

Food for thought: Understanding market development in the community business sector

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Food for thought

Understanding market development in the community business sector

A report prepared for Power to Change

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About this paper

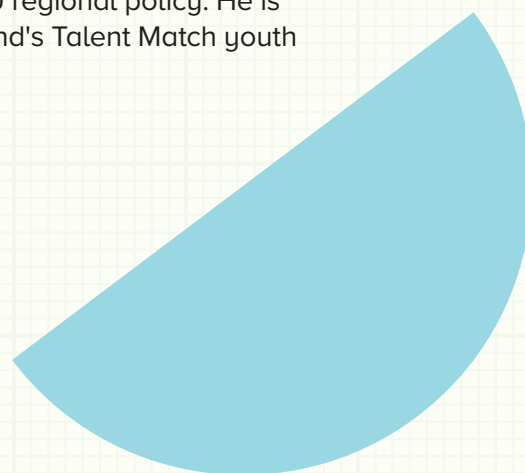
This paper highlights key questions on the nature of **market development** in relation to community business: what it is, what it entails, and how success might be measured. It is drawn from interviews conducted with members of the Power to Change market development team and other stakeholders during September and early October 2019. The paper primarily aims to inform thinking within Power to Change on its market development work, what its legacy will be and how success may be evidenced, as well as guiding parallel evaluation and learning activity.

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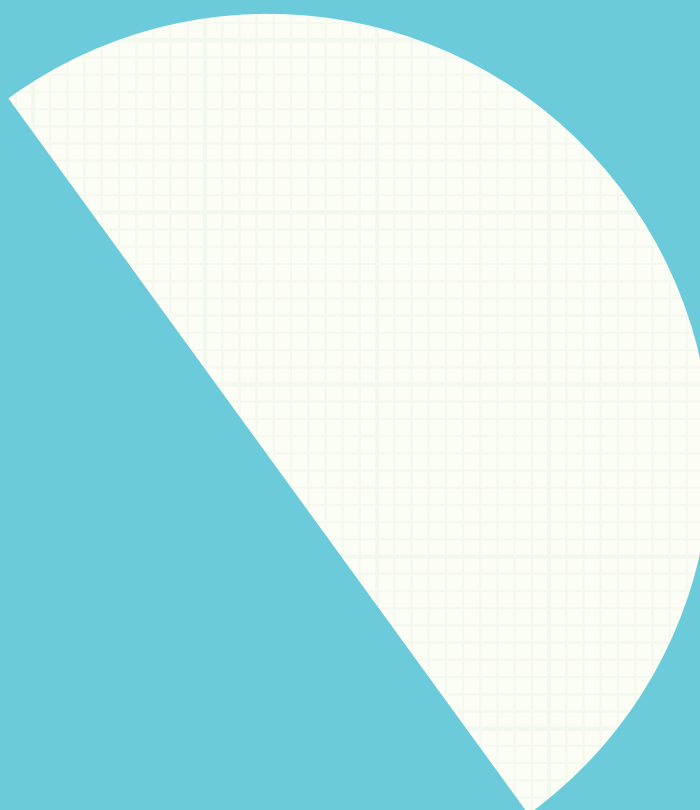
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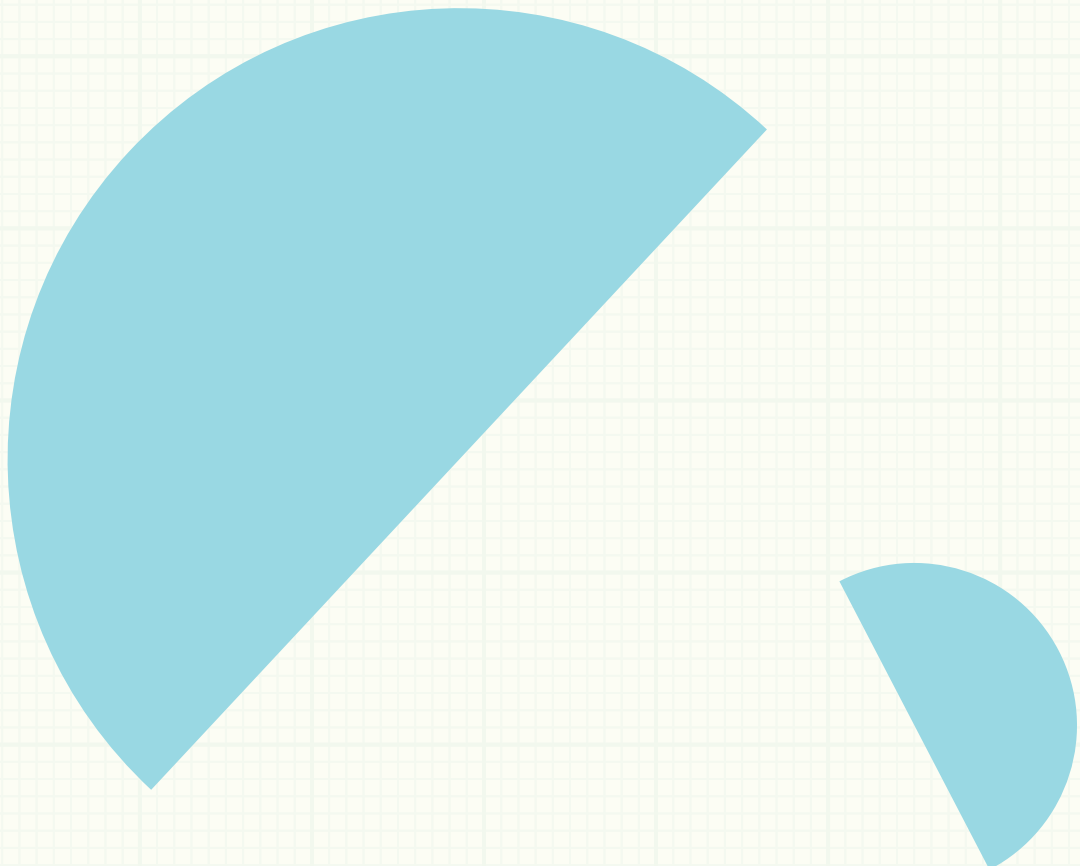
Contents

Key points	04
01. Introduction	05
02. The market – community businesses	06
03. What is market development?	08
04. How is the market being developed?	09
05. Relationships with other organisations	11
06. Market development as a legacy activity	12
07. Is ‘market development’ here to stay?	14
08. Conclusion – next steps	16
References	17



Key Points

1. Market development covers two broad areas of activity. First, creating the conditions for community businesses to flourish. Second, supporting places or areas of business to put community businesses on a firmer footing.
2. Market development is often framed around legacy. This involves creating conditions for a thriving community business sector after Power to Change closes. Yet uncertainty remains about what those conditions might be.
3. Market development involves a very wide range of activities. This includes lobbying and advocacy, exemplar grants, relationship building, peer networks and events and research. This was described as 'flying lots of kites' to see which might fly well, 'learning by doing' and 'seeing where the energy is'.
4. There are similarities and differences with allied approaches to market development, such as 'systems change' and 'field building'. These include the language used, the intended focus for change, and the concrete activities involved.



01. Introduction

The aim of Power to Change is to accelerate the growth and impact of community business, and in doing so to create better places through community business. As well as working to develop and support individual community businesses, Power to Change seeks to influence the wider context to enable community business to flourish. The five priorities set out in its latest three-year strategy (2019-2022) include focusing on 'improving market conditions for community business success' and 'advocating for community business' (Power to Change 2019: 9).

A dedicated market development team of five staff members operates at this broader level to shape the context, or 'market' for community business. The work is conducted through five workstreams: assets (helping businesses acquire and run assets such as property); blended finance (supporting businesses through combined grants and loans); cities and counties (place-based interventions in Liverpool, Bristol and Suffolk); health and social care (creating opportunities for community businesses through health commissioning); and infrastructure and capacity building (providing support to the community business sector by supporting established organisations that serve the sector – especially Co-operatives UK, the Plunkett Foundation and Locality).

This working paper provides an initial overview and commentary on Power to Change's market development work, drawn from the first phase of an evaluation and learning project running alongside the team's work. The report discusses a number of key areas and questions raised in interviews with stakeholders exploring the nature of market development in the context of community business.

02. The market – community businesses

Power to Change describes its role in supporting community businesses in the following terms:

We believe in the virtuous circle of community business – that in being led by the community, responding to local need and ploughing the benefits back into that same community – community business can be a powerful vehicle for change and bring new prosperity, opportunity and pride to local people and places. Community business can restore the social fabric by creating new, vibrant community spaces and provide the foundation for longer term prosperity through the creation of community-owned assets (Power to Change, 2016: 1).

This outlines a problem, a purpose and a possibility. The problem is that there are places where the social fabric needs to be restored and local prosperity generated. This suggests market failure, but also a failure by the public sector to support thriving local economies. The purpose of community businesses is to contribute towards addressing this problem by trading for the benefit of local communities. The possibility is to develop a business model that sits between the commercial market and public provision, and puts ownership and profit under the control of local communities.

By this token, community businesses are not traditional private companies based in a community; neither are they social enterprises operating generically within an industrial sector. Their unique selling point is local control and accountability alongside a commercial model of trading. One interviewee described community business as ‘a subset of social enterprise’.

The promotion of community business as a distinct sector has a long history within the cooperative and social enterprise movements, as well as the municipally-supported community enterprises of the 1970s and 1980s. One interviewee questioned whether the more familiar term ‘community economic development’ should have been used instead of the relatively newer term ‘community business’. As one interviewee commented, ‘the community business market wasn’t really a thing until it got funded to be one’. The use of the term raises questions of why and how: why are community businesses expected to address problems of market and state failure that other forms of intervention have not yet succeeded in addressing; how will they do so; and how will we know if they have succeeded?

We believe in the virtuous circle of community business –

that in being led by the community, responding to local need and ploughing the benefits back into that same community – community business can be a powerful vehicle for change and bring new prosperity, opportunity and pride to local people and places.

03. What is market development?

If the 'market' can broadly be described as those places and areas of activity where locally-owned and locally accountable enterprises have the potential to address gaps left by the state and private sectors, what does it mean to develop that market? From our interviews market development covers two broad areas of activity: creating the conditions for community businesses to flourish (which one interviewee described as 'above-market development'), and supporting specific areas of business or localities in order to put community businesses on a firmer footing. Interviewees also consistently described market development in terms of a 'legacy' for Power to Change: when Power to Change winds up, community businesses will be in a stronger position because of this market development work. Many of the activities currently pursued by the team are oriented towards creating a legacy for Power to Change, but this raises the question of what the legacy will be – how will we know the market has developed? Interviewees identified four potential indicators of success:

- a)** There will be greater awareness of community businesses. They will be regarded as 'a legitimate part of the broader business world'. Community business will be referenced in conversations – 'when it trips off the tongue you know you're there'. Local economic strategies will speak of the importance of community businesses. More organisations will self-identify as community businesses. Market development will 'put community business on the map'.
- b)** Policy and regulation will recognise the importance of community business. There are signs that metro mayors are starting to use the terminology of community business, while the More than a Pub programme has gained traction with politicians. Community business has been referenced in Julia Unwin's Civil Society Futures review (Civil Society Futures, 2018), and in the Ministry for Housing, Communities & Local Government (MHCLG) Communities framework (MHCLG, 2019), while Power to Change has joined forces with Big Society Capital to make the case for social investment tax relief. Policy change is hampered, however, by recent political volatility and lack of capacity in Whitehall.
- c)** There will be an underpinning web of networks and relationships to support community business. Some of this will be achieved through Power to Change's support of existing infrastructure organisations, but there will also be place-based networks to support community businesses in particular areas.
- d)** Community businesses will become more resilient – repaying loans, trading profitably, taking on staff, acquiring assets.

04. How is the market being developed?

Interviewees were asked about five types of activity that fall within the scope of the market development team: lobbying and advocacy; exemplar grants; relationship building; peer networks and communities of practice; and events and research.

One described the approach to these activities as ‘flying lots of kites’ – lots of options and possibilities were in play but it was not yet clear which kites would fly well. One concern was that market development work had grown in scope as more activities were added, and promising network relationships developed, without simultaneously curtailing less fruitful avenues. Another interviewee commented: ‘The reality is a lot of it is just learning by doing and iterating and making mistakes and seeing where the energy is, sometimes your numbers go up and sometimes they don’t and that’s just the way of the world.’ An external stakeholder described market development as involving ‘opportunity spotting and horizon scanning’. However, Power to Change is seen to have become less ‘generous’ in offering support in recent years, with a clearer sense of the kind of activities and organisations it is prepared to fund, and by implication those that it is not.

The approach to market development combines an organic and often opportunistic set of activities, involving conversations and relationship-building, with more instrumental activities with harder outputs – notably in the work on blended finance and assets, where clear quantitative measures of achievement can be applied. The summaries below highlight a number of areas of activity considered successful or promising, and where there may be merit in examining progress over the next few years:

a) Lobbying and advocacy: While some saw lobbying (in terms of influencing policy and government) as an advanced stage of market development to be undertaken later, the advocacy work of Power to Change was considered important by interviewees. Examples cited included work with ADASS (Association of Directors of Adult Social Services) in the health and social care field; building links with Liverpool’s metro mayor; encouraging the Public Works Loan Board to fund work on local impact and the Greater London Authority to support community shares; using research to influence policy on assets of community value; working with Big Society Capital to promote social investment tax relief; influencing government policy on pubs; and getting community business on the agenda of the Towns Fund and the post-Brexit Shared Prosperity Fund.

b) Exemplar grants: Examples cited include promoting community link workers to undertake social prescribing in Gateshead and the asset transfer of allotments in Newcastle to promote wellbeing and prevent ill-health; helping to finance place-based funding in Bristol as part of the One City fund; and setting up the MyCommunity online platform. Exemplar grants are relatively recent and were described by one interviewee as a tool for ‘winning hearts and minds’. They appear to be one step removed from the trading activities of community businesses.

c) Building relationships: Relationship-building is a long-term activity and has frequently taken longer than anticipated. Its role is to create an understanding of the needs and potential of community businesses among key stakeholders such as local authorities and NHS organisations. One example of success was the strategic relationship with Community Energy England, investing in the organisation's policy capacity – 'from a £30k per annum investment they have been able to get a permanent policy response'. Such indications of success were an exception and another interviewee spoke of the need to 'be selective about where to make the case for community business.'

d) Peer networks and communities of practice: Efforts to promote community businesses by building networks and communities of practice appear to have had limited traction. In health and social care a community of practice involving eight community businesses is now in its second year and working well, examining how community businesses can work with Clinical Commissioning Groups. However a peer network programme with infrastructure organisations 'ended rather abruptly'. This raises questions about the extent to which peer-to-peer sharing of learning and good practice can continue without the existence of funded facilitation.

e) Events and research: Research is seen as a key tool of Power to Change in creating legitimacy for community business as a sector. The existence of an evidence base has given Power to Change authority in working with policymakers, especially in health and social care and the cities of Bristol and Liverpool; funding organisations have also found the aggregation of data from grantees helpful. The Civil Society Futures inquiry is seen as a good example of Power to Change's use of research to influence policy (Civil Society Futures, 2018). However the use of research is inconsistent across the range of market development workstreams: one interviewee said it had been difficult to use research to influence local authorities, while another had not used their research budget. Events are viewed as complementary to research, creating opportunities to communicate findings and key messages to target audiences – 'getting Power to Change into people's minds'.

The experience of these market development activities poses the question of what kind of support is needed to establish and define the notion of a community business market in the minds of policymakers and service providers; and what ongoing activities will be needed to ensure the market functions as expected. While many of the activities described above promote the concept of community business, it appears that less attention is being paid to analysing the extent and effects of the defining elements of community business: the degree of local control and community businesses' local social and economic impact.

05. Relationships with other organisations

Market development is viewed as a collaborative exercise. Power to Change has been keen to work with other organisations in advocating and supporting the role of community business. These collaborations, however, are influenced by the financial clout of Power to Change and by the fact that it is a time-limited organisation. Initially there was some suspicion of and hostility towards Power to Change from organisations with whom it sought to develop a partnership. Power to Change was seen by some as intervening in ground that had been carefully staked out by others over many years – as one stakeholder put it, ‘not just moving in on their territory, but moving in with £150 million’. That suspicion has largely been replaced by closer working relationships, especially with three key infrastructure organisations – Co-operatives UK, the Plunkett Foundation and Locality. Relationships with some other infrastructure organisations, however, have proved harder to build, a work in progress, and such organisations were described as ‘still outside the club’.

With core partners, there are different perceptions of the strength of the partnership. Relationships with Co-operatives UK appear to be close and there has been direct investment by Power to Change in a fund to support community share issues after Power to Change has ended. Power to Change has funded Locality in order to build its capacity, but as one interviewee commented, ‘it’s also about giving us a seat at the table’. The same interviewee noted that the relationship still appeared to be quite transactional – ‘it doesn’t feel like we’re on the same side’. The Plunkett Foundation, conversely, is perceived to have ‘completely adapted their business model’ to reflect the community business agenda. The evolution of such relationships in the next phase of Power to Change’s work may provide clues to the long term traction of community business as a defined sector and partners’ thinking on these issues should be explored further.

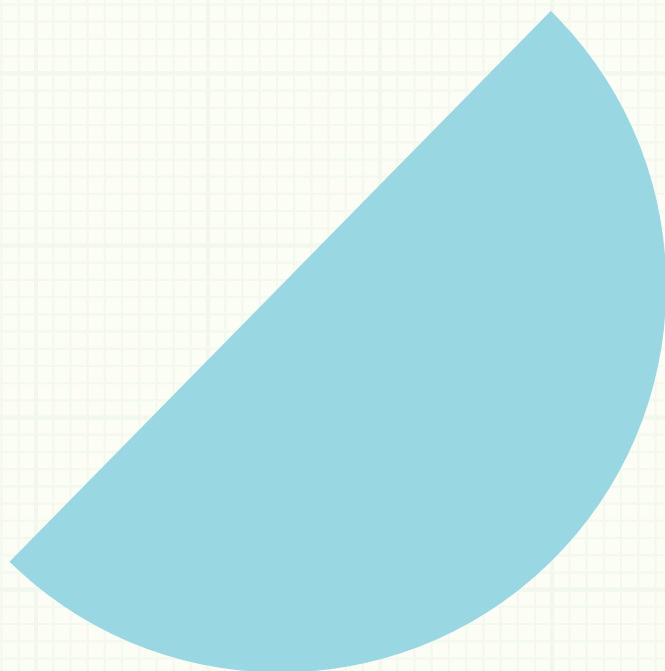
It is also worth exploring how the choice of close partners is likely to affect the long-term development of community business as a concept. Co-operatives UK, Locality and Plunkett all come with a rich history of work to reinvigorate the economies of deprived communities, but have distinctive foci and priorities. One indicator of the impact of Power to Change’s work will be how it has influenced the thinking and practices of each of these organisations, beyond the time-limited practical impacts of collaborating on grant-making and investment programmes. It will be interesting to see how far these infrastructure organisations are themselves acting as advocates for community business among their peers and stakeholders.

06. Market development as a legacy activity

From our interviews it is evident that market development is seen as creating the conditions for community businesses to thrive after Power to Change winds up. Some activities will outlast Power to Change: for example, funds have been lodged with partner organisations that will support community businesses for many years to come. These include support for community shares via Co-operatives UK, and ‘cornerstone’ funding for enterprise development in Bristol and potentially in Liverpool via the Cities and Counties workstream.

This reflects a strong concern among Power to Change staff and stakeholders that the organisation should leave a lasting legacy. Legacy was described as ‘leaving something behind when we’re gone’; ‘leaving the market better than we found it’; creating ‘the ecosystem for community business’; and ‘creating models other foundations and funders can adopt’. There is a recognition that this is a tall order for a new organisation, even one as well-endowed as Power to Change, to achieve within a decade.

There is also some vagueness about the way legacy is described – while there is a common view that it is about creating the conditions for community businesses to thrive, there is an imprecision about what those conditions are and what factors are perceived to generate them. Hence the ‘flying kites’ approach – Power to Change engages in a set of activities and network-building that together are expected to create a favourable climate. While this approach is pragmatic, it makes it harder to attribute success or change to particular interventions – is it the consequence of a single factor or a multiplicity of factors, or of external circumstances, and how can we know?



This raises the question of how legacy might be assessed while Power to Change is still operating. With all the necessary caveats about complexity, an understanding of ‘what works’ (and for whom, in what circumstances) is required to inform an understanding of what the legacy might be. Some questions to explore further within the evaluation of market development activity could therefore include:

- What criteria are being applied to determine the legacy impact of an intervention?
- How is legacy considered when monitoring the effects of interventions and reporting on impact, and are such measures consistent?
- How will partner organisations assess the legacy of Power to Change, and how might Power to Change ensure this happens?
- How will the long-term learning from Power to Change’s market development activity be shared more widely across relevant sectors and with policymakers?
- To what extent is the legacy of Power to Change dependent on a favourable political and policy climate, and how vulnerable is it to policy change?

07. Is 'market development' here to stay?

We asked interviewees about using the language of markets and how much it mattered in describing what Power to Change is seeking to do. This is significant because there are other concepts, often put to use in similar ways, which could potentially be applied to Power to Change's market development activity.

The language of systems and systems change, for example, has gained a lot of traction in recent years, particularly in health services and in services around multiple and complex needs, although the language can often be obscure. Abercrombie et al (2015: 9) define systems change as 'an intentional process designed to alter the status quo by shifting the function or structure of an identified system with purposeful interventions. It is a journey which...aims to bring about lasting change by altering underlying structures and supporting mechanisms which make the system operate in a particular way'.

Similarly, field development or 'field building' remains an important approach adopted by many charitable trusts and philanthropic foundations, particularly in the US. This approach involves 'leveraging their funds and their expertise and influence to change the policy landscape in their chosen field, while at the same time aiming to boost the effectiveness of individual organisations within it' (Bolton and Abdy, 2007: 26). As with systems, the language is often abstract, and it is often hard to envisage the limits or boundaries of a 'system' or 'field', or what concrete activities are involved in changing or building it. However, a 'strong field framework' identifies five elements of a robust field, and upon which field-building efforts might be targeted: a shared identity (i.e. a community aligned around a common purpose and core values); standards of practices (i.e. ways of working, recognised credentials, exemplars); a knowledge base (i.e. of credible research on practice, and a community of researchers); leadership and grassroots support (i.e. influential leaders who can advance the field); and an enabling policy environment and organised funding streams (Bridgespan Group, 2009).

It is noticeable that Power to Change uses several different concepts to describe the terrain, and the groups of people and organisations, seen to be within its ambit ('field'). For example, the latest strategy (2019-2022) makes reference to community businesses as a 'movement' (Power to Change, 2019: 3), and to growing both a community business 'sector' (ibid, p.9) and the community business 'market' (ibid, p.4). The flexible use of terminology may not matter so much, but it can help to convey particular framings of the field in which Power to Change is acting. While 'movement' implies a collective of people and organisations which is in progress, developing and seeking change, 'sector' and 'market' give the sense of more established or institutionalised contexts.

The language of the market and of market development sends strong signals to partners about the role and modus operandi of community businesses. It seeks to differentiate Power to Change's approach from other approaches in civil society or the social sector – the message being that this work has an explicit commercial orientation. Given the time-limited nature of Power to Change, the question arises of whether this language will outlast the endowment that has funded it and the matrix of political and policy circumstances that gave rise to it.

The language of the market reflects the 'business' side of community business, and also the private sector backgrounds of many of Power to Change's original board members. As one interviewee commented: 'Market development is the idea that there is a business activity going on in a marketplace and we want to grow that.' However, it also encompasses the idea that the market needs support or intervention to an extent that differs from established commercial markets.

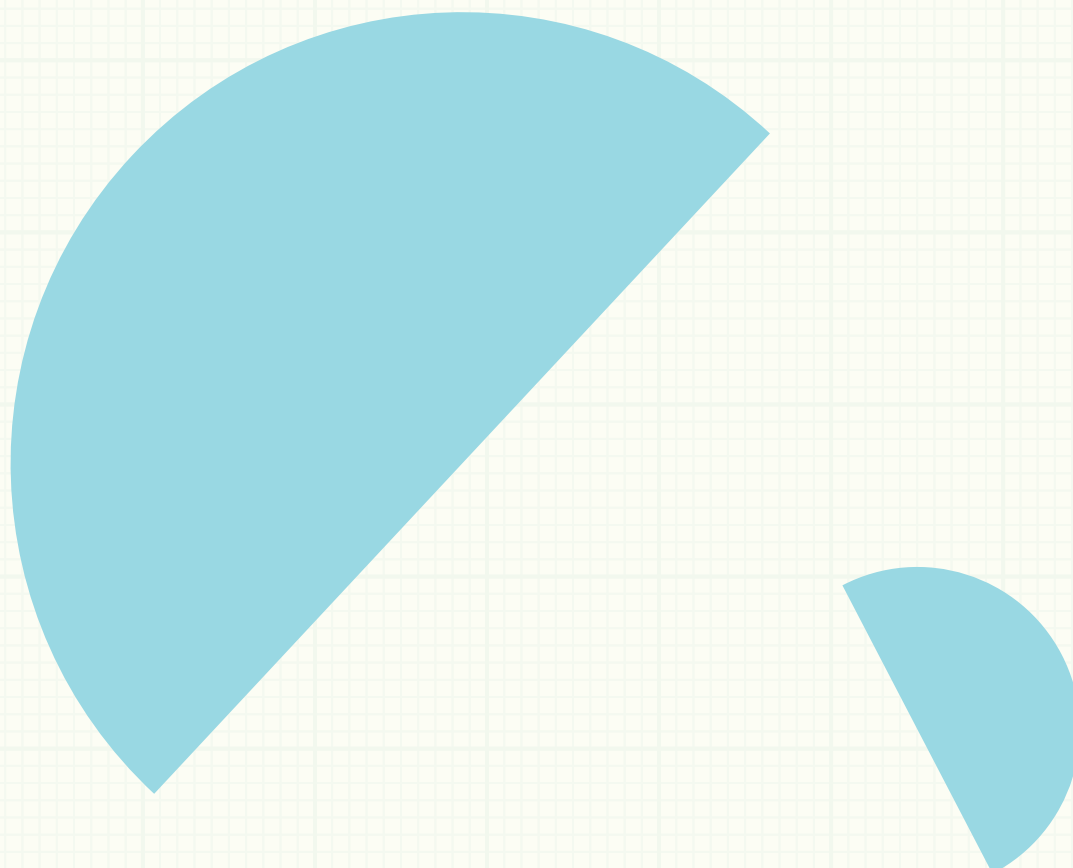
Another interviewee pointed out that 'working in problem areas' is not necessarily a market activity, and one highlighted the different metrics that might be used to judge the success of community businesses, with an emphasis on resilience rather than net growth in employees or turnover. Many community businesses have 'quite marginal business models' so growth and expansion will not be comparable to similar businesses working in affluent areas.

Deprived communities are likely to be with us for many years to come, so there is value in understanding the type and extent of support required to enable community-owned businesses in these locations to thrive. This raises the question of whether such support needs to be time-limited – a case of pump-priming local markets – or long term, recognising the more adverse conditions in which community businesses operate, or some combination of the two in order to support a steady stream of new community businesses. More fundamentally, there is a need to gauge the scope for community businesses to play a role in a mixed economy of public, voluntary and private provision, and how broad that role can be expected to become. The views of other funders on supporting community businesses may help to reveal how the growth potential of this area of activity is perceived more widely beyond Power to Change's circle of influence. Given the challenging experience of efforts to build community businesses in Suffolk through the Cities and Counties workstream, it may also be pertinent to consider whether there are locations or sectors in which a community business market may not be viable.

08. Conclusion – next steps

Discussions around Power to Change's market development work, amongst Power to Change staff, board members and external stakeholders, have generated a rich array of critical reflections about what market development is, how it might be pursued and what outcomes might be expected. Some of these connect with broader issues which have animated Power to Change's work since it was established in 2015, including the definition and role of community business, and how it relates to other organisational forms. These issues underpin some of the work at a more strategic level, beyond support for individual community businesses. For example, a starting point for many market development activities, including conversations with key decision makers, is about raising awareness of the nature and potential contribution of community business in a particular place or market.

The insights in this paper aim specifically to inform the development of an evaluation and learning plan for Power to Change's market development work over the next two years. More broadly, the paper aims to stimulate further reflection within Power to Change and amongst key stakeholders about market development, in order to help refine activities which seek to improve the conditions in which community businesses operate.



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