



Research summary

Community accountability in community businesses

This research explored the concept and practice of community accountability. Accountability to the community served is a core characteristic of community business, but it can be challenging for businesses to articulate and for funders and partners to assess and value. This purpose of this research was to refine the definition of community accountability, to expand understanding of what it looks like in practice, and to increase understanding of how it can be assessed, supported and demonstrated.

About the research

The report was researched and written by the Institute for Voluntary Action Research (IVAR). The findings in this report are based on a review of relevant literature, 10 key informant interviews, and 12 in-depth case studies of community businesses, including a range of legal structures and a variety of service delivery or other areas of activity. Data collection was via semi-structured in-depth interviews and document review. An overview of the case studies can be found at the end of this summary. The full report can be found at www.thepowertochange.org.uk/research/research-publications/

Key findings

1. Thinking about community accountability

The 12 community businesses in the study understood the idea of community accountability as being responsible, responsive to and engaged with their community. The idea of being accountable to the community was at the heart of who they are and how they work; and helped them to operate with dual drivers – to serve their community and to be a viable business. As they said, they were not businesses that decided to involve the community, but rather community members who decided to set up a business.

2. Community accountability mattered to community businesses because it is:

- An expression of core values that can help guide most business decisions
- A way to help make the business sustainable by harnessing community assets (e.g. volunteers) and remain relevant and/or needed locally
- A means by which to build credibility of the business in the local community (and sometimes more widely)
- Central to fulfilling a mission of helping empower local people through work and/or the acquisition of skills
- Aligned with a vision of achieving financial independence from the agendas of funders or others and driving the direction of the business in a way that best suits the community.



3. Community accountability in practice

The community businesses saw themselves as responsible, responsive to and engaged with both a local geographical area (a city, a town or a few postcodes) and isolated or disadvantaged groups of people in the area. In practice, community accountability was grounded in developing a local presence and building relationships. The ways in which this was approached can be loosely categorised as:

- **Formal structures** such as meetings (AGMs, consultations); directly involving local people (as members/shareholders, volunteers or board members); aligning with and/or adhering to regulatory frameworks (public benefit) or local plans (parish plans)
- **Relationships** between the organisation and the community to ensure a two-way flow of insights, learning and opinion
- **Communications tools** used flexibly to create a visible local presence, openness and transparency by using social media and digital technology as well as leaflet drops and public meetings.

Achieving community accountability was not without its challenges. The 12 community businesses highlighted seven key challenges:

- While **feeling responsible** to the community was positive, it came with a fear of failure and of letting the community down. Ensuring that the values around community accountability ran through everything the organisation did was thought to help mitigate this
- **Balancing what the community wants or needs with sound business decisions** in order not to risk the venture failing. Being open and transparent about decisions and accepting the need to be comfortable with a degree of risk were critical in handling this
- Participants said there were **times when leadership is required** in the running of an organisation and the need, sometimes, to make decisions on behalf of a community. The businesses believed that community accountability gave them some mandate to act on behalf of the community. Using the organisation's mission and values, as well as legal structure, helped when deciding when to lead rather than act collectively; and when to take risks in order to meet long-term needs
- Working out **whose voice takes precedence** and how to manage competing views could be a challenge. The community businesses used the structures they have developed to help them to communicate openly why, and how, decisions were made and tried to reach beyond the most active members of their community
- Over time, the **governance** structure and the people involved in the businesses needed to change. New and different skills were needed, as well as greater diversity, to help the organisation to develop. While early on there may be necessary and unavoidable conflicts of interest on boards, these needed to be addressed as the organisation matured
- Being responsible, responsive to and engaged with communities is **time and resource intensive**. Some businesses had curtailed their ambitions for community accountability because of a lack of resources, while others explained that it was made easier where core funding, a supportive grant or a patient investor were in place
- **Demonstrating accountability** to funders and commissioners was especially challenging. It was sometimes thought to be easier to show the community roots of smaller businesses, whereas larger organisations found themselves having to defend their credentials to people unfamiliar with their history and origins.



4. Critical success factors for community accountability

Drawing on the data collected from the 12 community businesses, we have identified four factors that appear to facilitate community accountability:

1. **Connected to the community:** Having a range of ways that local people, groups and organisations in the community, public and business sectors can be involved and valued by the community business
2. **Engaged and knowledgeable leadership and governance:** Both trusted by the community and capable of managing the tensions between community and business needs, as well as living with a degree of uncertainty and risk
3. **Aligned with local partners and initiatives:** Forming partnerships with public and other bodies and finding ways to align their work in relation to mission and values as well as aims
4. **Working with the community during times when the business was in difficulty:** For example, some of the businesses talked about managing differences of opinion between stakeholders; complaints from local residents or negotiations with local authorities. These kinds of critical events showed quite tangibly how community businesses had sought to respond to and take into account a range of views locally.

5. Learning and implications for community businesses and those funding them

The term community accountability did not resonate with the 12 community businesses or reflect what they felt was a value-based way of working. Our findings suggest that community accountability might be understood as the ways in which community businesses are embedded in their communities, engage local people in the business and respond to the needs of their communities – be they hyperlocal, neighbourhood or a community of identity.

Community accountability – living the values?

- There is no one descriptor for community accountability but terms used need to be meaningful for community businesses and reflect their value-based way of working. For example, community responsibility or responsiveness
- Demonstrating accountability appears to be as much about understanding the history, values, set-up and relationships around a business as it is about board composition, legal structure or number of shareholder members.

Business sustainability and connection to the community

- How a community business looks in its financial accounts or annual turnover may not reflect the value it serves locally
- Sustainability or keeping going may be one indicator of successful community accountability.

A different kind of business model

- Different types of community business will have different models of accountability. There is no ‘one size fits all’ approach. Accountability is likely to vary by length of operation and area of focus
- Traditional business models aimed at profit, scale and growth may operate differently for community businesses and/or not apply in the same way. There is a risk of pulling some too far from their missions.



Embedded in a locality

- Community accountability is heavily grounded in a business's people – they are from and of their areas and 'live' the values
- Being linked into local activities or strategies and embedded locally are seen as key elements of community accountability
- Describing in their own words how they work with local people may help in making some of the implicit nature of the work around accountability explicit. The categories we have used (structures, relationships, communications) may be of use.

Appetite for risk

- Judgements about risk need to be grounded in the mission and values of the business, with a long-term view
- Success may need to be viewed in the long term or on a basis other than financial success
- Managing risk and the balancing act described above can be tricky and those leading businesses, at CEO or board level, may require support for working in this way.

Organisational life cycle and accountability

- Community businesses are borne of genuine community need and thus community accountability at the point of start-up is key
- Accountability looks different at different times during an organisation's lifetime. Community-accountable governance can help safeguard the business against mission drift during periods of rapid growth
- Not every aspect of community accountability can, or should be, formalised – it is sophisticated and responsive and involves high degrees of listening, sense-making and processing.

Critical events as markers of accountability

- Critical events, or difficult times, can be useful markers for helping businesses to reflect on processes that might otherwise feel intangible and like common sense, i.e. 'just our way of working'.

Resourcing accountability

- Community business leaders may need support to consider the most appropriate direction. For example, the pros and cons of reliance on earned income or asset management
- Core funding is one way of supporting community businesses to live their values and be accountable to their communities, particularly for those where financial independence is neither feasible nor desirable.



Exploring community accountability – for community businesses and partners

Critical success factors for community accountability	Questions to explore or ask
Connected to the community 	<ul style="list-style-type: none">– How and why was the business started?– What kinds of connections do you have and what do you think you need?– Who are the communities you serve or whom do you see the business as responsible to?– How are local people and the communities above involved in the business (organisational structures, relationships, and communications)?
Engaged and knowledgeable leadership and governance 	<ul style="list-style-type: none">– What governance structure do you have?– What are the principles underpinning your governance in terms of who is involved/board or management committee composition?– How do you go about balancing what the community needs with what the business needs?
Aligned with local structures and partners 	<ul style="list-style-type: none">– How does your work fit with other local priorities in the public, business and voluntary sectors?– How relevant is this to the work you do?– Who do you work with locally in terms of other organisations and agencies?
Critical events/difficult times 	<ul style="list-style-type: none">– Have there been difficult things you've been through as a business in terms of working with the community? This might include: differences of opinion between stakeholders; complaints from local residents; negotiations with local authorities (e.g. about lease renewal)– When the chips were down, who did you turn to, what did you do and what did you see as a successful outcome?



Overview of case studies

Organisation	Area	Start date (years of operation)	Primary legal form	Field
Alt Valley Community Trust	Liverpool	1987 (30 years)	Social Enterprise (and charity)	Community development and wellbeing
Bristol Community Ferryboats	Bristol	2013 (but antecedents back to 1977) (4 years)	Community Benefit Society	Tourism & heritage
Burton Street Foundation	Sheffield	1995 (22 years)	Social Enterprise (and charity)	Support services
Bythams Community Shop	Lincolnshire	Pre-start up – registered in 2014	Community Benefit Society	Shop/cafe
Crediton Community Bookshop	Crediton (Mid Devon)	2012 (5 years)	Social Enterprise	Shops
Friends of Stretford Public Hall	Manchester	1878, closed 2012, reopened 2015 (2 years)	Community Benefit Society	Multi-use building
Heeley Development Trust	Sheffield	1996 (21 years)	Charity	Support services
New Wortley Community centre	Leeds	1982 (35 years)	Charity	Other
Pennine Community Power	Calderdale	2012 (5 years)	Community Benefit Society	Community energy
Sheffield Renewables	Yorkshire	2007, incorporated 2009 (10 years)	Co-op and Community Benefit Society	Energy
Sutton Community Farm	Sutton	2010 (7 years)	Community Benefit Society	Food & Farming
The Bristol Cable	Bristol	2013 (4 years)	Co-op	Media