

Research Institute Report No. 5

What works: Successful community pubs

June 2017

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About this report

Power to Change commissioned NatCen Social Research and WPI Economics to conduct exploratory research examining the factors that have contributed to the development of successful community businesses in a number of economic sectors. The research arose from a desire to improve the understanding of what makes a successful community business, drawing on the experience of established businesses. This report summarises findings in relation to community pubs. Further studies of community business success in the transport and housing sectors can be found on the Power to Change website.

The findings in this report are based on evidence drawn from five strands of research: 11 stakeholder interviews, desk research, development of a set of success factors for community businesses, four in-depth case studies of successful community businesses from the pub sector and the development of a measurement framework.



At NatCen Social Research we believe that social research has the power to make life better. By really understanding the complexity of people's lives and what they think about the issues that affect them, we give the public a powerful and influential role in shaping decisions and services that can make a difference to everyone. And as an independent, not for profit organisation we're able to put all our time and energy into delivering social research that works for society.

WPI Economics is a specialist economics and public policy consultancy. We provide a range of public, private and charitable clients with research, modelling and advice to influence and deliver better outcomes through improved public policy design and delivery.

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Executive summary

Background

Community businesses are diverse organisations with a set of common characteristics (Hull et al., 2016). These characteristics include community businesses:

- being rooted in a particular geographic area and responding to local need and expectations;
- being accountable to the local community;
- being set up with a business model designed around trading in goods or services;
- delivering positive social, economic and/or environmental benefits for the whole community.

Power to Change commissioned NatCen Social Research and WPI Economics to conduct exploratory research examining the factors that have contributed to the development of successful community pubs. The specific questions explored in the research were the following:

- What is ‘success’ for community businesses?
- What makes a successful community pub?
- What are the common enablers and barriers to success?
- Can common models or pathways to success be identified in the community pub sector?

Research approach

The research comprised five phases of work: stakeholder interviews, literature review, development of a set of success factors for community businesses, case studies of successful community businesses from the pub sector and the development of a measurement framework.

Outlined below are the community pub case studies that formed part of this research:

- **The Anglers Rest** is a community pub with a post office and café located in Bamford, Derbyshire. It is owned by the Bamford Community Society, a community benefit society that was formed in 2012. The café and pub are run by a paid manager and 25 staff work on either a full-time or part-time basis.
- **The Centurion** is a community pub located in the heart of the Vicars Cross community in Chester. It is run by the Centurion Community Action Group, a community benefit society formed in 2016. The Group employs a landlord to manage the pub, who is responsible for two full-time and five part-time staff.

- **The George and Dragon** is a community pub located in the village of Hudswell in the Yorkshire Dales. It is owned by Hudswell Community Pub Ltd., an industrial and provident society formed in 2010. Hudswell Community Pub Ltd. leases the pub to a tenant who is responsible for running the pub and who employs one full-time and seven part-time staff.
- **The Drovers Inn** is a community pub located in the village of Gussage All Saints in Dorset. The pub is owned by Gussage Community Benefit Society, a community benefit society which was formed in 2015 to buy the pub, preventing it from being sold to a property developer. The pub is leased to a tenant who has two full-time and seven part-time staff.

Case study reports outlining the success factors for these community businesses can be found alongside this report on the Power to Change website.

Key findings

Evidence from the literature review, stakeholder interviews and case studies shows that there are a number of high-level success factors that are common across the community pub sector.

Defining success

While the exact definition of success varies between community pubs, there was a dual focus on achieving financial sustainability (i.e. aspiring to generate a small surplus through trading to achieve long-term sustainability of the businesses) and delivering positive social and economic benefits for the community, such as helping to increase a sense of belonging among residents and reducing social isolation.

Key success factors for community pubs

Overall findings from the stakeholder interviews, literature reviews and case studies with successful community pubs suggest that community pubs are similar to those run by commercial operators. However, there are some key differences that distinguish successful community pubs, including:

- reliance on cross-subsidisation between pub functions and other elements (e.g. café);
- reliance on volunteers (with both general and specific skills) to support set-up and running of the pub;
- the ability to generate their own demand to some extent, i.e. encouraging local people to use the pub because it is a community pub rather than a profit-making enterprise.

Success factors can be grouped according to whether they relate to the business, people or the community and external environment.

Business

- **Selecting the right legal structure.** No single legal structure was found to drive success in this sector. Co-operative models such as community benefit society were used by successful community pubs. This model was chosen because it encouraged large numbers of people locally to have a vested interest in the success of the pub.
- **Choosing the right ownership model.** It is important that community pubs choose the right ownership model to meet their needs. A tenanted model provides skills and expertise that founders do not always have.
- **Effective business planning.** This is underpinned by being responsive to market conditions, regularly reviewing business plans, ensuring the pub is customer-led and, where necessary, that services are diversified to meet local customers' needs.
- **Access to finance.** Successful community pubs access finance in multiple ways such as shares and donations, income from tenant pubs or access to loan finance, which is facilitated by having a convincing business plan.

People

- **Committed, hard-working and skilled board members.** It is critical to success that leaders and board members are able to build support from the local community and maintain a strong connection. They are also resilient in the face of setbacks and are able to maintain a positive outlook. The board of a community pub benefits from having people who have an understanding of business and HR. Having a member with strong financial literacy enables the board to manage costs and develop business plans.
- **Effective governance structure.** Successful governance structures of community pubs are those that are of a manageable size, and have sub-groups to focus on specific areas of the business.
- **Strong working relationships.** This is underpinned by a board that has clear roles and responsibilities for each member and between tenant/manager and the board. Frequent communication between board members and between the board and tenant/manager facilitates quick and effective decision-making.
- **Dedicated staff and volunteers.** Having dedicated volunteers to help refurbish and get the pub up and running is important. Once the pub is open, having paid staff dedicated to delivering good customer service encourages repeat custom.

Community and external environment

- **Community buy-in and support.** Community buy-in is central to the success of community pubs, as business models were dependent on the assumption that local people would make use of the pub and contribute to its income.
- **Support from local leaders and public bodies.** For community pubs this type of support helps prevent land from being sold to private developers and helps navigate legislation e.g. registering the pub as an asset of community value.
- **Support from specialists in the pub sector.** Access to expert advice and guidance drawn from previous success stories provides founders/leaders with knowledge and impetus to continue with the venture. Support also enabled successful community pubs to make use of supportive legislation such as the Localism Act 2011, which provides the opportunity for a community to bid for assets deemed to be of community value. Two community pubs made use of this legislation and were granted a six-month moratorium, during which time the property could not be sold to private investors

Measuring success

A measurement framework was developed to provide guidance on how success factors might be assessed in an objective way. Using the set of success factors determined by the literature review and stakeholder interviews; specific questions that could be used to test each success factor were developed, using a combination of factors including how comparable organisations such as micro or small businesses or charities would measure each factor. The result was a subset of measurement questions for each success factor (please see 3.5, 4.5 and 5.4 in this report for an overview of the success measures developed or Appendix A for the full framework).

1 Introduction

1.1 Background

Community businesses are diverse organisations with a set of common characteristics (Hull et al., 2016). These characteristics include community businesses:

- being rooted in a particular geographic area and responding to local need and expectations;
- being accountable to the local community;
- being set up with a business model designed around trading in goods or services;
- delivering positive social, economic and/or environmental benefits for the whole community.

The concept of community business has overlapped with other hybrid organisations such as social enterprise. However, as the definition above suggests, a key factor that distinguishes community business from other socially motivated organisations is that community businesses aspire to transform their local areas through engaging local people as co-creators in delivering goods or services. As such, community businesses have the potential to save assets which may otherwise fail through building high levels of community buy-in and support for ventures and developing innovative and often low-cost business models. Community businesses are also well-placed to strengthen local communities by involving local people in decision-making and building social capital through, for example, providing vital meeting spaces for residents and developing links between staff, volunteers and customers (Percy et al., 2015).

Community pubs are often established as a result of a local pub closing down. They are frequently bought or leased by a co-operative formed of people living in the local area. While community pubs can predominantly be found in rural areas, there are also some examples where people in urban areas have saved their local pub from closure. Community pubs are intended to reduce isolation and improve well-being while providing access to basic services. As well as the provision of alcohol and food, community pubs can offer other services such as a local shop, post office or space for local community activities to take place.

While the community business model is not new, there has been renewed focus on community business in recent years due to factors such as the transfer of power to communities through the Localism Act 2011, as well local businesses and services being at threat of closure due to changing market conditions, the recession and reductions in public service spending, for example.

To inform its longer-term research and evaluation programme, Power to Change commissioned NatCen Social Research and WPI Economics to carry out exploratory research examining the factors that have contributed to the development of successful community businesses. The specific questions explored in the research were:

- What is ‘success’ for community businesses?
- What makes a successful community business in the community pub sector?
- What are the common enablers and barriers to success within the community pub sector?
- Can common models or pathways to success be identified in the community pub sector?

As the evidence base on community business is comparatively limited, it was recognised that this research would produce early insight and learning for Power to Change, as well as generate questions for future investigation. In particular, it was understood that in-depth knowledge of the lifecycle of community businesses and pathways to success would be developed over time based on evidence from cumulative studies.

The research was carried out from October 2016 to March 2017.

1.2 Research approach

The research comprised five phases of work: stakeholder interviews, desk research, and development of a set of success factors for community businesses, case studies of successful community businesses from the pub sector, and the development of a measurement framework. The five research components are outlined below.

2.2.1 Stakeholder interviews

A total of 11 in-depth interviews with specialists in community business and related fields were carried out, to explore enablers and barriers to success across the lifecycle of community businesses. Participants were purposively selected to include individuals from established community businesses, sector bodies, and organisations working in related fields such as community assets and social enterprise and policy experts. Potential participants were initially sent written information about the study by the research team or Power to Change. A telephone interview, lasting around 45 minutes, was carried out with those who agreed to take part. Interviews were carried out using a topic guide and audio recorded and transcribed verbatim to aid comprehensive analysis. See section 1.2.4 for information about data analysis.

1.2.2 Literature review

A review of academic and grey literature was carried out to gain a better understanding of the existing evidence about success factors for community pubs. Search terms were developed to identify literature on the success factors for community pubs, as well as other relevant literature on social enterprise, community asset management and small and medium-sized enterprises.

A literature search was conducted using academic databases including Business Source Complete, ABI/INFORMS, Emerald, Web of Science, SAGE Journals Online, Science Direct, Sociological Abstracts and Policy Press, reference tracking of relevant studies and input from stakeholders who participated in a research interview. Additional searches for grey literature were carried out through selected websites (such as sector bodies) and Google Scholar. Seven documents were selected for detailed review based on their relevance to the study objectives. Key information from the seven documents was summarised using analytical matrices that reflected the project's key questions (see section 1.1).

1.2.3 Development of set of success factors for community businesses

Findings from the literature review and stakeholder interviews were synthesised to collate a set of success factors for community businesses that would be tested against empirical evidence collected during the case study phase of the research. It was found that a number of high-level success factors appear to be common across the pub sector. These factors can be grouped according to whether they relate to the community business, to people or to the community and external environment. A detailed breakdown of the categories and corresponding sub-themes identified through the literature review and stakeholder interviews can be found below:

- **Business-related factors** include issues such as the viability of the business model and plan, the financial health of the business and organisational culture.
- **Factors related to people** cover issues related to governance, leadership, capacity and partnerships.
- **Factors related to community and external environment** include issues such as levels of community buy-in and support, market conditions, legislation and regulation, the approach taken to community ownership by public bodies and the availability of external support and guidance.

The proposed set of success factors were reviewed and agreed with Power to Change prior to the start of the case study phase. The findings then informed the selection of case studies, content of topic guides and data analysis.

1.2.4 Case studies of successful community businesses

Four case studies of successful community businesses in the pub sector were carried out by NatCen in order to ‘test’ the success factors identified in the earlier stage of the research, and build understanding of the pathway to becoming an established community pub from the perspectives of those who manage, run or use them.

It was recognised that the meaning of success would vary from community businesses to community business. For the purpose of this research, ‘successful’ community businesses were defined in terms of longevity (e.g. businesses that have entered the ‘growth’ stage of business lifecycle) or evidence of positive social or economic outcomes. Community businesses were also judged to be successful based on the recommendations of stakeholders (see below).

Sampling and recruitment

A list of successful community businesses was identified through internet searches, a review of relevant reports by sectors bodies and advice from stakeholders who participated in a research interview. As this is a qualitative study, four community businesses were purposively selected from the list to achieve diversity with respect to sampling criteria agreed with Power to Change. These were:

- diversity of rural and urban community pubs;
- socio-economic indicators of the area (e.g. IMD score); and a
- a range of ownership models (purchasing/leasing a pub and/or operating a managed or tenanted pub).

Selected community businesses were invited to take part in the study by the research team. A single point of contact was identified in each participating community business. The single point of contact provided the research team with a brief overview of the community business to help inform sampling decisions. The single point of contact also helped the research team to recruit staff and volunteers for interviews and customers for focus groups, based on guidance from the research. For staff and volunteers, this involved speaking to people in different roles who had been involved in the community businesses for different lengths of time. For customers, decisions about the composition of group discussions were agreed on a case-by-case basis (see Appendix B).

Outlined below are the community pub case studies that formed part of this research:

- **The Anglers Rest** is a community pub with a post office and café located in Bamford, Derbyshire. It is owned by the Bamford Community Society, a community benefit society that was formed in 2012. The café and pub are run by a paid manager, with 25 staff working on either a full-time or part-time basis.
- **The Centurion** is a community pub located in the heart of the Vicars Cross community in Chester. It is run by the Centurion Community Action Group, a community benefit society formed in 2016. The Group employs a landlord to manage the pub, who is responsible for two full-time and five part-time staff.
- **The Drovers Inn** is a community pub located in the village of Gussage All Saints in Dorset. The pub is owned by Gussage Community Benefit Society, a community benefit society which was formed in 2015 to buy the pub and stop it from being sold to a property developer. The pub is leased to a tenant who has two full-time and seven part-time staff.
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Case study reports outlining the success factors for these community businesses can be found alongside this report on the Power to Change website.

Data collection

Data were collected from each of the four community pubs using the following methods:

- **Four in-depth interviews** were carried out with those involved in establishing, managing or running the community businesses. Interviews lasted around 45 minutes and explored how success is defined and measured by the community business and the factors that were perceived to have contributed to its success.
- **One focus group** with customers of the community business was also carried out. Discussions lasted up to 1.5 hours and explored customer views and experiences of the community businesses including what works well, less well and suggestions for improvement. Discussions also explored what difference, if any, the community business was perceived to have made to customers and the wider community.
- **A questionnaire** was administered to gather structured information about the business, its staff and volunteers and the external environment in which it operates. The questionnaire is available at Appendix C.

- Community businesses were also asked to share **key documents** such as published accounts and business plans, to give a fuller picture of the characteristics of the business and to help identify learning about ‘what works’.

Interviews and focus groups were carried out using a topic guide. They were audio recorded and transcribed verbatim to aid comprehensive analysis.

Community businesses received a £500 honorarium payment for participating in the research. Customers who participated in a focus group received £10 in recognition of their time and contribution to the study.

Data management and analysis

Interviews and focus groups transcripts were managed using Framework in Nvivo. Framework (Ritchie et al., 2014) is a data management technique developed at NatCen. Two analytical frameworks were drawn up (one for staff and volunteers and one for customers) and a series of thematic charts or matrices were set up. Each matrix related to a different thematic issue and data from each transcript was summarised into the appropriate cells. The analytical stage involved working through the charted data, drawing out the range of experiences and views, identifying similarities and differences and interrogating the data to seek to explain emergent patterns and findings (Spencer et al., 2014).

1.2.5 Measurement framework

A measurement framework was developed to provide guidance on how success factors might be assessed in a more objective way. Using the set of success factors determined by the literature review and stakeholders interviews, specific questions that could be used to test each success factor were developed, using a combination of factors including how comparable organisations – such as micro or small businesses or charities – would measure each factor. The result was a subset of measurement questions for each success factor.

Data sources that could be used to evaluate each measurement question were mapped to each measurement category, including specifications about how data might be collected or used where relevant. Finally, a rationale for the inclusion of each measurement question was included, such that the relationship between each measurement question, the data source, and the overall success factor was clear.

1.2.6 Ethics

This study underwent a full review by NatCen's Research Ethics Committee. This ethics governance procedure is in line with the requirements of the Economic and Social Research Council (ESRC, 2005) and Government Social Research Unit Research Ethics Frameworks (GSRU, 2005).

This study posed a number of ethical considerations. For example, participants were informed, by the research team and in writing, of who was funding the research, the voluntary nature of participation, what taking part would involve, confidentiality and data use. Community businesses were given the option of being named in reports or remaining anonymous. Individuals taking part in the research were informed of the decision in relation to anonymity and were able to redact information at the end of interviews/group discussions if required. Permission to share redacted transcripts with Power to Change and the UK Data Archive was sought. A multi-stage consent process was used to ensure that participants could agree to take part in an interview or focus group without having their transcript shared outside the research team.

1.2.7 Reading this report

This report shows the range and diversity of views and experiences among those who took part in interviews and focus groups. As this is qualitative research, we have not reported the number of people who hold a particular view as it bears no indication of the extent to which these views are held in the wider population. Any numerical inference is likely to be misleading or inaccurate as qualitative samples are not designed for this purpose.

1.2.8 Limitations

With any research there are limitations. This study is no exception and we have noted the potential limitations below.

With respect to the selection of case studies, the aim was to achieve as much diversity as possible within the sample with the time and resources available. While we believe the achieved sample increases understanding of the range of success factors that are relevant to the pub sector, certain views and experiences will be missing from this research. This is for two key reasons:

- It would be challenging to fully represent all characteristics of community businesses that are likely to influence success across four case studies.

- While every attempt was made to achieve a diverse sample, successful community businesses who agreed to participate in the research may differ in important ways to those who did not. For example, community businesses who are more heavily reliant on volunteers may have found it particularly challenging to find the time to participate in the study.

1.2.9 Summary of report content and structure

This report has four chapters. The first outlines how community pubs define themselves and their success. The remainder of the report is split into three thematic chapters exploring the three high-level success categories in turn. Each chapter synthesises the evidence the literature review, stakeholder interviews and qualitative interviews with founders, board members, managers/tenants and volunteers of community pubs as well focus groups with local residents who are either shareholders or who make use of the pub. Information and data has also been taken from the questionnaire responses and business information such as published accounts and business plans.

- **Chapter 2** provides an overview of how community pubs define success.
- **Chapter 3** summarises business related success factors.
- **Chapter 4** summarises success factors related to people involved in setting up and running community pubs.
- **Chapter 5** summarises success factors related to the local community and external environment.

2 Defining success for community pubs

The following chapter sets out evidence from the literature, stakeholder interviews and case study research and provides an overview firstly of how community pubs are defined and goes on to explore how success is defined.

There were two elements that underpinned the definition of a community pub according to participants in this research.

- **A pub that is run for community benefit.** At the core of a community pub is the local people that it serves; the purpose of having a community pub is to provide services wider than just the provision of drinks to the local community.
- **Accountable to local community and shareholders.** Where community pubs are owned by a group of shareholders, it is particularly important that they have a say in the way services are shaped and delivered.

Both elements demonstrate a clear distinction between a community pub and one that is run for commercial purposes.

Findings from all across all phases of the research indicated that while the definition of success varies between community pubs, there is likely to be a dual focus on financial sustainability and creating community value:

Financial sustainability

Financial success was understood in terms of the organisation becoming self-sustaining. For some community pubs growth and development were also described as important. Community pubs aspired to generate a small surplus to help ensure the long-term sustainability of the businesses and invest in the maintenance of the building. This was considered important to retaining existing customers and to growing the business.

'Yeah, I think success is a two-way street, really. It's just keeping it open, seeing it being used by the locals is one guide of the success. And you keep the building in some kind of good condition and then obviously turning a profit.'
(Community pub, managed)

Participant views on the importance of paying interest to shareholders were mixed. For example, there were some who believed that those who invested in the business were driven by social objectives and so did not expect financial returns. In other cases, participants believed it was important for community businesses to pay interest to investors (typically these were shareholders).

Providing social value

According to the literature the community value generated by pubs spans social and economic spheres and includes:

- strengthening and extending social networks (Walker, 2014; Dunbar 2016; Muir 2012; Cabras and Bosworth, 2014);
- hosting local groups and events (Walker, 2014; Muir 2012);
- enhancing the heritage and cultural identity of the local area (Walker, 2014; Cabras and Bosworth, 2014);
- delivering important local services such as shops and libraries (Walker, 2014; Muir, 2012; Co-operative Pubs, undated); and
- creating training and employment opportunities and acting as a ‘commercial hub’ for local businesses (Community Co-operatives, undated; Cabras and Bosworth, 2014).

The literature suggests that the diverse social functions of a community pub means that it can play an important role in contributing to social cohesion, social capital and reducing social isolation (Dunbar, 2016; Co-operative Pubs, undated). The wider social and economic functions of a pub are considered to be particularly important in rural contexts due to lack of alternative social spaces and more limited job opportunities, as compared with urban areas (Muir, 2012; Tolbert 2005 in Cabras and Bosworth, 2014; Cabras, 2011).

The findings in the literature were echoed by the participants in this study, who felt that their pubs provided opportunities for local people to meet and get to know one another, which helped increase a sense of belonging among residents and reduce social isolation.

‘You get some people coming there and they, you know, they may live on their own or they may have lost a loved one or something like that. And they can come in there and meet new friends or they come and share with old friends and stuff. So it's something for them.’ (Community pub, tenanted)

Community pubs were also felt to contribute to help communities thrive through maintaining important local assets and increasing the attractiveness of villages to current and potential residents. They were also thought to be contributing to the local economy through creating employment opportunities for local people and buying goods/services from local suppliers.

'57 per cent of our spend is local, and that's one of our fundamentals really which is having locally sourced food, and supporting the community by employing local people as far as we possibly can.'

(Community pub, managed)

Defining success over time

Balancing financial sustainability and community value creates opportunities and challenges for pubs. There is evidence to suggest that delivering community benefit is integral to the financial sustainability of both privately and community local pubs (Cabras and Bosworth, 2014). However, the relative importance given to the commercial and social objectives of community pubs was expected by founders of successful community pubs to shift over time depending on the circumstances of the business. For example, it was felt that community pubs that are established and financially stable are likely to be better placed to focus on increasing their social value than businesses that are loss-making.

According to community pubs participating as a case study there were circumstances in which the commercial and social objectives of the pub could come into conflict. For example, developing products/services that attract non-local custom could deter local people from using the pub. So, turning a community business into a profitable 'gastro pub' that is not used by local people was seen by participants as a failure in the context of a community pub rather than a success.

Measuring community business success

Community pubs measured success using 'hard' indicators of success, such as profit/loss accounts, as well as 'softer' indicators, such as gathering feedback from shareholders, customers and the wider community through meetings and questionnaires. Receiving awards from the Campaign for Real Ale (CAMRA) and other bodies was also seen as validation of their approach.

3 Success factors: business

This chapter reports on the key success factors relating to the community business itself, which were selecting an appropriate legal structure, choosing the right ownership model, undertaking effective business planning and accessing the finance needed.

3.1 Legal structure

According to the literature and stakeholder interviews there is no one legal structure that will guarantee a community business will be successful in running a pub. Nevertheless some structures are felt to provide more benefits to pubs operating by and for local communities than others. Co-operative models, for example, have the advantage of enabling large numbers of people to be involved in setting up and running the pub (Community Ownership, undated, Co-operative Pubs, undated; Cabras, 2011). A structure that allows community shares to be issued is also advantageous, as it can help the business raise the large sums of finance required to set up and run a pub (Community Ownership, undated; Co-operative Pubs, undated; Cambras and Bosworth, 2014; Cabras, 2011).

A common form of legal structure used by the pubs that participated in this research was the community benefit society. Running a community pub as a community benefit society had two key benefits:

- The community benefit society structure means that large numbers of local people have a vested interest in the success of the business. This creates a committed group of customers and ensures the business continues to reflect the aspirations of local residents.
- Shareholders within a community benefit society structure are felt to be more forgiving compared with those of a commercial business. For example, participants explained shareholders/customers were understanding of a slower service or if the décor was dated.

However, participants reported that operating what is effectively a democratically-controlled business brought challenges. This included difficulties resolving conflicts between board members, paid managers and shareholders in a timely way. Some customers of the community pubs also questioned whether a democratic organisational structure could be a barrier to enterprising activity, particularly where the board of directors has more limited commercial skills and experience.

3.2 Selecting an ownership model

Findings from both the literature review and participants in this research indicate that it is important that a community pub chooses the right form of ownership model to meet their needs. According to the literature a key decision at the outset is making a decision about whether a community wants to own the pub or lease the property. The option of leasing rather than buying a pub is sometimes the only option for those finding it difficult to raise sufficient finances to buy the pub outright (Harris, 2012).

According to the literature, another key decision for those setting up a community pub is whether to choose a managed or tenanted model (Cambras and Bosworth, 2014). Community pubs can choose to hire a manager, who reports directly to the community business day-to-day; or to set up a tenancy arrangement, which involves a much more distant relationship between the community business and the running of the pub. Whatever the choice, the pub manager or tenant needs the requisite skills and experiences to run a successful pub venture (Community Co-operatives, undated). Operating a business in a sector with declining profitability requires good market knowledge and familiarity with the reality of running a business in this area. The required skillset includes strong financial literacy and knowledge of how to ensure good customer service.

Among community pubs participating as case studies there were examples of the use of both ownership models. Community pubs that opted for the tenanted model did so for three reasons. First, a tenanted model meant the pubs benefitted from the expertise of a tenant experienced in running a pub. Founders of the community pubs also felt that having a tenant would help raise profits as it would be in the tenant's personal interest to make a surplus. Finally, founders of community pubs were concerned with the level of commitment and time that might be necessary to support a directly-employed manager, and felt they could leave a tenant to get on with the day-to-day running of the pub with little input from the board.

'Well, no-one had an appetite for the management model... it would have been difficult to have found volunteers to be on the management committee [and run] the day-to-day management of a pub business, so that for us was, was never really going to be the way forward. For us the tenanted model was the way forward.' (Community pub, tenanted)

Participants explained that it was important to find a tenant whose approach aligned with the community business's vision of having a pub and wider services that meet their needs of the local residents. Strategies to find an appropriate tenant varied from conducting open interviews to approaching people with prior

experience of running a pub. Participants said that asking prospective tenants to share proposed business plans as part of the recruitment process enabled the community business to choose tenants or managers they felt would run a successful community pub.

Community pubs that used a management model reported that it had created a high workload for board members and managers felt they lacked sufficient freedom to run the business efficiently.

3.3 Effective business planning

The literature notes that at the initial stages it is important for community businesses wishing to run a local pub to identify the reasons the pub previously failed, and to gather information on the level of support among local residents and their needs and expectations (Community Ownership, undated). Prospective owners must consider information about the history of the business and its current trading position, business model, profitability, cash flow projections and management structure. Aspects that help create a strong business plan include exploring options for reducing costs and identifying activities that have the potential to generate a surplus.

An effective business plan is particularly important in the context of increasing operating costs and rising beer prices (Andrews and Turner, 2012). Another aspect of effective business planning involves placing customer service at the heart of the pub in order to build a strong customer base in the face of social changes and, potentially, increased competition (Andrews and Turner, 2012). The literature also suggests that delivering additional products or services can generate multiple and diverse income streams (Community Ownership, undated). However, stakeholders interviewed as part of this research cautioned that becoming a 'multi-purpose' pub is not without its challenges. Decisions about diversification need to be grounded in an understanding of the potential opportunities and threats to the business.

Board members of community pubs reported that developing a business plan and setting out a vision that underpinned it was one of the first key steps community pubs took. Often this was done by a core group of people who tended to be founders and eventually board members of the community business. Participants involved in developing the business plan reported that it was a steep learning curve, which involved learning about various business structures and, in some cases, seeking expert advice and guidance, which could have cost implications.

'A planning application for a business involves putting [together] a business case, which I mean we do in other aspects of life, but it meant that you had to understand what a viable business [is] and we ended up with three models of a successful business. So, even though we weren't going to run it and we took that decision right at the beginning, we did have business cases and business models and we drew on some pro bono help, some free help, but we also employed professional help and raised fighting fund money to do it.'
(Community pub, tenanted)

Support at this initial stage of business planning was important to success. Community pubs accessed this from a variety of sources, such as the Plunkett Foundation and Locality, and key stakeholders in the local area such as council leaders who were in support of the pub.

Participants said that having a credible business plan was important to success for two reasons. First, it enabled them to make a convincing bid to access loan and grant finance. Second, understanding the principles of a successful pub enabled founders to make decisions about the ownership model and while interviewing tenants or managers, panels felt the business plan helped them select appropriate candidates.

Board members of well-established community pubs explained that once a pub was trading it was important to adapt the business strategy in light of emerging threats (such as competition in the local area) and opportunities (such as new grant funding becoming available). According to board members, business plans were reviewed and updated every six to 12 months, though in some cases it was less frequently than that, with it being reviewed more like every 18-24 months.

Participants said that key issues to take into account in creating and reviewing in the business plan included: identifying and responding to customer needs and expectations and managing cost and diversification. This are discussed in turn below.

Customers' needs and expectations

Founders and board members of community pubs believed it was particularly important for businesses operating in a declining sector (such as the pub sector) to build an understanding of the needs and expectations of customers. Pubs aspired to retain and grow their customer base in the following ways:

- Providing personal customer service as a way of gaining a competitive advantage over local commercial pubs that offered quicker service and better maintained facilities.

- Being a pub that caters for the whole community through providing a space that could be used for meetings or venue a for local sports teams to use to meet socially.
- Providing high-quality food at a good price in line with the expectations of local people. This was facilitated by increasing kitchen staff or making improvements to kitchen layout.
- Increasing trade through attracting non-local custom, particularly in areas where there were high levels of tourism. However, participants felt it was important that new activities/services did not alienate local people or discourage them from using the pub.

Managing cost

Once community pubs were open, board members and managers/tenants discussed the importance of carefully managing cost. Success was linked to reducing operating costs and increasing sales of alcohol sales and food sales (which had good profit margins).

Managing cost was seen by board members and manager/tenants as an ongoing challenge for community pubs due to long opening hours, leading to high staff costs, and difficulties estimating demand for the service in the early years of the business. Pubs located in large, run-down buildings also faced high maintenance costs. Access to grants to make repairs was therefore considered particularly important to the success of pubs that had experienced years of underinvestment (see below for more information on access to funding).

Diversification

Delivering a number of different products or services helped some community pubs participating in this research to achieve their commercial and social objectives. There were examples of community pubs providing a range of local services such as a café and a post office. In some circumstances diversification met commercial objectives by ensuring that the combined income from the services covered the high operating costs of the business (associated with maintaining old buildings, for example) and attracted greater custom than would have been achieved by any one service individually. In other instances, diversification was more focused upon meeting social objectives. For example a room in one pub was set up to house a local shop because the village did not have one, rather than being a way of generating an additional revenue stream.

According to board members and manager/tenants of the community pubs each service contributed to the diverse objectives of community pubs in different ways. For example, a community pub reported that the pub was the most commercially successful aspect of the business, with revenue linked to ‘wet sales’ (i.e. alcohol and soft drinks). In contrast, the post office helped it achieve its social objectives by providing important services to people at local level, and the café by providing a space for residents to meet during the day.

‘The Post Office is really for its social benefit, you know, the benefit to community. In terms of finance it doesn't actually bring a huge amount of money in on its own. But people will use other things once they come in for the Post Office.’ (Community pub, managed)

Diversification was not always a key facet of community pubs’ business plans and in some cases board members of successful community pubs reported that it was the result of *ad hoc* opportunities, such as the closure of a post office. In these circumstances board members reported feeling confident they would be able to successfully take on these new elements of the business due their experience of successfully buying and running the pub.

3.4 Access to finance

Access to capital is important to success for community pubs at the initial start-up phase and on an ongoing basis to support refurbishments.

3.4.1 Accessing finance at the start-up phase

Board members of the community pubs reported that at the start-up phase, access to finance was critical to successfully setting up the community business and being able to buy or lease the pub. Participants reported using a range of financial sources including community shares, donations, bank loans and grants and subsidies. Decisions about the most appropriate way to raise capital were influenced by advice from experts such as the Plunkett Foundation, Locality or advice and support from other successful community pubs.

The community pubs involved as a case studies chose to access the main bulk of capital via the sale of shares to local people and donations from the community. As explained in Chapter 4, extensive efforts were taken by those who were responsible for founding the community pub to mobilise the community to buy shares. Community pubs used a variety of fundraising activities, such music events and parties in local village halls, as well as sharing information on social media. Participants believed the key factor that encouraged people to invest in the pub was that it was for the benefit of the community.

While raising funds through shares was considered a critical way to access finance, founders and leaders said they had to carefully consider the maximum value of shares sold to avoid having to make large pay outs if shareholders ask for their money back. In one instance a community pub set out in the rules for shareholders that the business had the right to refuse repayment of shares if it was believed to endanger the business.

3.4.2 Ongoing access to finance

According to participants, securing finance continued to be important beyond the start-up phase to help cover the cost of upgrading facilities and buildings that had experienced years of underinvestment. In these instances access to grants and subsidies or bank loans became the main source of finance. Findings from the literature review indicate that financial challenges faced by community pubs are similar to that of other small business. For example, survey evidence on the main reasons for seeking external finance shows a variety of needs, including sourcing working capital, smoothing cash flow issues, funding expansion or purchasing physical assets (UK Department for Business, Innovation and Skills, 2016). Findings from stakeholder interviews indicated that it is important that community pubs are aware of their cash-flow position, but also that they know what a healthy cash-flow looks like.

According to board members, the key source of finance for community pubs, once opened, was the trade from customers or, where it was tenanted, the monthly income from the rent of the pub. Community pubs aspired to generate a small surplus through trading and this was used in various ways, including paying dividends to shareholders or to keep reserves for unexpected costs such as small refurbishments.

Income from grants or subsidies only played a small role in the finances among the community pubs involved in the research, with it accounting for no more than 20% of the businesses income. Board members believed the businesses were likely to be able to survive without grants or subsidies in the future. In order to successfully secure grants and subsidies, community businesses needed someone with knowledge and/or prior experience of making grant applications.

3.5 Chapter conclusion

Overall the findings suggest community pubs faced the same business and financial realities as commercial-owned pubs. As such, effective business planning was crucial, which meant that like commercial pubs, community pubs had to manage and reduce operational costs and overheads while maximising their revenue, and doing so within a difficult trading environment. This also influenced pubs' choice of management structure, with a tenanted model felt to provide a surer way of recruiting a manager with sufficient experience and expertise to make the pub a financial success.

Nevertheless, maintaining a focus on the social aims of the enterprise was seen as important. This meant that some of the diversification pubs undertook was primarily aimed at achieving their social aims rather than enhancing their financial position. Given the challenging context in which they are operating, it is perhaps not surprising that some of the community pubs were not necessarily fully financially sustainable and there were examples of community pubs in the sample holding liquid reserves of only approximately six weeks, despite guidance (NICVA, 2014) suggesting that reserves of around three to six months should be held.

Overall the evidence indicates that conventional measurements of feasibility for pubs could be appropriate to measure the likely success of a community pub. However, unlike commercially-owned pubs, community ones rely on patronage motivated in part by community action, which means that standard measures of potential demand may not be sufficient.

Table 1 below sets out the questions that can be used to measure the success of a community pub in terms of business-related issues.

Table 1. Success factor: business

Success factor	Measurement questions	Rationale for inclusion
A suitable ownership and legal structure	<ol style="list-style-type: none"> 1. Is the pub owned or leased? 2. Is the pub managed or tenanted? 	<p>If the wrong ownership or legal structure is chosen then it will have a negative impact on the business. However, understanding what is “wrong” will be a judgement call. Different circumstances are suited to different ownership and legal structures. For example, leasing may be preferred to ownership because of difficulty raising finance.</p> <p>Each pub should have a clear justification for why its preferred ownership or legal structure is the right one for them.</p>
A robust business plan	<ol style="list-style-type: none"> 1. Is the business plan fit for purpose? 2. Does the business plan include financial projections? 3. Does the business plan outline how the pub will engage with and involve the community? 	<p>A good business plan is a necessary precondition of success in funding applications and general operations.</p> <p>The financial information will indicate the pub’s preparedness for business disruption or shock, as well as how it anticipates its finances performing in the future.</p>
Access to finance	<ol style="list-style-type: none"> 1. Does the pub produce a clear set of accounts? 2. From what sources does the pub derive its annual income? 3. How reliant is it on grant income or subsidy? 4. What proportion of the pub’s revenue is generated from its sales? 5. Are there sufficient liquid reserves? 	<p>The measurement of how income is derived is important. Too heavy a reliance on grants could indicate weakness, as there is always the possibility of grant funding being removed in the future.</p> <p>Ultimately, a community pub’s finances are an indicator of how it can continue as a going concern. Each community pub will arrange their finances in different ways. However, an understanding of the pub’s sources of income and the sustainability of those sources of income will help it to be successful.</p>
Organisational culture	<ol style="list-style-type: none"> 1. Is the organisation open-minded and willing to embrace change? 	<p>All of the evidence suggests that community pubs – like any community business – face numerous and varied challenges as they operate. However, the way that these challenges are dealt with will vary from business to business and be set in different contexts.</p> <p>There is repeated reference to the fact that the skills, talents and attitude of leading figures contribute to a good organisational culture.</p>

4 Success factor: people

This chapter reports on the key success factors relating the people involved in setting up, running and volunteering within community pubs. The factors relate to leadership, governance structures, skills and experience of board members, the relationship between the board and the manager and the capacity of staff and volunteers.

4.1 Committed, hard-working and skilled board members

According to the literature it is important that an individual, group or organisation (such as a Parish Council or a Community Development Trust) takes a leading role in channelling the collective support of local residents (ORCC, undated). In line with these findings, community pubs that had participated as a case study had benefited from a core group of volunteers who were committed, hard-working and skilled and were able to drive the project forward. At the initial set-up stage participants involved in founding the business reported that they would meet on a regular basis (sometimes weekly) to work through the business plan and anticipated challenges.

'About a dozen of us started meeting regularly, and working up a business plan, and a programme of action for working out how on earth we were going to raise the money... we met probably, at some stage, weekly, and even small groups of us meeting at other social occasions; we'd always be talking about the pub and what was happening.' (Community pub, managed)

Key tasks included building support for the venture among the local community, developing a plan for purchasing the asset and running the businesses and raising the finance required to purchase the asset.

An elected board of directors played an important role in the management of the community pub. Having a board with the requisite skills and experience to run a community business was perceived to influence long-term success. This included knowledge and skills in areas such as Human Resources (HR), finance and business planning. Having board members with requisite commercial knowledge and financial experience helped community pubs to initially access capital, manage cost and develop profitable trading activities. For example, one of the community pubs benefited from a member of the board having a long career in finance which they felt they could use to their advantage when raising the funds to buy the pub via shareholders and accessing a bank loan.

It was also felt to be important to success if there were board members who had knowledge and experience of the pub sector. These board members helped navigate regulations specific to the pub sector and aided the board to identify strong and experienced hired managers or tenants.

Founders of community pubs were also successful in drawing on skills and expertise from the wider community when needed. For example, one community pub used the experience of a local resident to help with IT and communications who helped set up a website, which enabled local residents to easily buy shares or donate funds. Engaging experts from outside of those involved in setting up the community business relied upon strong community engagement from the outset.

4.2 Effective governance structure

Evidence from the literature suggests that once a community pub is trading it is important to keep the governing board to a manageable size (Community Ownership, undated). The board must also be clear on the divisions of roles and responsibilities. Alongside this the board must establish adequate systems for setting and appraising performance targets and obtaining regular information on the financial performance of the business (ORCC, undated).

Village pubs in particular (both commercial pubs and community businesses) are thought to be more successful when they have a strong connection with the local community. Cambras and Bosworth (2014) suggest that developing strong links to local communities can also help businesses to access and mobilise the resources required to run a successful business.

According to board members of community pubs the creation of sub-groups (such as marketing, HR) with responsibility for particular areas of the business was believed to improve the effectiveness of the businesses. However, it was also seen as important to maintain a degree of flexibility over roles and responsibilities so that businesses are able to respond to issues as they arise.

4.2.1 Succession planning

As explained above, the first few years of managing and running a community business were reported to be particularly challenging and required dedication and hard work from the board. It was considered possible that members may eventually 'run out of steam' due to the difficult and demanding nature of sitting on a board of community pub. In some cases participants reported that some board members found the job harder than they had expected and had therefore decided to step down.

Board members reported looking out for potential new members on an ongoing basis to ensure there were suitable replacements if a member left. For example, one community pub that was aware that a board member was thinking of standing down, decided to reach out to the local community to appeal for new volunteer board members and was able to successfully find replacements. There was, however, some concern among board members that new members may not be as committed as those involved in setting up the community business.

'My impression is, with each lot that, new lot that come in, they're not as wholeheartedly committed to it as the ones who were in it from the beginning, which is what you'd expect. You know... when it's been your baby, you've seen it through and you feel a bit possessive about it.'

(Community pub, tenanted)

4.3 Strong working relationship between board and pub manager

Findings from interviews with the board and managers/tenants of successful community pubs indicate that a strong working relationship between all board members and between the board and the tenant or hired manager of the pub was an important factor for success. Having an open and honest forum for discussion and democratic decision-making were the key aspects that underpinned a strong working relationship. It was also recognised that boards were effective in their decision-making when individual members were willing to compromise on their personal visions for the pub. However, democratic structures were also perceived to have drawbacks, for example taking long periods of time to make key decisions.

Successful working relationships between board members and hired managers or tenants was underpinned by regular communication that was open and honest. For example, a tenant in a successful community pub reported having quarterly meetings where they and the board analysed performance together. Board members, managers and tenants also reflected that the relationship worked well when both parties were learning something from the other. For example, in one community pub board members shared their combined vision with the tenant, which helped the tenant to better understand the board and its aspirations for the pub. In another the tenant shared their skills and experience of running a pub with inexperienced board members, which enabled them to make more effective business planning decisions.

According to shareholders, where challenges occurred it was often because of a lack of clarity around the division of roles and responsibilities between the board and hired manager or tenant. For example, participants on the board of pubs using a tenanted model reported that people in the local community often came to them with issues about the pub, rather than approaching the tenant.

'We sometimes get people who have been for a meal and, and maybe they haven't enjoyed it quite as much and they meet us and, and whinge at us and we have to remind them well actually, you know you, you should really talk to the tenant about that.' (Community pub, tenanted)

Another challenge raised by both board members and hired managers or tenants was that differences of opinion can prevent decisions from being made in a timely way.

4.4 Dedicated capacity from staff and volunteers

According to founders and board members, there were two stages at which access to staff or volunteers was important to success. First, community pubs benefitted extensively from volunteers at the refurbishment stage. Board members explained that this was particularly helpful for businesses that had not had a grant for refurbishment or where the pub had fallen into disrepair and needed extensive work. However, sustaining interest and enthusiasm among volunteers was a challenge, particularly when community pubs had been operating for several years. It was suggested a key way to overcome this was by doing more to proactively identify issues and ask local people for help.

According to both board members and customers of the community pubs, staff played a key role in the success of a community pub. Board members explained that staff that provided good customer service ensured that local residents were loyal and regularly visited the pub. As explained in chapter three, providing a good quality service was perceived to be particularly important to offset some of the negatives of a community pub, such as the décor being dated or a slow service due to limited numbers of staff.

'Most importantly is the manners and their willingness to want to please people, yeah, 'cause that's what we want to be. We've not got the best building, we've not got, you know, the best décor but we aim to give the best service and be the, you know, the most helpful. That is what is important to us and to our staff and we hope that they, they come with that same ethos when they join us.' (Community pub, tenanted)

The staffing model was similar across the community pubs. In terms of employees, there tended to be a small number of full-time staff and a larger number of part-time staff. Regular volunteers involved in the community pubs tended to be board members; it was rare for volunteers to be involved in the day-to-day operations. According to tenants and managers this was largely because it was difficult to find people who were willing to work for long periods during unsociable hours. A wider volunteer base was utilised at the refurbishment stage and, in some instances, on an *ad hoc* basis where members of the local community who had specific skills offered their support, such as an electrician helping with lighting.

4.5 Chapter conclusion

Successful community pubs needed board members with a distinct and specialist set of skills in order to overcome some of the challenges in setting up and running a pub. These skills were both sector-specific (i.e. prior experience of working in the pub sector), and also those related to more general business functions (i.e. financial management or marketing expertise) were considered important.

Relationships between the board, tenant/managers and staff are all important for the continued success of a community pub. Strong working relationships between board members and the board and tenant/managers were characterised by a culture of openness and a willingness to learn from one another.

Due to long and unsociable hours community pubs have found it difficult to attract local people to volunteer doing shifts at the pub. A successful staffing model is one that involves paid staff. Finding the balance between full and part-time staff was a challenge, particularly at the initial stages when there was uncertainty around the extent to which the local community and wider groups (e.g. holidaymakers) might use the pub. Ensuring repeat custom and continued investment from the local community was underpinned by having staff who were dedicated to providing good customer service.

Table 2 below sets out the questions that can be used to measure the success of a community pub in terms of factors related to the people involved.

Table 2. Success factor: people

Success factor	Measurement questions	Rationale for inclusion
A clear governance structure	<ol style="list-style-type: none"> 1. Does the pub have a governance structure? 2. Does the pub review and update its governance structure? 3. Is the board accountable to the local community? 	<p>Evidence suggests that once a community pub is trading it is important to keep the board to a manageable size. The board must also be clear on the divisions of roles and responsibilities.</p> <p>Alongside this the board must establish adequate systems for setting and appraising performance targets and obtaining regular information on the financial performance of the business.</p>
Leadership	<ol style="list-style-type: none"> 1. Does the pub have one person or a group of dedicated people to run it? 	<p>The case study evidence suggests that successful community pubs have one or more dedicated people to run it, and that if they didn't the pub would not exist.</p>
Capacity and support	<ol style="list-style-type: none"> 1. Does the pub have sufficient people to run the business? 2. What is the mix of paid employees and volunteers? 3. Does the pub have access to the requisite skill sets to run the pub? 	<p>The involvement of leaders/volunteers/staff with knowledge, skills, time and energy that are relevant to the business is a necessary condition for success.</p> <p>Some skills are more important to others within pubs. For example, financial management skills, sector specific skills and the ability to navigate regulations have all been referenced as important.</p>
Partnerships	<ol style="list-style-type: none"> 1. Does the pub have strong relationships with partners, such as support organisations, sector bodies or local councils? 	<p>Success is underpinned by strong relationships with partners such as support organisations, public bodies, the supply chain and the community.</p>

5 Success factor: community and external environment

This chapter reports on the key success factors relating to the community and external environment, including community buy-in and support, support from public bodies, external guidance and navigating relevant regulations.

5.1 Community buy-in and support

Mobilising the support of the community was the responsibility of a core group who were responsible for setting up the community business. According to the literature the process of taking on ownership takes time and it is important that support and enthusiasm are maintained during this period. Findings from the literature suggest this can be achieved through good marketing and communication strategies which keep the community informed of progress and sustains interest in the project (ORCC, undated).

Founders of community pubs explained that they were able to garner community buy-in by creating comprehensive communication campaigns. These involved regular local meetings and events, including meetings that explored the community's views on the vision for the pub, and the use of local TV and radio and social media to promote the community business. There were examples of community pubs that had widespread interest from the local community from the outset, and where mobilising this support stopped the pub being bought by a commercial enterprise.

'We mobilised people to object to the planning application... we set up a Facebook page... we delivered leaflets to all properties, and we had regular meetings in the pub, and we got 430 objections put in to the planning application.' (Community pub, tenanted)

There were however also examples where local people expressed reservations about community ownership. These included concerns that those leading the project would financially benefit from owning the pub. Tensions also arose when key people involved in campaigning to save the pub were not felt to be reflective of the whole community (e.g. professionals versus non-professionals, or 'incomers' versus /people who have lived in the local area for their whole lives). Leaders setting up the community pubs were able to mitigate the challenges, at least to some extent, through working hard to communicate the benefits of community ownership to local people.

Engaging the community was also central to the success of the pub long-term. Board members and managers/tenants of the pubs therefore continued to work to engage the community by offering the pub as a space for local community groups to use, such as knitting groups, local language classes and using the pub for social events. One participant described how the pub actively encouraged local people to use the space for parties, christenings and other social events which under the previous tenant were discouraged.

A customer of the community pub described the pub as ‘becoming more of a community centre than the community centre’.

5.2 Support from local leaders and public bodies

Findings from both the literature review and from community pubs participating as case studies found that support from local leaders and public bodies underpinned the successful acquisition of the lease or purchase of the pub. According to the literature, the degree to which councils make effective use of powers available to them in the planning application process depends on factors such as aspiration and political will, whether the council has a clear and coherent vision for what they want to achieve with their planning policies, and their level of understanding and confidence in the powers (Walker, 2014; Co-operative Pubs, undated). Founders of community pubs reported that MPs or the local council provided support to successfully acquire the pub. For example, a community pub benefited from political support that helped prevent the land being sold to property developer.

Findings from the literature suggest that public bodies such as local district councils and local parishes can play a leading role in actively promoting the ‘Community Right to Bid’ legislation (part of the Localism Act 2011), raise awareness of risks to local pubs and galvanise support for community ownership (Walker, 2014). Among the case studies, there were examples of community businesses that had made use of the Community Right to Bid legislation. For example, in one case the council was unfamiliar with the Community Right to Bid, yet they were supportive of the community businesses and worked closely with the founders to understand and used the legislation to list the pub as an asset of community value. In this instance the six-month moratorium during which the land could not be sold to private investors was helpful in allowing time to mobilising the local community and for the community business to prepare their application to buy the pub. They explained that it allowed leaders to set up campaigns to establish community buy-in to help put in objections to planning permission and to attract members of the community to become shareholders, and time to develop viable business plans which were used to secure loan finance.

5.3 External support and guidance from specialists in the pub sector

Evidence from the literature review indicates that community pubs find information and support from others already running a successful pub as well as guidance from sector bodies useful (Community Ownership, undated). Accessing advice and support from organisations set up to support community pubs, such as CAMRA, Plunkett Foundation and Locality, was recognised as an important factor for success, particularly at the initial stages of community business development. Events and seminars held by the Plunkett Foundation were noted as particularly useful, as was personalised advice and support such as being put in touch with similar community pubs that were up and running.

'Plunkett Foundation gave us access to talk to people who had been through it before. We spoke to two other pubs... that had done it... it meant we didn't have to totally reinvent the wheel. There were people who had had [the] experience and were willing to share that experience so it helped us map our journey and understand what the steps we had to take. Albeit our steps in detail might be different, the process was very similar.' (Community pub, managed)

This advice and support gave founders of successful community pubs the confidence to continue with their ambition of re-opening their local pub.

5.4 Chapter conclusion

Community buy-in was important for the pubs in this study at a number of different stages of development. At the initial stages it helped raise capital and gather support for the acquisition of the pub. Once opened buy-in continues to be important to ensure local people are making use of the pub and therefore provide it with a key source of income. Successful community pubs have been able to help create their own demand via community engagement and support. However, findings suggest that community pubs face similar barriers to commercially owned pubs, such as lack of overall demand and competition from other business.

Table 3 below sets out the that can be used to measure the success of a community pub in terms of the community and external environment.

Table 3. Success factors: community and external environment

Success factor	Measurement questions	Rationale for inclusion
Community buy-in and support	1. Does the community pub have community buy-in and support?	Understanding awareness, views, and support is key and no secondary datasets will exist on issues related to the specific community business.
Economic and social context/ market conditions	1. Does demand exist for the product? 2. What factors affect demand for the product or service? 3. What competitive pressures does the pub face?	Determining if there is sufficient demand for the pub's services is fundamental to understanding if it is a viable business. Demand should be looked at with a note of caution. It is clear from the evidence that community pubs can create their own demand. Ultimately, headline economic indicators will provide an overview of a particular area, but they cannot say whether community buy-in can be generated to buy the pub's products or services.
Ability to navigate legislation and regulation	1. Are regulations and legislation effectively complied with?	Legislation and regulations could apply to many different parts of the pub business. It could be employment law, food standards, age restrictions, or a number of other factors. Understanding how these affect the business, and what needs to be done in order to comply will help the smooth operation of the business.
Approach to community ownership by public bodies	1. Are there examples of goodwill and support from local public bodies?	If the local bodies actively support and promote community ownership then pubs will likely have a greater support network. For example, with respect to the planning process, the degree to which councils make effective use of powers available to them depends on factors such as aspiration and political will, whether the council has a clear and coherent vision for what they want to achieve with their planning policies and their level of understanding and confidence in the powers.
Availability of external support and guidance	1. Does the community pub have the opportunity to access the relevant support and guidance from a variety of sources?	Having the opportunity to access relevant support and guidance from a variety of sources such as the local authority, other businesses, sector bodies or individual mentors can support success.
Availability of assets	1. Does the community pub have access to available assets? 2. Does the pub have the ability to service the costs of its assets?	The availability of assets that are affordable is a key contributor to success.

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Appendix A: Measurement framework

Success factor: business

Success factor	Measurement questions	Data and information sources	Rationale for inclusion
A suitable ownership and legal structure	<ol style="list-style-type: none"> 1. Is the pub owned or leased? 2. Is the community pub managed or tenanted? 	<ul style="list-style-type: none"> – There is no data source related to these factors. – Information should be found in the pub’s business plan or annual report. 	<p>If the wrong ownership or legal structure is chosen then it will have a negative impact on the business. However, understanding what is “wrong” will be a judgement call. Different circumstances are suited to different ownership and legal structures. For example, leasing may be preferred to ownership because of difficulty raising finance.</p> <p>Each pub should have a clear justification for why its preferred ownership or legal structure is the right one for them.</p>
A robust business plan	<ol style="list-style-type: none"> 1. Does a business plan exist? 2. Does the business plan include financial projections? 3. Does the business plan outline how the pub will engage with and involve the community? 	<ul style="list-style-type: none"> – The pub’s business would be the source for this information. It can be used to compare current financial projections against those of previous years. – While the finances of each individual business will be different, there is information that can be referenced to “sense check” the construct of financial projections. (British Beer and Pub Association, 2016). – There is plenty of information on what a good cash flow forecast should include, such as the government’s source (Start Up Loans Company, 2013). 	<p>A good business plan is a necessary precondition of success in funding applications and general operations.</p> <p>The financial information will indicate the pub’s preparedness for business disruption or shock, as well as how it anticipates its finances performing in the future.</p>

Success factor	Measurement questions	Data and information sources	Rationale for inclusion
Access to finance	<ol style="list-style-type: none"> 1. Does the pub produce a clear set of accounts? 2. From what sources does the pub derive its annual income? 3. How reliant is it on grant income or subsidy? 4. What proportion of the pub's revenue is generated from its sales? 5. Are there sufficient liquid reserves? 	<ul style="list-style-type: none"> – The pub's accounts should provide clear information on the income and expenditure of the business. – One indicator is the breakdown of the pub's annual income to establish if it is too reliant on one source for its income. For example, how much is from grants, how much is from food/beer sales, how much is from the shop that it runs etc. – Liquid Reserves are the assets held by a company that can be used immediately to meet emergency needs or future payment requirements. A "sufficient" level of liquid reserves will vary from business to business. That said, a rough rule of thumb is that three to six months of reserves should be held. 	<p>The measurement of how income is derived is important. Too heavy a reliance on grants could indicate weakness, as there is always the possibility of grant funding being removed in the future.</p> <p>Ultimately, a community pub's finances are an indicator of how it can continue as a going concern. Each community pub will arrange its finances in different ways. However, an understanding of the pub's sources of income and the sustainability of those sources of income will help it to be successful.</p>
Organisational culture	<ol style="list-style-type: none"> 1. Is the organisation open-minded and willing to embrace change? 	<ul style="list-style-type: none"> – This success factor is unmeasurable with data. – There may be indications of a strong organisational culture within business plans and within annual reports, but these will be subjective judgements. 	<p>All of the evidence suggests that community pubs – like any community business – face numerous and varied challenges as they operate. However, the way that these challenges are dealt with will vary from business to business and be set in different contexts.</p> <p>There is repeated reference to the fact that the skills, talents and attitude of leading figures contribute to a good organisational culture.</p>

Success factor: people

Success factor	Measurement questions	Data and information sources	Rationale for inclusion
A clear governance structure	<ol style="list-style-type: none"> 1. Does the pub have a governance structure? 2. Does the pub review and update its governance structure? 3. Is the board accountable to the local community? 	<ul style="list-style-type: none"> – The answers to the first two questions will be found in the pub’s published information. – Although not a necessary condition for good governance, regular turnover of board members can indicate a refresh of ideas and skills. 	<p>Evidence suggests that once a community pub is trading it is important to keep the board to a manageable size. The board must also be clear on the divisions of roles and responsibilities.</p> <p>Alongside this the board must establish adequate systems for setting and appraising performance targets and obtaining regular information on the financial performance of the business.</p>
Leadership	<ol style="list-style-type: none"> 1. Does the pub have one person or a group of dedicated people to run it? 	<ul style="list-style-type: none"> – This measure is largely subjective and unable to be established by data. 	<p>The case study evidence suggests that successful community pubs have one or more dedicated people to run it, and that if they didn’t the pub would not exist.</p>
Capacity and support	<ol style="list-style-type: none"> 1. Does the pub have sufficient people to run the business? 2. What is the mix of paid employees and volunteers? 3. Does the pub have access to the requisite skill sets to run the pub? 	<ul style="list-style-type: none"> – Some ways of using data and information to understand success in this area are: <ul style="list-style-type: none"> – Performing a skills audit of the employees and volunteers involved in the business. – Some understanding of how many volunteers are at the pub’s disposal – which could include the flow of volunteers joining the business over a period of time. 	<p>The involvement of leaders/ volunteers/staff with knowledge, skills, time and energy that are relevant to the business is a necessary condition for success.</p> <p>Some skills are more important to others within pubs. For example, financial management skills, sector specific skills and the ability to navigate regulations have all been referenced as important.</p>
Partnerships	<ol style="list-style-type: none"> 1. Does the pub have strong relationships with partners, such as support organisations, sector bodies or local councils? 	<ul style="list-style-type: none"> – One way of understanding this factor through data would be to survey both the pub and its partners about their respective viewpoints on their relationship 	<p>Success is underpinned by strong relationships with partners such as support organisations, public bodies, the supply chain and the community.</p>

Success factor: community and external environment

Success factor	Measurement questions	Data and information sources	Rationale for inclusion
Community buy-in and support	1. Does the pub have community buy-in and support?	<ul style="list-style-type: none"> – Data could be generated from a community survey. – Information could be gathered from the outcome of a community meeting. 	Understanding awareness, views and support is key and no secondary datasets will exist on issues related to the specific CB.
Economic and social context/ market conditions	<ol style="list-style-type: none"> 1. Does demand exist for the product? 2. What factors affect demand for the product or service? 3. What competitive pressures does the pub face? 	<ul style="list-style-type: none"> – There are several ways to determine demand and market conditions. One would be to survey the community to understand if they would use the pub's proposed services; another would be to do an audit of competitors within the surrounding area. – More general statistics could look at demand from the perspective of population, employment and income statistics. Pen portraits of the economic fundamentals of particular localities can be found here: https://www.nomisweb.co.uk 	<p>Determining if there is sufficient demand for the pub's services is fundamental to understanding if it is a viable business.</p> <p>Demand should be looked at with a note of caution. It is clear from the evidence that community pubs can create their own demand. Ultimately, headline economic indicators will provide an overview of a particular area, but they cannot say whether community buy-in can be generated to buy the pub's products or services.</p>
Ability to navigate legislation and regulation	1. Are regulations and legislation effectively complied with?	<ul style="list-style-type: none"> – A survey could be undertaken by the business in order to gauge how well the board and key volunteers understand regulatory requirements. 	Legislation and regulations could apply to many different parts of the pub business. It could be employment law, food standards, age restrictions, or a number of other factors. Understanding how these affect the business, and what needs to be done in order to comply will help the smooth operation of the business.

Success factor	Measurement questions	Data and information sources	Rationale for inclusion
Approach to community ownership by public bodies	1. Are there examples of goodwill and support from local public bodies?	– The metrics that could be used to indicate success are previous grants made available, or previous planning permissions made available related to the pub.	If the local bodies actively support and promote community ownership then pubs will likely have a greater support network. For example, with respect to the planning process, the degree to which councils make effective use of powers available to them depends on factors such as aspiration and political will, whether the council has a clear and coherent vision for what they want to achieve with their planning policies and their level of understanding and confidence in the powers.
Availability of external support and guidance	1. Does the pub have the opportunity to access the relevant support and guidance from a variety of sources?	– A survey of those involved in the running of the pub could determine how widely support and guidance from other sources is accessed.	Having the opportunity to access relevant support and guidance from a variety of sources such as the local authority, other businesses, sector bodies or individual mentors can support success.
Availability of assets	1. Does the pub have access to available assets? 2. Does the pub have the ability to service the costs of its assets?	– This really depends upon what the asset is in question, but financial accounts will provide information on the cost of servicing an asset and the business plan should highlight if there are any problems with access to an asset.	The availability of assets that are affordable is a key contributor to success.

Appendix B: Achieved sample

Tables 4 and 5 outline the type and number of participants included in each of the four case studies.

Table 4. Number of achieved telephone and face-to-face interviews with community pub staff and volunteers by case study

Case study	Volunteer board members	Volunteers (other)	Paid staff	Total
The Anglers Rest	3	0	1	4
The Centurion	2	1	1	4
The George and Dragon	3	0	1	4
The Drivers Inn	3	0	1	4

Table 5. Number of achieved focus groups with community pub customers by case study

Case study	Customers
The Anglers Rest	4
The Centurion	8
The George and Dragon	7
The Drivers Inn	9

Appendix C: Case study questionnaire

Business Characteristics

1. How many years has the Community Business been operating?
2. How many people does the Community Business employ on a full-time basis?
3. How many people does the Community Business employ on a part-time basis?
4. How many full-time volunteers does the Community Business have?
5. How many part-time volunteers does the Community Business have?

Barriers to success

1. We want to know about the biggest obstacles to overall success for your Community Business. Please rank the top 3 reasons, with #1 being the biggest obstacle to success and #3 being the third largest obstacle:

- Lack of access to finance to fund the business
- Other providers in the area competing with the Community Business
- Regulation restricting business activity
- Finding the right skills to run the business
- Inadequate access to advice and support on how to run the business
- A lack of buy-in, or interest, from the community
- A lack of available assets (land, vehicles, buildings)

If a major obstacle to the overall success of your community business is not included here then please specify.

2. We want to know about the biggest obstacles to growing your Community Business. Please rank the top 3 reasons, with #1 being the biggest obstacle to growth and #3 being the third largest obstacle:

- Lack of access to finance
- Other providers in the area competing with the Community Business
- Regulation restricting business activity
- Finding the right skills to run the business
- Not having enough specialist knowledge to scale the business

- You, your staff, and your volunteers having insufficient time
 - Not having access to assets required to scale, such as property or vehicles
- If a major obstacle to the overall success of your community business is not included here, then please specify.

Business Plan

1. How often does your business review and update its business plan? (please tick one box only)
 - Once every six months (or more frequently)
 - Once every 6-12 months
 - Once every 12-18 months
 - Once every 18-24 months
 - Less frequently than any of the above

2. How often does your business review and update its governance structure? (please tick one box only)
 - Once every six months (or more frequently)
 - Once every 6-12 months
 - Once every 12-18 months
 - Once every 18-24 months
 - Less frequently than any of the above

3. Which of the following contribute to funding your Community Business? (please tick all that apply)
 - Grant or subsidy
 - Loan from a third sector organisation
 - Loan from a high street bank
 - Community share funding
 - Other (please specify)

4. Roughly how much of your Community Business' annual income comes from grant funding or subsidy? (please tick one box only)
 - None of our annual income comes from grant funding or subsidy
 - Less than 10%
 - 10% - 20%
 - 20% - 30%
 - 30% - 40%

- 40% - 50%
- 50% - 60%
- 60% - 70%
- 70% - 80%
- 80% - 90%
- 90% - 100%

If we have missed an important skill set related to this question please tell us.

2. We want to know which skill sets would be most important to grow your Community Business. Please rank each of the following in order of importance, with #1 being the most important skill set and #6 being the least important skill set.

- Financial management skills
- Human resources management skills
- Knowledge of how to navigate regulations affecting your business
- Trade skills (such as bricklayers or electricians)
- People skills
- Sector specific skills

If we have missed an important skill set related to this question please tell us.

5. Liquid Reserves are the assets held by a company that can be used immediately to meet emergency needs or future payment requirements. A 'week' of Liquid Reserves refers to the amount of liquid reserves required to cover operating costs for a week. How many weeks of Liquid Reserves do you carry?

6. If your business does receive income from grant or subsidy, which of the following statements best represents your position. (please tick one box only)

- Our business is unlikely to survive without grant or subsidy.
- Our business may be able to survive without grant or subsidy in the future, but we would have to change our business model.
- Our business will be able to survive without grant or subsidy in the future with few changes to the business model, but cannot right now.
- Our business could survive without grant or subsidy now.

Community and External Environment

1. What are the biggest factors affecting demand for the product or service that your business provides? Please rank in order of importance, with #1 being the biggest pressure and #5 being the smallest pressure:

- Other businesses providing the same product or service
- The performance of the economy
- Overall demand within the community that the business serves
- High business costs pushing up prices
- Our Community Business faces no competitive pressures
- Other (please specify)

Human Capital

1. We want to know which skill sets are most important to the successful running of your Community Business. Please rank each of the following in order of importance, with #1 being the most important skill set and #6 being the least important skill set.

- Financial management skills
- Human resources management skills
- Knowledge of how to navigate regulations affecting your business
- Trade skills (such as bricklayers, electricians or drivers)
- People skills
- Sector specific skills

2. Which of the following types of organisations does your Community Business currently have relationships with? (please tick all that apply)

- Local authority
- High street bank
- Third sector funding provider
- A sector body
- Other (please specify)

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