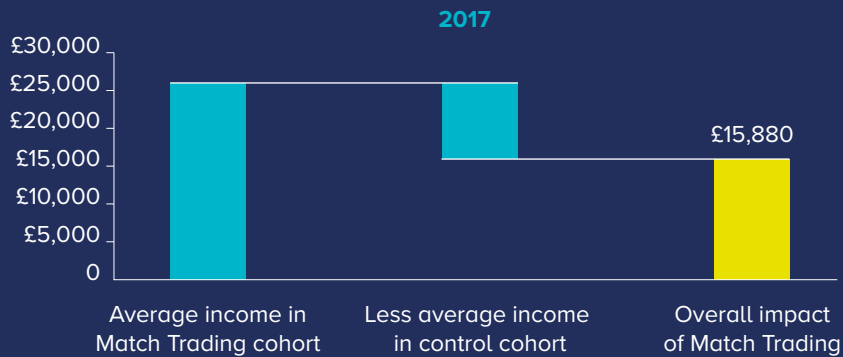
The Power to Change Research Institute has been tracking the quarterly financial performance of Community Business Trade Up participants since 2017. Drawing on data from 207 businesses over three years, it has concluded that, whilst trading income increased in both the control and main Match Trading cohorts, there was a large and significant difference between the two. The average increase in annual trading income that can be attributed to receiving the Match Trading grant is £9,190.

The average increase in annual trading income that can be attributed to receiving the Match Trading grant is £9,190

Whilst this is an impressive increase in trading income, it does not tell the whole story because it doesn’t take account of any parallel changes in non-trading income. A better measure of grant dependence is the so-called ‘trading ratio’ (ie. the percentage of total income generated through trading). The average trading ratio across all 207 businesses was 58%, meaning that business gains 58% of its income from trading. Businesses in the control cohort saw their trading ratio fall by 5.7 percentage points, while those in the Match Trading cohorts increased by 3.8 percentage points. In other words, the average increase in trading ratio that can be attributed to receipt of the Match Trading grant is 9.5 percentage points.

It is worth noting that there was a significant reduction in trading income amongst organisations whose grants ran from July 2019 – June 2020 as a direct result of the COVID-19 pandemic. However, because the national lockdown would have affected organisations in the control and Match Trading cohorts equally, it is reasonable to assume the difference in performance between the two cohorts would also have remained the same during this time. Indeed, this is one of the major advantages of adopting this sort of experimental approach.

Chart 3: The impact of Match Trading on overall income.



Further details of these analyses can be found at Appendix 2. What is clear, however, is that Match Trading has a large and significant impact on trading performance above and beyond traditional grants. Indeed, it is worth emphasising that it does so despite costing less than traditional grants. The average grant in the Match Trading cohort was just £9,350, whereas the average grant in the control cohort was £10,000 by definition.

Match Trading has a large and significant impact on trading performance above and beyond traditional grants.

More important than its impact on the finances of community businesses, however, is the contribution it makes to a change in the mindset of participants – from grant-dependency to a more sustainable business model with a greater diversity of income streams. If the funding element acts as an incentive to change approach, the learning programme helps participants in the Trade Up programme to enhance the business skills, confidence and peer support they also need to develop a truly entrepreneurial culture. All this increases an organisation’s chances of long-term sustainability, so they can create greater social impact.

Match Trading contributes to an important change in the mindset of participants – from grant-dependency to a more sustainable business model with a greater diversity of income streams.

How effective is the learning programme?

The learning element of Community Business Trade Up is a 12-day programme over nine months, run by the School for Social Entrepreneurs alongside the Match Trading grant. The action-based, hands-on and accessible programme differs from traditional learning in its focus on sharing knowledge between participants and peer support to work through challenges, and it draws insight from expert witnesses with established reputations in community business. There's also bespoke support available for those participants who need more targeted help to build their capacity and capability.

The learning programme complements the funding element, supporting participants to take action to increase their trading income and maximise the benefits of the Match Trading approach, and providing access to a supportive peer community to help.

The programme aims to build the skills and resources that community businesses require to become more successful and sustainable in supporting the communities they serve:

- Business skills and entrepreneurialism – enhancing business and entrepreneurial skills and capability for trading to achieve a lasting impact
- Networks – building stronger relationships with a community of supportive peers
- Emotional resourcefulness – more confident leaders able to make change happen
- Social impact – clear sense of purpose to deliver outcomes for the community

These align with several of the conditions identified by [Delft University](#) as being key to making community businesses durable – a combination of an aligned entrepreneurial culture, collective leadership and strong networks.

Renaisi's analysis of surveys and interviews with the Trade Up programme participants reveals the impact the learning programme and associated peer group support has had on building their skills and capabilities – although progress was particularly notable in the business skills category, there was also particularly positive feedback on building professional networks, generating income and developing new products and services.

This section provides a summary of findings about the effectiveness of all elements of the programme, and you can find more details in Appendix 3.



Developing business skills and entrepreneurialism

Community business leaders reported that the greatest improvements they enjoyed from the programme were in their business skills and entrepreneurialism.

Prior to the programme, the average community business scored low on an evaluation of key skills such as business planning and financial management. However, the majority of 86 respondents from rounds 1 and 2 reported positive increases – in the area of business planning, for example, 48 grantees reported an increase and 21 no change, with 17 reporting a decrease.

“The course taught me how to identify and tap into opportunities that we perhaps weren’t aware of before. So we’ve increased trade by attracting more people from the community.”

Charlie Pymment, The Bevy community pub

“The programme helped me to develop my skills in business planning, developing pricing structures and marketing strategies as well as giving me more confidence when approaching corporates. It helped me to develop my confidence to talk about the Garden as a social enterprise as well as a charity.”

Karen Dobson, Scotswood Natural Community Garden

Nurturing a business mindset and balancing priorities

For many the programme has been crucial to developing the mindset they needed to lead their organisations effectively into the next stage of development.

Several community businesses reported they could not previously focus on the financial aspect of their organisations while they wanted to ensure they were having maximum social impact, and felt a tension between those aims. The Trade Up programme has successfully helped them nurture a more holistic business mindset, considering the needs of the business as a whole. Participants started to think more about the progression of the organisation as well as delivering services, including its finances, marketing and plans to scale up. Nearly all participants (98 per cent) believe the programme made at least some difference to their thinking about the sustainability of their business, and around a third of grantees (34 per cent) reported a substantial change.

“Increasing our profit has been a focus of our community business for some time, but the SSE programme has provided us with the tools and the mindset, as well as the motivation and excitement.”

Trade Up programme participant

“Having targets on the programme helped set our own targets. It motivated us to trade. Once we started following through we could see the benefits directly and it became a no brainer not to do it.”

Marten Payne, Go Geronimo CIC

“The programme made us more resilient and helped us to grow our trading and profitability.”

Simon Redding, Monkey Park CIC

“[The programme was] essential to our business, helped us seek out opportunities, consider who and what we are, created a focus that will stay with us. It gave time to focus on the business and not as often feel [like we are] struggling within it.”

Trade Up programme participant



Embedding learning across the organisation

Several participants on the programme felt that they had gained the tools and skills to develop and embed learning throughout their business – e.g. by equipping them with the evidence they needed to get buy-in from their colleagues for new plans, approaches and ideas to build their organisation’s sustainability. Others felt that they had developed a clearer understanding of the aims and prospects for their community business which they were able to share with colleagues.

“I was able to report back to my colleagues and trustees and share my learning with them.”

Sara Marsh, Treverbyn Community Hall



Sara Marsh, Treverbyn Community Hall

A supportive peer community

As social entrepreneurs learn in cohorts or in groups of 10–12 at the School for Social Entrepreneurs, they're always sharing experiences and ideas with each other and drawing insight from their peers.

Participants find this community of peers particularly valuable – community businesses that previously felt that there were no other businesses that worked like theirs soon realised that many other businesses operated in a similar way.

“It was great to learn from community businesses which had succeeded but also good lessons from ones that failed. Great to meet others and have the validation that what we were all doing was valuable.”

Trade Up programme participant

“It has helped us to make some fantastic links with other community businesses”

Jo Bambrough, Director, Exchange Creative CIC

Motivating

Overall, participants felt the programme had motivated and inspired them, sometimes because of the people they had met and with whom they were keen to maintain relationships and build connections. Others highlighted the benefit of the general moral support that helped to sustain momentum – a network of people to check in with helped them to focus on their aims, objectives and timeframe. Participants cited an increased drive to grow their business, as well as the tools to help.

“It reignited my passion for the business.”

Trade Up programme participant

“I don't know if I'd still be working at The Bevy had I not done the programme. It taught me how community businesses work and helped me learn to love my job.”

Charlie Pymont, The Bevy community pub



Improving confidence

The programme helped community businesses see what was possible, helping them feel ‘more confident’ about running their business and ‘more able to make difficult business-related decisions’. The programme also gave some participants the motivation and inspiration to try out new ideas to further develop their social impact.

“... I didn’t know what things I needed to know about running a business ... helpful to speak to people in the same situation as me ... nice to have a focus of growth ... not in a pushy way got me to consider other aspects of my business.”

Founder, Creative Computer Club

“I feel more confident in the ideas I have. Part of that is down to being able to talk through those ideas, but also just being given that time and space to actually indulge in them. It’s easy in community businesses to try and do everything, but you don’t have time to breathe.”

Krysia Williams, Bristol Bike Project

Building capacity and delegating effectively

The programme encouraged participants to share responsibility with others, instead of dealing with challenges alone. Post programme, several community businesses had invested in additional staff or amended their processes to ensure delegation was more effective. One participant was able to extend their contract to begin working full time and felt the programme had given them the confidence to persuade the board to increase its role in the business. The board supported them to identify where they needed help, and the business hired three additional members of staff.

“[In the last 12 months, I have taken steps] to appoint more staff so that I can be better placed to think strategically.”

Trade Up programme participant



Bristol Bike Project aims to help people from all walks of life get out on two wheels and for it to be an inclusive and empowering experience

More income to spend on making a difference

As their income increased, participants felt that they were able to make a more substantial contribution to the economic and social wellbeing of the community they serve. By increasing trading income, they could invest more in their impact.

“The learning programme encouraged me to develop our programme of activities. This has allowed us to reach more people with different interests and backgrounds within our local community. Outreach to schools has meant we are beginning to see new faces on a regular basis and attendance of activities is improving.”

Trade Up programme participant

“The Match Trading grant has been brilliant. It’s allowed us to make investments that we’re still benefiting from”

Sara Marsh, Treverbyn Community Hall



Robert Bruce, The Dorothy Parkes Centre

Time to reflect

Many grantees found the learning programme especially helpful because it gave them time away from their busy working lives to reflect on their priorities, with the support of their peers, expert witnesses and their learning manager. They had the opportunity to think about strategy, the bigger picture, and develop areas of the business they would not otherwise have been able to give their attention to.

Reflection time is a precious thing for many community business leaders whose roles are often very hands-on, with multiple priorities to juggle and stakeholders to manage.

“There were 10 of us in the cohort, all in similar roles in our respective organisations and we were really able to build bonds, talk in confidence and get away from the day to day stress that our roles can bring. We were encountering similar issues and challenges but we were learning together the best ways to overcome them.”

Robert Bruce, The Dorothy Parkes Centre

The Community Business Trade Up programme of funding, learning and peer support is contributing to the longer term prospects of individual community businesses and the potential sustainability of the sector. By incentivising increases in trading and diversifying income it reduces dependence on grants, and the learning programme builds the skills and relationships that community businesses need if they are going to build their confidence and capability to make the greatest contribution to the economic and social wellbeing of the communities they were established to serve.

Monkey Park



Monkey Park in Brampton, Chesterfield, received a £10,000 Match Trading grant when its founder Simon Redding took part in the Community Business Trade Up programme. Monkey Park CIC is a diverse community hub. Its business model includes income from sales in its bike shop and café and from renting workspace, with local authority contracts covering the running costs. It used Crowdfunder to cover the cost of renovating the building it occupies.

But Monkey Park was still losing money. Simon turned this around during the programme after learning about pricing and winning contracts. “We spoke to our customers, increased our prices in the café and even won a contract with the local authority to run community wellbeing courses.” He gained the skills to grow turnover and employ a part-time manager.

“The Match Trading grant turns funding on its head. It’s a real incentive as you can double your money.” And Simon and his team did just that. Monkey Park achieved a £10,000 increase in income from trading, and therefore received the maximum £10,000 grant as a reward. But Simon is positive that it is the business skills and support he received that will mean Monkey Park will be here for many years to come. “The learning programme made us more resilient and helped us to grow our income from trading and profitability.”

The Trade Up programme has supported community businesses to have a greater positive impact in their local communities

Community businesses help tackle some of society’s biggest problems and those on the Trade Up programme already make a marked contribution in some of the most challenging areas. They bring people together, improve employability, reduce isolation, improve health and facilitate collective action. Between them, participant businesses on the Trade Up programme have reached over 667,000 people, with each working with a median average of 800³. One in five community business participants on the programme identifies community cohesion as their primary aim and a third work with people with physical or mental health conditions. They provide stable accessible employment with the average participant business already employing five people, and 88 per cent of all staff working for participant businesses live locally.

Because trading income pays for the significant services they deliver, anything that helps community businesses to sustain such a cross-subsidy approach can be crucial. Programmes such as Trade Up provide such important support, helping reduce dependence on less stable and cost-effective funding sources.

This kind of support enables community businesses to work more confidently and sustainably on delivering the social impacts that will be even more vital as we face the challenges and aftermath of the coronavirus pandemic.

³ Estimated total number of beneficiaries reached by 117 community businesses is 667,502 – 5,705 beneficiaries per community business on average (mean) and a median of 800.

How can Community Business Trade Up support a post COVID-19 recovery?

The achievements of the Trade Up programme provide useful insight for supporting the sector in the medium to long term as it confronts the challenge of supporting communities in their recovery from the social and economic effects of COVID-19.

While many organisations have now responded to the immediate demands of the crisis with short-term measures to maintain the services and support they provide, they may need to consider more radical changes to their operating models if they are to meet growing demand sustainably in an increasingly difficult economic climate. The challenge is unprecedented and the rise in localism accelerated by lockdown means traditional, centrally produced 'top-down' approaches will not be suitable – they are unlikely to reflect the variety of local circumstances and the needs of communities on which recovery will depend. Support programmes that are devised with input from their locally based beneficiaries can help, and the Trade Up programme offers just such an approach.

Although Trade Up was not designed for a crisis, it has already proved useful in the COVID-19 context and provides a ready-made and effective programme of support, with participants contributing to and shaping the curriculum themselves.

Improved confidence to deal with crisis

The Trade Up programme has given organisations the confidence to deal with crisis, and the self-belief that they can make the right decisions for their business and the community they serve. It has given them the confidence to be certain in uncertain times.

“I think the Trade Up programme has given me a lot of confidence in the way we run the shop. I had no experience of running a shop or post office, and now I can do both. Going on TU gave me confidence about what we were doing. It has helped me to react to the COVID crisis because it has given me the confidence to make decisions based on the stuff we have learnt.”

Trade Up programme participant

Facing challenges and meeting aspirations

The Community Business Trade Up programme is particularly well suited to meeting the support needs of community businesses during recovery and renewal, providing financial support which aids recovery whilst incentivising trading in a supportive way. As well as being co-designed with participants so that it can meet any emerging needs, the learning programme harnesses peer support from other community business leaders so participants in similar circumstances can learn from and support each other.

SSE and Power to Change are already incorporating what they have learned from the sector's response to the crisis and participants' experience into the evolving Trade Up programme.

Cohort learning and addressing the needs of different sectors

Community businesses have been impacted in a variety of ways through the pandemic and while many saw their income drop off sharply, others saw a surge in demand for their services. Power to Change's Community Business Market Survey found marked differences in the support needs of businesses, depending on their type of activity and location. Shops in rural areas, for example, appear to have fared well in the unusually challenging circumstances, whereas multi-activity providers and those in urban areas have struggled.

A future programme will balance the value of building local connections between participants vs the value of sector connections – ie. creating opportunities to connect and network more with organisations of the same type, or sector across the country. It will include in-person peer learning where possible, with online opportunities to connect with community businesses not only locally, but also with those experiencing similar challenges further afield.

Co-designing content

A key element of the School for Social Entrepreneurs' approach is that the programme is flexible, constantly evolving and designed with community businesses to meet their needs. This will continue as a strong theme, not only now, but throughout and beyond the period of the pandemic.

Supporting strategic planning

Power to Change's Community Business Market Survey found that nearly three-quarters of community businesses had identified a new opportunity for their organisation despite the uncertain outlook. Supporting learners with developing new areas of business is already a key focus of the Trade Up programme and this will only become more vital. Digital capability, for example, will feature more as community businesses increasingly explore how to deliver their products, services and trade online.

Supporting learners with developing new areas of business is already a key focus of the programme and this will only become more vital.

Trade Back Grant

As described in this report, prior to Covid-19, participants received a Match Trading grant of up to £10,000 that matched the increase they could show in their income from trading, pound for pound.

In response to the economic crisis, the School for Social Entrepreneurs created [Trade Back](#) grants. The development of Trade Back is overseen by a Task Force of over 20 social sector organisations. The Trade Back grant incentivises social organisations to trade, while supporting them to recover and rebuild.

The key difference is that Trade Back features a small traditional grant of £4,000 to kick-start recovery efforts, plus an incentivised grant of £6,000 rewarding any increase in trading income above *levels during the COVID-19 period*. This ensures community businesses are not penalised for poorer trading performance that was largely out of their control. Visit matchtrading.com/trade-back for further information on Trade Back and Match Trading.

Conclusion

The Match Trading approach is proven to increase income from trading and support business sustainability for community organisations, even for those based in areas facing significant multiple deprivation. Learning programmes featuring Match Trading and 'Trade Back' grants have the potential to meet multiple needs that will continue to be acute for this sector during the post covid recovery period.



This programme is flexible to localised needs as it is co-designed by its participants. The unique combination of incentivised grant, tailored entrepreneurial learning programme and peer support network has successfully increased the business skills, confidence, social impact and aspirations of participants. Crucially, it increased their ability to adapt to crises, enabling them to continue creating positive social outcomes for the communities they serve.

Grant funders, government and social sector support organisations should consider Match Trading style grant and support programmes as a cost-effective and locally appropriate method of supporting the community businesses sector into the future.



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Appendix 1: Profile of Community Business Trade Up grantees

Table 1: Distribution of Grantees by Sector

Distribution of grantees by sector	Number	Proportion (%)
Community hub, facility or space	135	48%
Employment, training, business support or education	78	28%
Community pub, shop or café	75	27%
Health, care or wellbeing	48	17%
Environmental or nature conservation	37	13%
Food catering or production (inc. farming)	34	12%
Sports and leisure	31	11%
Arts centre or facility	29	10%
Other	24	9%
Visitor facilities or tourism	1	0%

Organisations may select more than one value

Table 2: Location of Grantees by region

Location of grantees by region	Number	Proportion (%)
South West	68	24%
North West	43	15%
South East	39	14%
Greater London	33	12%
Yorkshire and the Humber	27	10%
North East	20	7%
West Midlands	20	7%
East of England	18	6%
East Midlands	11	4%

Note: There are 3 organisations with missing values that are not included in the table above.

Table 3: Distribution of grantees within the index of multiple deprivation

Distribution of grantees within the index of multiple deprivation (IMD)	Number	Proportion (%)
1	53	24%
2	29	13%
3	36	17%
4	17	8%
5	30	14%
6	19	9%
7	10	5%
8	9	4%
9	11	5%
10	3	1%

Note: There are 62 organisations with missing values that are not included in the table above.

Table 4: Distribution of grantees within the Index of multiple deprivation (IMD), by IMD category

Distribution of grantees within the index of multiple deprivation, by IMD category (IMD)	Number	Proportion (%)
[1-3] Most deprived	118	54%
[4-7]	76	35%
[8-10] Least deprived	23	11%

Note: There are 62 organisations with missing values that are not included in the table above.

Table 5: Distribution of grantees by legal structure

Distribution of grantees by legal structure	Number	Proportion (%)
Community interest company limited by guarantee	79	32%
Company limited by guarantee	54	22%
Charitable incorporated organisation	42	17%
Community benefit society	31	13%
Community interest company limited by shares	12	5%
Other	9	4%
Unincorporated association	8	3%
Co-operative society	6	2%
Company limited by shares	4	2%
Trust	1	0%

Note: There are 33 organisations with missing values that are not included in the table above.

Table 6: Age of community business on application – Rounds 3 and 4 (years in operation)

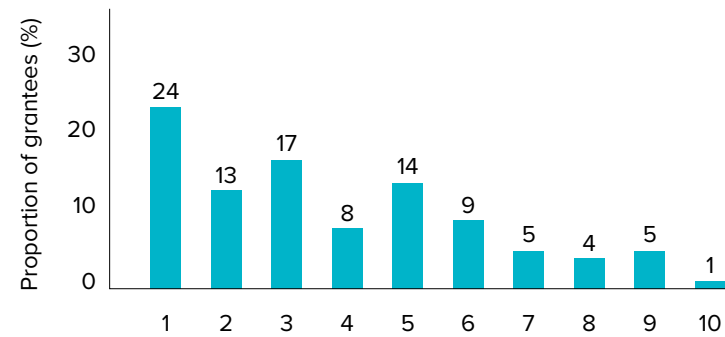
Age of community business on application – Rounds 3 and 4 (years in operation)	Number	Proportion (%)
Less than a year	1	1%
1 to 2 years	17	11%
2 to 5 years	55	37%
5 to 10 years	29	19%
10 to 20 years	21	14%
20 to 30 years	12	8%
30 plus years	12	8%

Note: There are 12 organisations with missing values that are not included in the table above.

Table 7: Baseline total income – Rounds 1–3

Baseline total income – Rounds 1–3	Number	Proportion (%)
Less than £5,000	10	5%
£5,000-£30,000	46	23%
£30,001-£100,000	72	37%
£100,001-£200,000	38	19%
£200,001-£300,000	15	8%
More than £300,000	15	8%

Chart 4: Location of Community Business Trade Up grantees by index of multiple deprivation (n=217)



Note: one to ten in the chart above refers to deciles. The lower the IMD decile, the more deprived the area. This chart excludes 62 community businesses for whom postcode data was not available.

Appendix 2: Community Business Trade Up Data Analysis

Summary

The Community Business Trade Up programme has run for three complete years, with quarterly trading data collected from 207 community businesses (29 in 2017, 99 in 2018 and 79 in 2019). In each year, a subset of organisations (10, 20 and 9 respectively) was set aside as a ‘control’ cohort and those businesses received four quarterly payments of £2,000 regardless of their trading income (on top of the initial £2,000 grant paid to all participants). The core hypothesis of Trade Up is that the matched grants incentivises the pursuit of trading income over this sort of unconditional grant income.

Statistical comparison of the trading performance of these two cohorts concludes with 99% certainty that the growth in trading income of businesses in the Match Trading cohort was significantly greater than that of the control cohort. The average increase in trading income that can be attributed to receipt of the Match Trading grant is £9,190. A better measure of grant dependence is the ‘trading ratio’ (ie. the percentage of total income generated through trading). The average increase in trading ratio that can be attributed to receipt of the Match Trading grant is 9.5 percentage points.

Introduction

When evaluating the impact of grants programmes, it is common to carry out a simple “before and after” analysis. The obvious drawback with this approach is that it does not capture what would have happened anyway. With the Community Business Trade Up programme, the median increase in annual trading income in the Match Trading cohort was an impressive £13,584.⁴

Table 8: Performance of Community Business Trade Up recipients of £10,000 Match Trading grants

Year	Increase in annual trading income (£)	
	Mean	Median
2017	30,938	25,719
2018	31,509	18,047
2019	18,550	6,199
2017-2019	25,945	13,584

Alongside the 168 community businesses who received Match Trading grants, however, we also hold data on the trading performance of the 39 businesses in the control cohort who were awarded unconditional grants of £10,000. Consistent with the core hypothesis of the scheme, their trading performance was considerably less impressive.

⁴ The median is a better measure of central tendency than the more familiar arithmetic mean in datasets like this where there are a small number of large outliers. For more information, see <https://en.wikipedia.org/wiki/Median>.

Table 9: Performance of Community Business Trade Up recipients of unconditional £10,000 grants

Year	Increase in annual trading income (£)	
	Mean	Median
2017	16,626	9,839
2018	13,355	5,837
2019 ⁶	-3,039	-5,326
2017-2019	10,410	3,194

The value of this approach becomes obvious when considering community business performance in the 2019 trading year. The final quarter of that year (April-June 2020) coincided with the height of the COVID-19 pandemic lockdown, reducing average income in the Match Trading cohort to just £6,199, significantly lower than it was in the first two years of the programme. However, average income in the control cohort in 2019 actually fell by £5,326. This means the overall impact attributable to the Trade Up programme that year is (£6,199 – -£5,326 =) £11,525.

Alternative performance metrics

Alongside raw growth in trading income, there are other ways to measure the performance of Trade Up participants. A common measure used by funders is ‘leverage’, the additional income generated per pound of grant awarded.⁵ Based on this measure, the

leverage achieved by businesses in the control cohort was 0.4 and the leverage achieved by those in the Match Trading cohort was 1.4. The additional leverage that can be attributed to the incentive effect of the Match Trading grant is therefore 1.0 – so every pound of grant awarded increases trading income by another pound.

As noted above, the trading ratio is arguably a better measure for assessing the Trade Up programme because it speaks directly to the degree of grant dependence. Based on this measure, the performance of businesses in the control cohort was actually negative, at -5.7%, whereas in the Match Trading cohort the trading ratio increased by 3.8%, a difference of 9.5 percentage points.

Quarterly versus annual performance

Each community business participating in the Trade Up programme was required to submit quarterly data on its trading and non-trading income for each of the four quarters in the previous calendar year. Their relative performance in the programme was then judged against this ‘baseline’ year. However, the analyses presented so far only include business who submitted four quarters of data in their programme year, which excludes ten businesses who were not able to do so.

Analysing the data on a quarterly basis allows us to increase the number of data points available (but at the risk of reduced accuracy due to the greater potential volatility of in-year fluctuations). In fact, analysis of quarterly trading income, leverage and trading ratio performance produces results broadly consistent with their annual counterparts (£8,840, 1.0, and 8.8 percentage points respectively).

⁵ Note this calculation typically excludes the cost of general grant administration. For the Community Business Trade Up programme it also excludes the cost of the associated learning programme.

Differences between the control and Match Trading cohorts

Regardless of the performance measure or time period used, there appear to be clear differences between the trading performance of community businesses in the control cohort and the Match Trading cohort, consistent with the core hypothesis of the programme. The key question is whether these differences are statistically significant. Using a standard Bayesian equivalent to the t Test⁶ produces the following results.

Table 10: Comparison of the difference in performance between community businesses in the control and Match Trading cohorts

Performance measure	Frequency	Mean change	Effect size	Probability change is greater than zero
Trading Income	Annual	£9,190	0.8	99.8%
	Quarterly	£2,210	0.6	100.0%
Leverage	Annual	1.0	0.9	99.9%
	Quarterly	1.0	0.8	100.0%
Trading Ratio	Annual	9.5 pp	0.4	97.4%
	Quarterly	8.8 pp	0.4	99.9%

(Effect size: 0.2 = small, 0.5 = medium, 0.8 = large)

Cross-check: London and York

The Community Business Trade Up programme operates in eight locations across England. To date, however, the control cohorts have only operated in two areas: London and York. To eliminate the possibility that trading conditions in the other six areas may have skewed the performance of businesses in the Match Trading cohort, a further round of statistical analysis was completed which excluded these other areas. Comparing the performance of the 50 community businesses in the Match Trading cohort with the 39 businesses in the control cohort produces results broadly consistent with the full analysis. Changes in annual trading income, leverage and trading ratio performance, for example, are £9,810, 1.0, and 11.7 percentage points respectively).

⁶ Bayesian estimation is generally preferred to traditional 'null hypothesis significance testing' because it makes fewer assumptions about data distributions and sampling intentions. For more information, see <https://jkkweb.sitehost.iu.edu/articles/Kruschke2013JEPG.pdf>.

Appendix 3: The impact of the Trade Up learning programme, based on analysis of participant surveys

Distance travelled on 'Business skills and entrepreneurialism' indicators from baseline to endline survey (n=86)

Chart 5: Number of community businesses by progress they made from baseline to endline business skills and entrepreneurialism.

■ Negative ■ No change ■ Positive

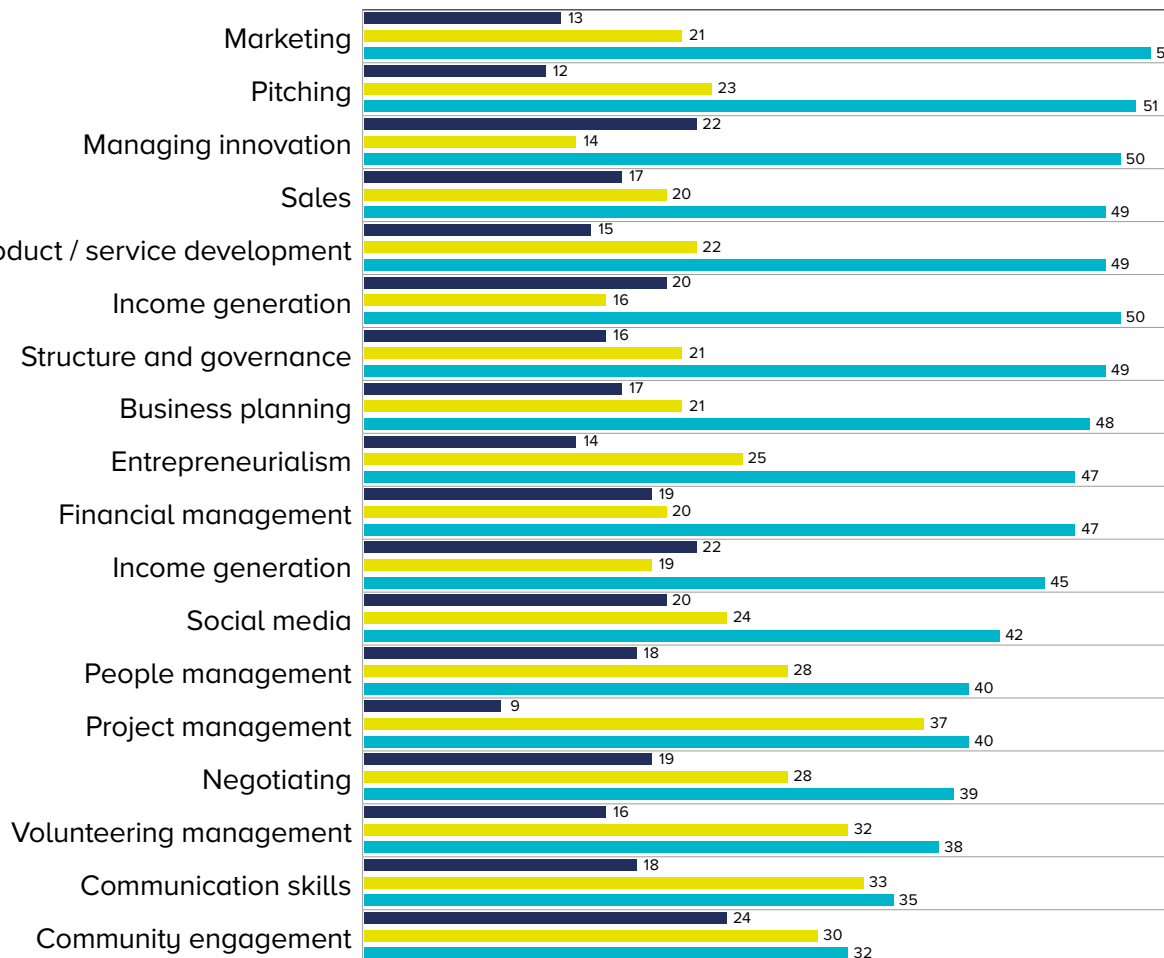


Table 11: Average score of Community Businesses split by the progress they made from baseline to endline

7 = highly skilled, 0 = not at all skilled

Average score of Community Businesses split by the progress they made from baseline to endline	Community businesses whose score increased		Community businesses whose score did not change	Community businesses whose score decreased		Average number of distance travelled on scale	
	Baseline	Endline		Baseline	Endline	Positive points	Negative points
Marketing	3.2	5.1	4.4	5.2	3.6	1.9	-1.6
Pitching	2.9	4.8	4.6	4.8	3.4	1.9	-1.4
Managing innovation	2.9	5.2	5.1	5.5	3.6	2.3	-1.9
Sales	3.3	5.1	4.6	5	3.2	1.8	-1.8
New product / service development	3	5.1	4.7	5.5	3.9	2.1	-1.6
Income generation (trading, contracts & earned income)	3.2	5.1	4.5	5.8	4.4	1.9	-1.4
Structure and governance	2.9	5	5	5.5	4.3	2.1	-1.2
Business planning	3.1	5	4.9	5.3	3.9	1.9	-1.4
Entrepreneurialism	3.2	5.3	5	5.7	4.4	2.1	-1.3
Financial management	3	4.7	4.9	5.1	3.4	1.7	-1.7
Income generation (gifts/donations, grants & voluntary income)	3.4	5.2	4.5	5.5	3.7	1.8	-1.8
Social media	3.5	5.3	4.5	4.7	3.2	1.8	-1.5
People management	4	5.8	5.3	5.9	4.7	1.8	-1.2
Project management	3.8	5.6	5.4	5.7	3.6	1.8	-2.1
Negotiating	3.4	5.1	4.6	5.4	3.8	1.7	-1.6
Volunteering management	3.4	5.2	5	6.1	4.9	1.8	-1.2
Communication skills	4.4	5.9	5.5	6	4.6	1.5	-1.4
Community engagement	4.1	5.7	5.6	6	4.7	1.6	-1.3

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