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business in
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hands

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Community accountability in community businesses

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About this report

Power to Change commissioned the Institute for Voluntary Action Research (IVAR) in early 2017, to undertake research to explore 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. The 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. We hope that this research can form the foundation of a longer debate about the benefits and challenges of community accountability. At Power to Change, we will use this work to develop our understanding of what good accountability looks like, and how we can work with businesses we support to embed good accountability practice.

The research involved a review of relevant literature, 10 key informant interviews to help shape and focus the work, 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 with CEOs, trustees, volunteers, members and local residents, as well as local public, private and voluntary sector partners; and an analysis of internal public documents about their governance, finance and partnerships. All errors or omissions are the authors’ own.

About the authors



This report was written by Eliza Buckley and Dr Mike Aiken based on research carried out by the authors and Leila Baker, Houda Davis and Richard Usher.

The Institute for Voluntary Action Research (IVAR) is an independent charity that helps funders articulate and refine their funding approaches to supporting charities and other social welfare providers.

With thanks to our case study organisations and the individuals that took the time to support this research and shared their experiences with us openly and honestly. We would also like to thank Professor Marilyn Taylor and Niamh Goggin for advising and guiding the research.

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Executive summary

In 2017, IVAR was commissioned by Power to Change to undertake research exploring community accountability within the community business sector. Power to Change sees community accountability as one of the core characteristics of community businesses and requires the businesses it supports to demonstrate how the local community is involved in the running of the business.

This purpose of this research was to refine the way 'community accountability' is defined in this context, to expand understanding of what it looks like in practice, and to increase understanding of how it can be assessed, supported and demonstrated.

The research began with a review of relevant literature and 10 key informant interviews to help shape and focus the work. The findings presented in this summary and in the full report are based on 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. The 12 case study community businesses had been in operation for between a year and 35 years and were distributed across five regions of England. Profitability was mainly low but consistent across the 12 community businesses. A small financial contribution was given to each participating organisation. Data collection was via semi-structured in-depth interviews with CEOs, trustees, volunteers, members and local residents, as well as local public, private and voluntary sector partners; and an analysis of internal public documents about their governance, finance and partnerships.

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.

1. Introduction

1.1 About the research

In 2017, IVAR was commissioned by Power to Change to undertake research exploring community accountability within the community business sector. Power to Change is an independent trust whose funding is used to strengthen community businesses across England. It describes community accountability as one of four characteristics of community businesses and requires businesses it supports to: give the local community a say in how the business is run; have formal structures to engage a larger number of local people on a frequent and ongoing basis; have the majority of management and trustees drawn from the local community (www.powertochange.org.uk).

This research aimed to generate findings of use to community businesses and those funding community businesses, as well as inform Power to Change's practice in terms of assessing and supporting funding applicants. Specifically the research aims were to:

1. Develop the definition of 'community accountability'
2. Expand understanding of what it looks like in practice
3. Increase understanding of how to assess, support and demonstrate community accountability.

1.2 Methods/approach

The research comprised four elements of data collection:

A scoping phase – we interviewed 10 individuals involved in the community business field to establish the starting point for the research and inform the design of the literature review and fieldwork. Interviewees included Power to Change staff, representatives from relevant membership organisations, consultants working in the field and leaders of community businesses, drawn from Power to Change's panel of community business leaders.

Literature review – to ascertain what was already known about community accountability and community business and what might be relevant from other fields. A total of 86 items were selected for review in detail – they covered academic and practitioner perspectives in published material mainly related to the last 20 years. Databases of academic journals were searched using a range of terms such as 'community business'; 'social business'; 'social and community enterprises'; 'community co-operatives'. The results were then linked to expressions such as 'accountability'; 'community accountability and business'; 'accountability and non-profit/voluntary/social enterprise', 'community-led business', 'local business and accountability'. These searches were undertaken

using Research Gate, Google scholar and EBSCO (an international university database which searches all available academic journals) and supplemented by calls to the Voluntary Sector Studies Network and key contacts for relevant literature. Practitioner material was examined by drawing on resources, website and information by: Locality, Power to Change, Social Enterprise UK, Association of Chief Executives of Voluntary Organisations (ACEVO), the National Association of Voluntary and Community Action (NAVCA), National Council for Voluntary Organisations (NCVO) and New Economics Foundation. In addition, reports and documents from the Joseph Rowntree Foundation and the European Social Enterprise Research Network were also examined. Items were then assessed with 86 selected for the review due to strong relevance to the topic in question. Overall, there tended to be more material discussing accountability in research literature when compared with practitioner sources.

Please see Appendix 2 for the full literature review.

Case studies of 12 community businesses – to explore community accountability from their perspective. Many of the businesses had multiple legal structures; the sample of 12 comprised charities, community benefit societies, social enterprises, co-operatives and one Industrial and Provident Society (IPS). Their areas of focus included support services, multi-use buildings, shops, tourism/heritage, community energy, food and farming, and media. The case study organisations had been operating for between a year (one was pre-start up) and 35 years and worked across five regions in England.

In each business, we spoke with internal and external stakeholders in order to understand community accountability from a range of perspectives. We carried out semi-structured face-to-face interviews with more than 50 individuals: CEOs; trustees; volunteers; members; local residents; partners in local public, private and voluntary organisations. We also reviewed internal and public documents on governance, finance and relationships/partnerships.

Based on Power to Change and IVAR's networks and suggestions from scoping interviewees, we created a shortlist of 24 possible community businesses that provided a range across the following key variables (the first two were our priority):

- Legal/governance structures
- Length of operation as a business
- Field of operation/area of focus – e.g. shops, sports & leisure, libraries, support services
- Geographic area

This list was shared and agreed with Power to Change who, in some instances, provided contact details or brokered initial contact. IVAR selected the final 12 case studies from the shortlist.

Power to Change provided a £500 contribution to each organisation that took part in the research as compensation for their time.

See Appendix 1 for a list of the case study organisations. Summaries of the 12 case studies are available at www.powertochange.org.uk/research

Share and build – we planned to hold a workshop towards the end of the research to share interim findings and test our conclusions. However, for a variety of reasons the event did not attract enough participants to go ahead. In light of this, all research participants and those who had signed up to the event were sent a presentation of research findings and invited to comment/feedback. Their views are incorporated in this report.

1.3 Report Structure

This report presents the findings from the research drawing on the scoping interviews, literature review, case studies and feedback as described above. In Section 2, we outline our research findings on: the community business field; what community accountability is and why it matters; how it works in practice and challenges. In Section 3, we highlight what appear to be critical success factors for community businesses regarding community accountability. Section 4 then explores what the findings might mean for those working in the community business field.

Throughout the report unattributed, anonymised quotations from interviews are presented in italics. Some attributed examples are provided for illustration.

We use the terms 'community business', 'business' and 'organisation' to refer to the case study community businesses. Where we refer to 'beneficiary', we mean the clients, members, customers or users of a community business rather than the wider community.

2. Research Findings

2.1 The community business field

Power to Change (2017) defines the community business sector as made up of businesses that:

- Are rooted in, and respond to, the needs of a specific local place
- Have a business model built around trading, but do so for the benefit of the local community
- Engage with, and are accountable to, local people
- Benefit their local community as a whole, not just specific interest groups or individuals.

Community business as a field or sector has historically been hard to define, with a range of terms in use over the last 40 years that reflect: changing political narratives; practitioner preferences; the audience for funding; and sometimes simply re-branding in order to regain attention. The literature describes a range of terms that have been used by practitioners and government to distinguish different but overlapping initiatives in this field dating back to the 1980s. These have included: ‘community enterprise’, ‘social enterprise’, ‘development trusts’, ‘community trading organisations’ and ‘community businesses’, to name but a few. The preferences of practitioners and policymakers for given terms have shifted back and forth within a family of like-minded initiatives. Our research suggests that the term ‘community business’ does not have a firm definition but forms part of the community or social enterprise sector. ‘Community business’ can generally be taken to mean a community organisation with a commercial base and strong roots in a specific locality.

Over the last decade, there has been a steady growth of interest in these organisations from funders, umbrella organisations and local practitioners. This has been aided in part by legislative changes. The legal form of a Community Interest Company (CIC) was launched in 2005. Further legislation, in the form of The Co-operative and Community Benefit Societies Act 2014, replaced and modified the ‘Industrial and Provident Society’ legal form that was commonly used by co-operatives, and introduced the ‘Community Benefit Society’ that is highly suitable to community businesses.

Community-owned pubs and shops, along with sustainable energy projects, are just some of the examples commonly cited as belonging to the community business field. Such initiatives seek to combine local community endeavour with a business model – and may involve a mix of legal structures and governance arrangements that blend charitable, mutual and co-operative, or business logics in one organisation. They are often based on a belief that local people are best qualified to identify the needs of their community and that organisations ‘led by, accountable to and embedded in the values of the community they serve’ will be best at finding solutions (Haugh, 2012).

Community businesses may take a range of legal forms, which come with related accountability requirements. Charities (or businesses with an attached charity) will submit financial accounts to the Charity Commission and undertake activities that are consistent with legal structures or regulations: there are general rules and codes of conduct in relation to financial management and due diligence relating to charities. Social enterprises may be registered as CICs, where regulation has been regarded as ‘light touch’, but there is a requirement for an asset lock, so that collective assets and wealth are not distributed to individuals or agents outside the organisation.

In short, the term ‘community business’ – like ‘voluntary organisation’ – can be used to cover a multitude of very different organisations, making it difficult (or even unhelpful) to try to arrive at an exact definition. However, the common features identified in the literature and policy broadly align with the types of organisations that Power to Change supports, those that have community roots, are community accountable, are for community benefit, and involve some community ownership of wealth and of assets.

The case study organisations in this research used a range of terms and descriptors when talking about their work. These included: co-operatives, community benefit, not for profit and community action. The most commonly used term was ‘community-owned’ – sometimes used in its technical sense, sometimes as a reflection of an organisation’s values. It appeared to be a way to emphasise the fact that the businesses’ approach was a community focused ‘mission first, business second’ (Baker and Goggin, 2016). These were not businesses that decided to involve the community but, for the most part, community members that started businesses:

‘Everything needs to have a social outcome – community views matter to us, [we’re] not interested in business for business sake.’

Although they relied on support from particular communities for their legitimacy, for day-to-day running and/or as a customer base, being a successful business was equally important – they were inextricable:

‘It’s about both financial and social value, without being able to balance the financial side of the bookshop, we wouldn’t be able to do the social.’

‘Money is what makes us run as well as community skills. We’re not in it for business and not seeing that business is the sole way to solve all problems.’

They recognised, however, that this was not always easy to describe or explain: *‘From the word go we’ve always seen ourselves as a community farm – but it is difficult to articulate what that means.’*

2.2 What is ‘community accountability’?

The literature describes ‘accountability’ as *‘the state of being called to account, to provide an explanation or justification for one’s conduct or duties...’* (Onyx, 2008; 119-129). This has sometimes been described as how an organisation is held to account; how it gives account and how it takes the views of stakeholders into account (Leat, 1988). While the term accountability is usually applied to the use of finances and regulatory requirements, the work of Mordaunt (2006) suggests the term ‘meaningful’ accountability to more accurately reflects the need to balance formal accountability (e.g. legal or regulatory) with more proactive, values driven approaches. The latter is how community businesses in the study described and perceived community accountability. They described community accountability as part of their value base – with staff, trustees and volunteers feeling a sense of organisational responsibility, of holding something on behalf of the community (a guardianship) rather than owning it themselves: *‘... he said to me, the shops have closed – what are you going to do about it?!’* That was the start of the project!’ In this sense, the terms ‘responsibility’, ‘responsive’ and ‘engagement’ often felt more appropriate to them than accountability, with the Director of one organisation describing it as a *‘responsive business’*. Some interviewees explained that they associated the word ‘accountability’ with the private sector and felt that it missed the broader, more value-driven way that community businesses operate:

- *‘It does imply measurability – and that’s not necessarily the way [community business] operates, [we are] not working in a ‘tick-box’ way.’*
- *‘To me it sounds like “you’ve got to name who is responsible” then do something about it if something goes wrong. Sounds like discipline, a stick to beat you with!’*
- *‘Community responsibility may be a better expression.’*

As such, community businesses in the study did not usually see community accountability as a distinct and separate activity – although some had invested in or developed specific methods – rather, it was embedded in their way of working. In this sense, ‘accountability’ was at the heart of these organisations. The very reason they exist is to meet and respond to community need, either by:

- Preserving existing services, or
- Providing something new that is needed

These organisations saw community accountability as the way they represented, responded to, engaged and were embedded in the local community. This included both formal and informal methods; required and proactive activity.

See Box 1 (on page 15) for examples.

Box 1: Examples of community businesses serving different purposes

Preserving services	Providing something new
<p>Crediton Community Bookshop</p> <p>The bookshop is Crediton community’s response to the loss of its local independent bookshop. Following a series of community meetings, a committee formed which led to the community share offer and set up of the bookshop as an Independent Provident Society in 2012. The bookshop has been developed as a community hub with a wide-range of services</p>	<p>Sutton Community Farm</p> <p>The farm was established in 2010 to provide access to fresh, local, organic produce in south London in response to demand from local people. It now has a membership of 405 shareholders.</p>
<p>Bristol Community Ferryboats</p> <p>A group of local people raised money to buy the boats at auction and, in 2013, alongside others with a long-term association with the ferry, established a new community benefit society to run Bristol Community Ferryboats, providing ferries in Bristol Harbour.</p>	<p>Sheffield Renewables</p> <p>Sheffield Renewables was born out of Sheffield’s Climate Change Movement and a desire to <i>‘do something concrete’</i>. Initially a large number of volunteers involved in the organisation were local students. Its mission is <i>‘to harness local enthusiasm, knowledge, skills and investment to create an energetic and committed social enterprise, which develops, owns and operates renewable energy schemes’</i>.</p>

The people involved in the case study businesses were for, of and from the communities they served and believed that a commitment to accountability was embedded in their way of working and mission. To this end, it was sometimes felt to be quite subtle/intangible:

- *‘We’re transparent and honest in all sorts of ways, for example about the fact that we have to source aubergines from Spain. These are things we struggle with – we’ve looked into this and this is the best option available... we are open about this and ask people to tell us if they’re not happy and we try to respond to peoples’ wishes in a way that many businesses do not.’*
- *‘We wanted it not be run by a few people and what they thought the building should be providing... so rather aiming for on-going conversation and to do things that are not provided in the locality or area.’*
- *‘It is about value not cost – the value is in that local connection. That’s how I view accountability – being prepared to take decisions and looking ahead with vision.’*

'It's about providing services that local people want in a way that they want them. It is important for us to be inclusive and feel accessible to anyone. There must be trust that [community business] is spending funding well and delivering what we say we will.'

'It's ingrained – it's just how we are all the time. It's difficult to think about it separately.'

Some participants described how during times of crisis the driving force for resolution was the desire to listen to and, wherever possible, meet the needs of the local community. To achieve this they worked closely with those involved in the business, as well as local residents and partners who were not necessarily involved but nonetheless considered to be important stakeholders by the business.

Thus, for community businesses, accountability may hold a broader meaning than might be the case for a conventional for-profit business. While the latter may feel some broader accountabilities beyond company law – for example, on what appears as just or reasonable to the general public in terms of workers' rights, profits, salaries – these kinds of 'felt' or 'attributed' accountabilities are perhaps even more critical and complex in the community business sector. These businesses depend on some kind of intangible support/goodwill (indeed, some even list goodwill in their financial accounts): *'Lots of goodwill makes us more accountable... it is not just paid for a job, volunteers are donating time and energy – it's different'*.

2.3 Why 'community accountability' matters

Having outlined what community accountability means from the perspective of community businesses – a sense of responsibility and responsiveness to a community – we explore in this section why it mattered to them and their organisations. Our findings identify five key reasons, which were often overlapping, thus illustrating the multifaceted nature of community accountability for community businesses.

2.3.1 An expression of core values

For all the case study businesses, community accountability was described as an expression of their organisational values and it guided most business decisions. They had come into existence to serve their communities and used this as a litmus test for everything they did:

'The ideas that come are cross-referenced against the organisation's umbrella 'social value' ethos, as well as for the idea's financial viability.'

'Because we have certain values – it shapes how we work – including using local produce/suppliers, low carbon approaches etc. It keeps us focused – and means there are things we can't do. It makes us want to be more open and accountable... flexible, open and receptive to new ideas.'

'Fundamentally it's all about values – valuing the bookshop, literacy and reading. And it's about fulfilling a set of values.'

Stakeholders – staff, trustees, volunteers and beneficiaries – talked about principles of inclusion and shared ownership: *'we're very inclusive and have an open-door approach... to be a true community you don't want to turn people away'*. Working in a community-accountable way was in line with their values and a means by which to model the kind of society and values they believed in – *'It's about creating a community that replicates what you want the wider society to be – happy, welcoming, living/integrating well'*. For example:

- At New Wortley Community Association local residents are the primary make-up of the board and there is a policy to employ locally: *'They reflect what we are trying to do as a charity. Local people are central to us doing this and holding us to account'*. In addition, the organisation operates an 'open-door' approach and values listening from the Director to front line staff: *'My door is always open and we don't have a buzzer deliberately so you can just come in.'*
- Bristol Cable aims to model the society it would like to see: *'I want us to provide practical alternatives to tackle injustice, co-operative models can provide some answers. It is essential that we make people the guardian of their own public services and prefigure the society we want to create.'*

To this end, accountability was seen as operating in multiple directions – both internally as well as externally with the businesses' local and wider communities – people, businesses, organisations. Those who were working in environment, media and energy fields also talked about feeling accountable to those wider agendas/ideologies, such as: taking care of the environment; media transparency; renewable energy.

2.3.2 Creating and maintaining a sustainable business

As described earlier, community businesses operate with dual drivers – to serve their communities and to be a viable business. This can make them vulnerable: *'These are often vulnerable businesses because they are difficult e.g. an area where the state won't intervene. These are not the most profitable markets. And they mainly use their profit for social good. Goodwill is a life or death asset and engagement and accountability provide goodwill.'*

Participants believed that the business would be less likely to succeed financially if they were not responsive to, and grounded in, community need. Community accountability was talked about as a virtuous circle of being a sustainable community business:

'It adds to the sustainability of the business, increases trade, and level of interest from volunteers and support... if we were to damage our reputation it would have a negative impact on our financial sustainability, probably more so than a "conventional" business.'

In addition, most of the businesses were reliant to some degree on an 'intangible stock of assets'. These included things like goodwill, a sense of ownership, participation, volunteers, all of which formed a latent resource for community businesses: *'It's not uncommon to hear – "this is our lovely bookshop"*. One Director explained that he was 'dependent' on a committed group of volunteers, who share (and have shaped) the organisation's aims and ethos from the beginning.

Accountability was seen as key to maintaining this virtuous circle – inviting feedback and engaging in dialogue to manage business and community needs was crucial to building and maintaining local support as well as a customer base.

Sutton Community Farm explained that they worked hard to respond to customer needs, for example trying to keep the selection of vegetables varied. However, this also meant being open with customers and members about the fact that keeping the boxes 'interesting' might mean a trade-off in terms of organic local produce versus imported produce. Open dialogue was key to keeping this conversation going.

2.3.3 Building credibility

Interviewees said that being 'accountable' in the ways they described – representative, responsive, embedded and engaged – could help to build credibility of the business locally and beyond. Specific examples of when community accountability had supported credibility included:

- When undergoing negotiations with the council for a lease: *'We have got a positive reputation – not just a bunch of hippies – serious enough to make a business successful and to be accountable to the people that have invested.'*
- In supporting and reassuring investors: *'People invested money and those who invested can see what is happening – it is a vibrant place in the community... Before people commit time and money they need to be sure governance is in place and can be held to account.'*
- Being selected as a service provider and successful in the commissioning process for local adult social services.

Finally, we heard of the importance of extending accountability beyond the immediate community served – whether a community of interest or geographic community – in order to be truly credible: *'To me it is important to see that you can't just be accountable to a part of the community but to the whole community. We do everything for good intentions but, at times, we have to think what satisfies people in the community. We have to think of all communities and not just those that are involved otherwise it's a segregation.'*

2.3.4 Moving towards financial independence

Many of the businesses in the study had a vision of moving towards financial independence in the long term. They recognised – and were appreciative of – the benefit and importance of grant funding during the early stages of the business but had an aspiration that eventually the business would become successful enough to sustain the whole organisation or at least pay for itself.

The vision underpinning this was about running a sustainable business but also achieving independence from the agendas of external funders/funding sources and being able to drive direction in a way that best suited their community.

'We are involved with linking people, land and buildings – our learning from that is that we have to be independent financially and from bureaucracy. We created diverse income streams because working with just grant funding is not good!'

Some had sought to achieve this through crowdfunding and member shareholders; others were seeking to make the business profitable and become integrated into locally commissioned services: *'We make £50k a year from room hire, at the moment we supplement that with grant funding but I'm hoping to move towards all commissioned or earned income.'*

2.3.5 Building community and a future legacy

A core part of the mission for some of the businesses, primarily those working in support services and multi-use buildings, was to use the business to empower local people or build capacity and/or skills among residents:

'We suffer in society from feeling things are out of our control. Organisations like ours invite people to participate and take a stake in the local area and help empower them to be the change they want to see by doing something positive and practical to make the place they live better.'

This vision was part of the reason why they sought to be accountable to their communities – involving them in the business informally and formally and shaping direction and strategy. So, there was accountability to a local geographic community (and to communities of interest and identity within that), but some also talked about an accountability to future generations and to global issues, for example those working in the fields of environment or energy:

'It's community action for our energy future. A community of people (volunteers; investors and partners) who want to make things happen.'

'Accountable to the community that you love. You have to give to the community so you can grow. It's giving and receiving. And what you are trying to impart to children, I see this community accountability as wider, broader.'

2.4 Accountability in practice

2.4.1 Which communities are businesses accountable to?

The communities seen as important and meaningful to the businesses in the study are wide-ranging and complex. While it was not possible to describe any one kind of ‘community’ that the businesses were accountable to, two features stood out across all the case studies. They all expressed both a sense of responsibility to the local geographic community and of reaching out or being inclusive to disadvantaged or isolated groups in the area:

‘There’s no specific group – we are working and engaging with the entire gamut of the community.’

As noted earlier, communities of interest were also important to many as a broader ideological context for their work (e.g. energy, media).

The scale of what businesses considered their ‘local’ geographic community varied across the case studies – the majority were working at a city-wide or town level, though recognised that people in the immediate vicinity of the work were those to whom they felt most accountable. Others talked of accountability to the local village or a small number of postcodes. Finally, there were those serving communities of interest for whom the remit might be geographically more widespread.

The case study organisations broke down the communities they served into specific groupings (though there were overlaps between these), with interviewees talking about how they worked with:

- Residents in local and nearby communities
- Staff and volunteers
- Partner organisations, including schools, health agencies, small businesses and other community groups
- Customers, clients
- Members
- Directors and/or trustees
- Investors
- Local public sector and elected representatives
- Other local businesses and/or high street shops
- Wider social or environmental movements

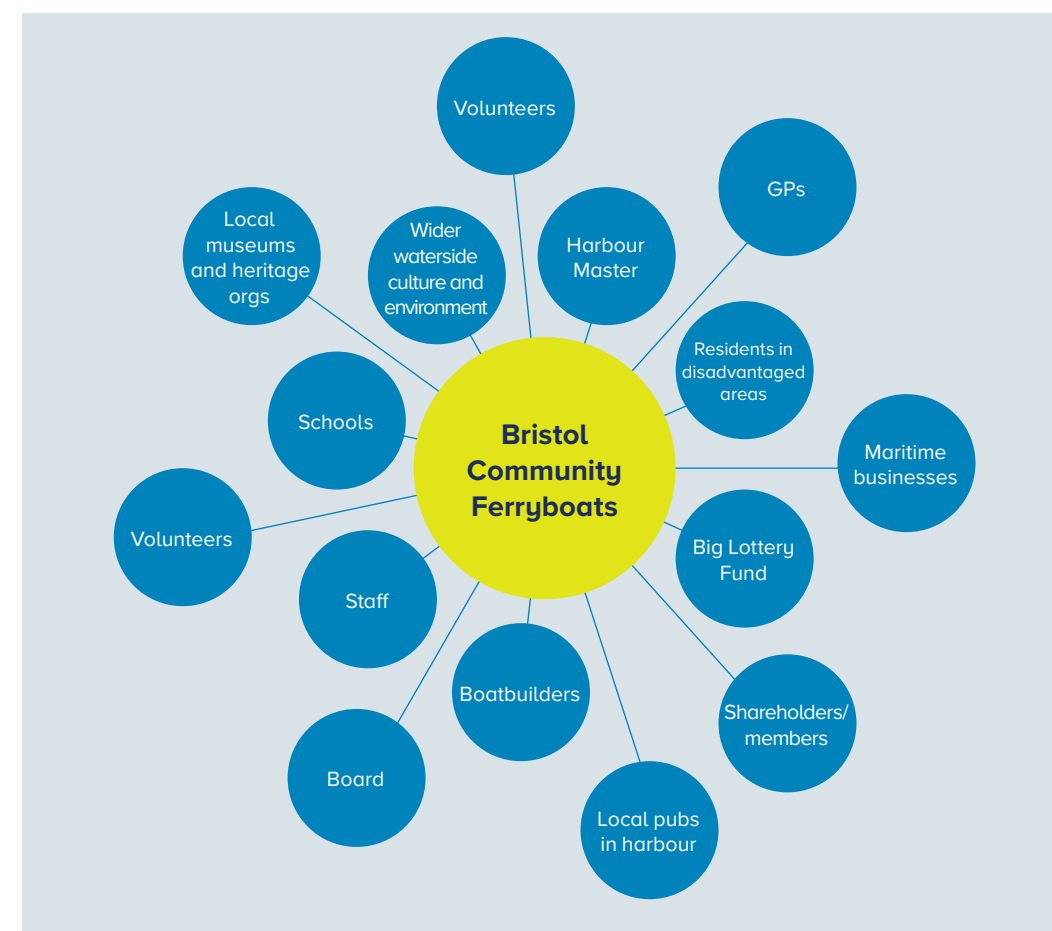
The groups outlined above were not clear-cut categories, since individuals were often involved in the businesses in multiple ways. For example, we met staff members who had been clients and then volunteered, or trustees who were also members and local residents.

In Box 2 we provide examples of the range of stakeholders within the ‘community’

to which three of the case study businesses felt they were accountable. These illustrations are not definitive but a means to represent a complicated picture.

Box 2: Case study examples – stakeholder and community relationships





2.4.2 How community accountability works in practice

Our research found that the ways in which businesses tackled the challenges of accountability were as wide-ranging as the communities they served. Activity ranged from the very informal through to formalised structures. Overall, it was heavily grounded in developing a local presence and building relationships.

The findings appeared to show that accountability processes and mechanisms fall into three broad (and often overlapping categories): structures, relationships, communications. However, we stress that the community accountability activities we uncovered are fuzzy around the edges and difficult to unpick as they are often integrated within the work of organisations that are embedded in their communities.

Interviewees acknowledged that the processes and mechanisms underpinning accountability would shift over the organisation's lifetime, and that it is important to use multiple methods in order to be as inclusive as possible:

'There is more active communication with the membership in the development phase – this is quite resource intensive. So doing public meetings, exhibitions. We'll do that the same way with any new project. But when it's up and running we'd perhaps do a press release... so, for example, the first 1,000 kw led to us doing a press release.'

'The demographics in the area show us it's adults and families; early retired, older people (it is harder to reach them as they are not on social media and we don't have funds to print) so we have a tea party coming up to reach these groups – so we can be more age-friendly.'

As businesses grew, many were seeking to formalise initially informal processes. For example, one had seen the benefit of having volunteers that were active on social media and were now considering how they might formalise this. Another talked about how they had used informal feedback from volunteers to inform decisions; this had evolved so that a volunteer now sits on the Management Committee to formalise and provide representation for volunteers who are highly valued and essential to the business model.

Summaries of how these different community accountability mechanisms worked in practice can be found for each of the 12 case study businesses at www.powertochange.org.uk/research

Organisational structures

Organisational structures ranged from informal to formal and took the form of involving local people in the staffing, membership and governance of the organisation in different ways. Mechanisms for accountability within organisational structures included:

- **Annual General Meetings (AGMs)** – *'The AGM is not just for members. It's open to the whole community. Although only members can vote.'*
- **Board membership** – comprising local representatives or users.
- **Volunteers** – local people supporting the businesses.
- **Members/shareholders** – at Sutton Community Farm membership means individuals have invested in the business. After three years, the business aims to pay a 2% return on members' investment. Members get a vote at the AGM and this is the main route of accountability for members. They are also allowed to raise special issues at the AGM.
- **Local meetings** – *'There are monthly meetings – students come, an elderly man (who became involved through local history), local residents who read the paper – we move the meetings round different areas of town... it's not specifically activists who come... we try to have a diverse content – although it could be more diverse.'*
- **Formal consultations** – *'We did consultations – in churches, mosques and with older people – we asked what was lacking and what was wanted.'*
- **Local employment** – policies to employ local people, including working in a way that cultivates and supports individuals towards this possibility: *'It's about building community locally, I would have gone downhill but I walked into office and said "I'm gonna explode", he helped me and has supported me through volunteering, working here and making mistakes.'*
- **Adhering to regulatory or reporting requirements** (e.g. financial returns to the Charity Commission, reporting on public benefit).

- **The way in which money is spent** – spending money in a locally accountable way. For example, both the community energy businesses in our sample gave profits to local funds:
 - Pennine Power feeds part of any surplus to the local community foundation to ensure a transparent route for ‘good’ use of funds
 - Sheffield Renewables initiated a Community Benefit Fund, where half of the interest from its investments goes into the fund and investors make suggestions for how money could be spent

In addition, we heard about the businesses proactively seeking to embed their work or align it with other activity locally, for situating and linking work with local area plans, parish plans, local economic plans:

- Heeley Community Trust – where interviewees stressed the importance of both responding to community need and keeping awareness of city wide strategic priorities that the organisation can fit its plans with – such as Sheffield positioning itself as The Outdoor City and increasing use/awareness/support of the Peoples Park: *‘Having a city wide view is useful as well. Without this, there are some things you have to take a bit of chance with. In relation to the outdoor city – getting people active – it fits with getting people into the park.’*
- New Wortley Community Association – which has worked with Department for Communities and Local Government on the community economic plan and sits on the local business forum to encourage and support local businesses to employ local people.
- Bythams Community Shop – which kept in close contact with the Parish Council in developing and setting up the business.

Underpinning these structures and mechanisms were the people working or volunteering at these businesses. They are individuals based in or from the local areas and/or those that are passionate about the work undertaken by the business. They played a range of roles within the businesses and were able to cultivate relationships with the local community that enabled a dialogue:

■ *‘We are just here so we hear.’*

‘Our people keep us accountable – the idea of “grow your own staff!” How do we get them? You’re not going to be here for money! But we have low turnover of staff including some people who came from the business sector, so the thing that made it different was the community angle/the philosophy of the organisation. Their satisfaction is in – ‘wanting to make a difference’ – ultimately it’s about social justice.’

■ *‘Everyone here is quite liquid – and we can talk openly.’*

■ *‘It’s a job, I get paid, but I’ve been offered others and for more money. This is family to me, it’s home. I wouldn’t leave unless I had to.’*

‘Core staff tend to live locally, part of the reason I got involved was because I felt something was going to be detrimental to where I live... ‘80% of the staff live within five minutes’ walk, we are local people, the community.’

Relationships

A great investment was made in fostering good relationships between volunteers, staff and beneficiaries to ensure an open dialogue and two-way flow of information to allow sharing of insights, learning and opinion.

The relationship with local people was a key element of community accountability in the eyes of our interviewees. However, they stressed that this was also arguably the hardest thing to articulate or demonstrate as it was a more intangible, value-based way of working. For example, one talked about the fact that working outside means there is lots of time and space for chatting and feedback is gathered in this way, or that staff will feedback things they have heard or been told in conversation *‘a volunteer said ...’*

Community businesses in the study had developed a wide range of relationships locally and saw these as a prerequisite for community accountability. These relationships move in and out of importance at different times and ranged from:

- Informal to formal
- Internal to external
- Area to issue specific
- Delivery/operational to strategic

Some of these relationships were about developing and maintaining a local presence – working to become part of the fabric of an area – for example by having an open-door policy at the community centres or buildings they managed/ owned. They also talked about a heavy emphasis on listening to the community: *‘they’ll say can you run this and I’ve got a huge list I keep. We check it all out then will have a conversation. We can’t do everything so I never overpromise but we will always listen.’*

Volunteers, residents and members were key to working in this way – they were integral to the running of the organisation and embedded in its direction and operation. We heard from some businesses about the need to start with the informal relationships then formalise as needed when the business grew. All of the organisations talked about a commitment to working with their communities:

‘There is an ‘implicit’ accountability – yes at all events... We’d do consultations at all these events and things we do now are all based on what people say. So, for example, we’ll ask ‘what do you want from the car park?’ And at meetings we have these instant buzzers to count what people say.’

At least five of the organisations in the study had been operating for over 20 years – for these, with established networks, relationships and presence, there was something about being part of the local area (*‘being there’*) that enabled them to foster the kinds of relationships required to understand local need. They were also aware of the importance of relationships beyond their supporters or what might be termed ‘the usual suspects’: *‘We have some devil’s advocates too – so if we can please them – we can please others. They act as critical friends.’* In at least two of the businesses, we heard how they had sought to take into account and respond to the views of people that had reservations about the project or business.

The other aspect of relationships talked about by interviewees was with local businesses and organisations or partners: *‘We’ve had district councillors, county councillors, planning officer – all very helpful’*. Again, this was about being built into the local area and being part of the jigsaw of support and services locally. Many described it as a way of understanding need, as well as delivering what is needed when it is needed. There were also relationships pursued in line with specific strategies or vision – for example New Wortley Community Association, which supports a single estate/postcode, works closely with health centres, the local authority, GPs, schools and other businesses in the area.

Communications activity

Communications as a tool to support community accountability ranged from informal to formal, reactive to proactive and one-way to two-way. It included the use of social media and online communications such as Twitter, Facebook, websites. Interviewees talked about social media as a more effective mechanism for supporting the open dialogue they were seeking: *‘At the moment website is a portal – our Facebook page and Twitter are active and we get a lot of interaction on those. Both of those are more dynamic than the website. People can get information via the website, or go to our Facebook page for more current events and interaction.’* As well as social media, it also included some of the things already discussed, such as having a local presence and visibility through staff attendance at local events, outreach and consultation activity.

More one-way forms of communications activity included: storing organisational documents in Dropbox for transparency, undertaking surveys of the community, consultation activities, attendance at public meetings and leafleting in the local area:

‘We undertook public meetings – some large (over 140 people e.g. for the quarry development idea – of that around 102 were in favour), some small meetings.’

‘Sunday last week – we had street displays, etc. that happened two years running in the festival.’

‘At one meeting we had 90 people came and as a result we played around with the idea of well-being and yoga useful to cross-subsidise... the idea is that the commercial would support the social orientation.’

This begins to distinguish between methods for getting information out, ways of drawing information/insights in, and ways of holding conversations and dialogue.

2.5 Challenges

2.5.1 Sense of responsibility

Interviewees talked about feeling a sense of responsibility to their communities – of being trusted to hold or look after something of importance for a wider group. While this was seen as a positive thing, participants also talked about risk of failure or of letting down the community.

‘There’s a feeling that “this is our ferry” – people have reverence... ownership – yes, but separate for the ferry – a greater sense of ownership. So we feel we have to live up to them.’

‘We are conscious that we have obligations around those relationships, and so we try to maintain a standard.’

The sense of responsibility appeared to be most acute for organisations where community accountability and engagement was led by one person. It was suggested that ensuring the business’s values around community accountability run throughout the organisation was one way to overcome the risk of this. For example Crediton Community Bookshop has a volunteer training programme which inducts volunteers into the values and ways of working of the organisation as much as their specific role.

In addition, some participants also shared the specific burdens that came with asset ownership and management. Referring to the process of acquiring a building on behalf of the community, one volunteer said: *‘We finally got the keys – by this time we were on our knees!’*

2.5.2 Balancing community and business needs

As discussed earlier, all the case study organisations were borne of a genuine need locally – either to preserve or introduce something new. They were not businesses that decided to involve the community but rather community members who decided to embark on business. A recurrent challenge or tension was balancing what the community wanted or needed with sound business decisions in order not to risk the venture failing. However, this was seen as part and parcel of being a community business: *‘How do we manage the tension of business versus community needs? There is a healthy tension – it keeps you on your toes!’*

Participants explained that they felt a sense of responsibility to make good judgements and act as guardians for community resources, which sometimes meant saying no to specific opportunities for the sake of the business. These dilemmas demonstrate that there is no simple answer to all the challenges and different development paths the businesses could take:

‘[Biggest thing was] Saying no – to the initial water energy project – it would have required a £300k loan. We have the financial model so we know we are guaranteeing 3%. One investor had devoted significant time in the weeks running up to the tender decision carefully looking through plans – it was a very difficult decision. But if the numbers don’t add up you have to take that decision.’

“The community looked to us to take on the local pub – but with pubs there are so many costs – e.g. TV subscriptions, etc.’

‘There are things that make life rich and interesting – music, drama, arts – that don’t bring in much money. Those things get cut – but they are needed, they have the biggest social value. If you’re a business and you’re making a loss what do you do? There are economic limitations of accountability. It comes down to finances – some things don’t make money, some things are adding value, people go to things, and it’s really important, if you are restricting those things then community well-being gets worse.’

Key to managing this tension was to see it as an ongoing process – part of the way of working – and to be open and transparent about this with staff, trustees, volunteers, partners, residents and those involved.

Participants that were leading businesses (either as CEOs or trustees) also talked about the need to be comfortable with a degree of risk in order to fulfil the ambitions of the business. Across the 12 case study organisations, profitability from the business was mainly low but consistent. However, times of change in developing the business often required taking financial risks. For example, one business talked of choosing to acquire a larger space than might be initially required in order to fulfil their ambitions and meet anticipated needs:

‘The ambition of the plan is deliberate. Elsewhere village shops have been too small to be viable businesses. They either couldn’t stock sufficient goods – so people had to go elsewhere – or they had to rotate their stock – not having space to display all on a given day.’

Box 3: Balancing business and community needs

Heeley Development Trust

The organisation values and ‘lives’ by being accountable to (and part of) the community. However, the Manager acknowledged that it *‘makes it harder, and less profitable’* as an organisation with diminishing resources to support some initiatives that had direct outreach to the community. An example of this is the ‘Heeley Voice’, which was a free community magazine, distributed locally (4500 copies) on a quarterly basis. It communicated positive news about local areas as well as promoting events, activities and seeking input on community issues). It relied on contributions from the local groups, residents and statutory organisations for content and sponsorship/advertising to fund its production but became unviable. This has been replaced with an online version (<https://heeleyonline.org/>) as well as HDT’s use of social media, but there is some concern that this is a less effective method of communication:

‘It was quality – but there’s no funding for it...it’s a loss - that level of communication. Not everyone’s on Facebook!’ (Manager)

2.5.3 Participation versus leadership

Participants talked about times when leadership is required in the running of an organisation and the need, sometimes, to make decisions on behalf of the community. Some also explained that they were working in particularly deprived areas with communities that had been over-consulted: *‘At community engagement meetings we’ve heard – “I’m fed up of sitting round.”* These are common concerns in the wider community practice field (Taylor, 2003). Being accountable to their community helped the businesses to feel they had a mandate to act on behalf of their constituency when needed:

‘We listened to people’s views but needed to be able to take the decision even if it is against the voices that are loudest. There are aspects of benign dictatorship – we sometimes make decisions that people don’t like. You mustn’t be scared of pissing people off, it’s about having direct conversations... That’s how I view accountability – being prepared to take decisions and looking ahead with vision.’

‘We are responding to community needs and that’s what we do because we are part of the community, we don’t have to wait for someone to tell us to do something, we know what’s going on! We can support a response, or enable a response on a range of issues: crime, vandalism, etc. As a multi-functional organisation accountability needs a structure – we need to be able to develop and move forward, we can’t have a community committee that meets on everything!’

In making these decisions, participants talked about using the organisation’s mission and values, as well as its legal structure, as providing guidance when judging when and where to lead rather than act collectively:

‘It pushes the direction we might go in. We are taking on [local hall] very much in response to the community pressures. On the other hand, if it hadn’t fitted with the vision of connecting land, community and buildings then it wouldn’t have been taken on. Vision plus being responsive – always bearing in mind the overall approach.’

‘We’re a hybrid co-operative – so we have reader members, worker members – but membership gives us a mandate to take a lead on certain issues. We’ve got executive power with certain parameters.’

And, again, those leading the businesses talked about knowing when and where to take risks in order to meet the needs of their community in the long-term:

‘We’ve had to take risks. The alternative was that we lost the building – next to our primary school. Some risks have to be taken because the bigger risk is to the community/neighbourhood. Nobody else would have done it. Everybody talks about risks – nobody talked about what would happen if we didn’t do it.’

2.5.4 Managing multiple views and agendas

As seen in section 2.4, the range of relationships held by case study businesses was broad. The value base of businesses around drawing in the views, experience and expertise of these stakeholders often gave rise to discussions in interviews about whose voices take precedence and how to manage the views of so many stakeholders. Indeed, this is a well written about challenge in community engagement – communities do not have one voice (Popple and Shaw, 1997; Guijt and Shah, 1998).

In successful community engagement, local relationships and the embedded nature of the organisations was hugely valued by participants but acknowledged to be time and resource intensive to maintain and serve. The structures described in Section 2.4 were seen as helping to simplify things but still required work:

'Accountability is a burden. It can take a lot of time... different people want different things out of it or, when returns come in – how to invest that return?'

Again, participants stressed the importance of communicating transparently about the ways in which different stakeholders are involved and listened to. We heard of instances when organisations had needed to actively balance different viewpoints at times of challenge – with businesses undertaking significant outreach and relationship-building activity to resolve concerns of local residents. See Box 5 for an example of this where one business spent a lot of time and effort working closely with local people that were opposed to the businesses in a way that 'normal' businesses may not do.

The businesses also described outreach activity and policies to ensure that they moved beyond the most active members of their community and were able to engage and listen to the full range of perspectives. In some cases, this was aspirational due to a lack of resources. Having trustees, members, staff and/or volunteers that were from the local area was also one way to achieve this. Those involve with the business ensured it had a presence locally and were able to listen informally to the views of community members.

Box 4: Resolving crisis by working with the community

Pennine Community Power

Pennine Community Power (PCP) received complaints from local residents when a wind turbine became noisy: *'It was a US turbine from the Bergey company. There were tapes on the blades to protect them. But after a few years this tape started flapping, it made the turbine noisy and annoyed the neighbours so we stopped it. We got new blades and ordered these and they had to be shipped over from the USA. There was the cost of the delivery and it would need to be erected on a day when it was not windy and when the service people were available to do the work. It took some months and the noise issues were solved.'*

Here, pure financial or business concerns did not prevail. PCP felt it needed to be responsive to the complaints – even though some of the complainants were in the constituency of people who were negative about the scheme. The founding director explained why they had taken this approach:

"With the noise issue – we updated the meeting. But some set up a petition to object and asked the council to intercede. We were in contact with the council anyway, they said they would come and monitor the turbine..."

We had an email list of people nearby affected by the noise. And we had one meeting (with two directors there). Some people were surprised at how much we had done already – but you have to be available to listen to their concerns

'[Community accountability] means to be honest to them [a geographic community] and to members – so, with the noise issue – we kept them informed. Also the parish councillors – they said we had to get the noise sorted and they represented a wider forum.'

2.5.5 Governance

The community businesses had governance structures and mechanisms that reflected their values. For example: democratic processes; shared ownership; representation of local people on boards/management committees. These value-led approaches to governance were felt to be a strength of these businesses and one of the ways in which they were accountable to their community. However, it also gave rise to some challenges, specifically the need to balance what the organisation needs to be successful with operationalising these principles. Challenges here included management committees that could be too operational and so less successful at fulfilling a strategic oversight role. Where this was the case, it appeared that the CEO/Director actively balanced these needs to manage any lack of strategic support:

“[having trustees from the local community] is at the heart of what we do. But they can focus on the ‘wrong’ things – get too operational... but it is key for what we do, they are community members and that is really important... we are a local organisation... I feel as long as the ship is going in the right direction then it is okay.”

There was an understanding that governance needed to grow and formalise with an organisation’s development. For example, at the outset of a business there may be a necessary or unavoidable conflict of interest with people involved in governance and other roles. It was recognised that these would be addressed once up and running, when membership of governance might broaden or shift in view of the principles of the business.

In light of this, many of the businesses were in a process of considering the skills required by their boards/governance as they grew and how to achieve this while remaining true to their values. Some interviewees stressed the importance of ensuring new members aligned with the values of the business and retained some connection with the local community:

‘We aim to set up and then the others will gradually take over and run it – so there will need to be more formal governance when it is up and running.’

‘We are in the process of redefining the Board. Everyone on the Board is a shareholder – we’re looking at bringing in different skills... It is becoming more clear what the organisation needs in the process of upscaling it [strategic, business skills etc.]’

‘You’ve got to understand the local area, live or work here [to be on the Board], but we have been working on skills/competencies required – legal, financial, etc. We’ll invite involvement at community engagement meetings and people self-select. We were trying to get more young people involved, but conscious we needed someone with financial skills – we got someone in.’

Some businesses also talked about the need to ensure more diversity in their governance and were thinking about how best to do this:

‘It would be good to get new directors – X [a woman] we head hunted. I said it would be good to have more women involved – it is seen as a male world. She is very skilled and is a consultant and also she benefited.’

‘We do things for best intentions. But how do we deal with diversity inclusion and, on the board, we have to look at how we organise the board and do we need older people. It’s not so diverse – all a bit middle class.’

2.5.6 Resources, capacity and time to work in this way

Working in the ways described in Section 2.4 is time-intensive and requires a significant investment of resources. Many of the businesses were going above and beyond their core business in that respect, with staff that often lived locally and so were ‘never really off [duty]’. Some of the businesses had ambitions or aspirations for developing their accountability but these had been curtailed due to lack of resources:

‘We could work on improving accountability if we had time and resource – engage more with all the communities mentioned. We are in touch – but don’t involve them as much as we would like to – we have thought about inviting a partner on to the Board, as well as representatives of grassroots community and the local community. It’s about finding ways for people to get involved without investing. But we are always led by our projects and capacity.’

‘It’s a significant capacity issue – if we don’t feel we can support someone properly, then it may not be possible or appropriate to take someone on as a volunteer... We hope to expand the volunteer team as and when it seems the right thing to do.’

The businesses talked about the importance of funding and funders that could support this way of working. Many described to us the struggle to find grants that cover the kind of informal but essential activity that underpinned their community accountability. Core funding, support from Power to Change (both financial and training, networking) and ‘patient’ investors were highlighted as helpful: ‘We keep them informed regularly – the investors – and set out what we’re trying to do at our AGM. Because it has been quite slow moving – it may take the next year to take action on the priorities that we make. If things haven’t gone to plan we’ll have a special meeting. Investors are incredibly patient.’ In addition, moving towards earned income and less reliance on grants was also thought to enable the businesses to invest resources where they felt they were needed.

2.5.7 Demonstrating accountability

Finally, our findings highlight the challenges of demonstrating accountability to those outside the business. Much of the accountability uncovered in this study sits within a relational approach taken by businesses; it comprises both formal and informal mechanisms but is an expression of values. We heard about the struggle to articulate, show or measure the ways in which the business was accountable to the community. Participants primarily talked of the need to demonstrate it to funders or commissioners, for example a local authority needing assurance of the business’s connection to the community in order to reach specific sections of the community:

'We're responding to community need but struggle with the evidence of ownership.'

'[Funders are] interested in the organisation's relationship with the community – but a lot of accountability is not as formal as that, it can be difficult to identify that accountability.'

The difficulty here was very much in finding suitable ways to demonstrate accountability rather than a struggle to achieve it – as one participant said: *'how do we know if we aren't doing a good job? They [the community] tell us!'*

It appeared somewhat easier to 'see' the community roots and accountability of the smaller businesses in the study than of those which had grown substantially. For the latter, we heard of instances where they found themselves needing to defend their community credentials to people who did not know the history or origins of the business. Here, remaining accountable to the community was still crucial but was thought to be harder to demonstrate as it was perhaps less about direct links, and/or happened on a much broader scale. These larger businesses noted the importance of challenging their own assumptions every now and then in order not to become complacent about their community roots. In addition, the governance structure was felt to play an important role in mediating the risk of losing accountability when growing in size – for example, having residents on the board could ensure accountability during rapid growth.

3. Critical success factors for community accountability

In this section, we identify what appear to be critical success factors for community accountability based on the experience of the 12 case study businesses. These findings are not presented as a blueprint for community accountability but summarise what appears to facilitate community accountability for the community businesses in the study.

3.1 Connected to the community

Having staff, volunteers, members and trustees/committee members that were of and from the locality: *'This is one of the ways we can genuinely call ourselves a community business. It is critical to sustaining the business, and the level of interest they take in the project means they are ambassadors, another powerful channel for raising the profile – as well as helping to explain what it's all about.'*

This local connection meant that businesses had support and participation from the community and there was a sense of 'ownership' locally. Participation, particularly in the form of volunteers, was crucial for many (though not all), providing both local support for the business as well as 'sweat equity'. The range of ways that local people were involved in – and valued by – the business was a core aspect of community accountability.

Businesses in the study also demonstrated a wide range of partnerships and relationships with other community organisations, businesses and service providers in their local area or wider field of interest.

3.2 Engaged and knowledgeable leadership and governance

Businesses were run by individuals who were passionate, committed and well-networked locally. Many were local residents and had a clear vision for how the business would serve their local community. The findings suggest that community accountability is facilitated by leadership that:

- Is comprised of those who know the community and are trusted by them
- Is comfortable managing the tensions described in terms of balancing business and community needs, or knowing when to lead
- Actively manages these as ongoing processes rather than trying to achieve 100% consensus and understands that there is no 'best way' of doing this.

3.3 Aligned with local structures and partners

This was a key part of being embedded in the local area, and businesses worked closely with schools, voluntary and community organisations, other local businesses and stakeholders. This enabled their work to fit alongside other support and services as well as providing information and insights into local need. It was important that partners were also aligned with the values of the businesses: *'we need to know they share our philosophy of community accountability'*. For example, aligning work with local area economic plans or the work of parish councils.

3.4 Working in partnership with the public sector

The businesses sought to align their work with local strategies and work closely with local authorities, probation services, GPs and health agencies where relevant: *'Without the partnerships that we have – particularly with the City Council – we wouldn't be where we are, we've had to work with different parts of it so they don't actually realise fully how they've helped!'* These agencies often considered them to be trusted partners because of their community connection. This was most relevant for the businesses providing support services to the community, such as one community centre working with local health agencies as part of a vision of wraparound support for local residents.

3.5 Working with the community during difficult times

Serving the range of communities identified by this study is not easy and rarely straightforward. The businesses described the processes around community accountability as heavily grounded in relationships and listening. We found that critical events in a business were useful points at which to explore accountability and demonstrated the ways in which businesses had gone about involving the community. These events showed quite tangibly how businesses had proactively sought to respond to and consider a range of needs in their locality. See Box 5 on (page 45) for an example of this in practice.

4. Learning and implications

4.1 Community accountability – living the values?

Our findings suggest that 'community accountability' as a term is not yet widely used by community businesses. Within the study, businesses talked more about responsibility, engagement and being responsive to their communities. Where the term community accountability was used, it tended to be associated with more formal, even mechanistic approaches and was not felt to reflect the fact that being truly community accountable was an expression of values.

This research has shed light on the multiple ways community businesses manage accountability to their community – it is complex, intensive and not about numbers but quality and depth of relationship or engagement. Our findings suggest that the way forward is to focus not on formalising everything but on supporting these kinds of organisations to articulate the many ways that they live their values in relation to being of, from and/or for their communities. This is in line with the literature, which suggests that community accountability is too complex for a 'catch all' term to be suitable but instead suggests 'meaningful' accountability (Mordaunt, 2006). Businesses talked about being engaged, responsive, embedded and responsible as one way of describing community accountability.

What this might mean for practice

- 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.
- Recognising that 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.

4.2 Business sustainability and connection to the community

Community accountability is at the heart of the community businesses in our study. It is, as noted, an expression of their values and the reason they have come into being. It is also, therefore, closely linked to business sustainability in terms of continuing to serve a purpose locally and/or having the support and participation of the community (e.g. volunteers). Volunteers were very important to keeping the work going in most of the case study businesses – they were the beating heart of the organisation and a key way in which the business was felt to be 'owned' by local people and helped to make it financially viable.

These kinds of organisations are often vulnerable businesses – operating in a time of economic downturn when even for-profit commercial businesses may struggle. In some cases, they are working against the tide of wider trends – for example setting up an independent bookshop when many are closing across the country. Sustainability depends on remaining a relevant and required local business, i.e. based on the needs of their communities. This connection to community was seen by many as their ‘USP’; it helped them to stand out from other businesses on the high street or to engage the support of local elected representatives.

What this might mean for practice

- Understanding that 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.

4.3 A different kind of business model

The way of working for community businesses appears to differ from traditional businesses in that they have different kinds of assets to draw on (e.g. community support, volunteers, potential to draw funds quickly via their networks) and different drivers/missions. Traditional business models aimed at profit, scale and growth were therefore not necessarily relevant to the businesses in this research. Indeed, some were actively against the idea of scaling up in order to preserve the very local approach they felt was needed. In addition, some were working towards financial independence in order to be able to drive the direction of their businesses in whichever way they felt best sustained the business and achieved its mission.

The risks of ‘financialising’ the social side of community businesses’ work are that it might pull organisations away from the meaningful/on-mission work, and that one cannot necessarily ‘see’ the value of these businesses by looking at the accounts or an organisational structure diagram.

It may help to think of community businesses as on a spectrum; with those closer to ‘pure’ small businesses (e.g. local shops) at one end and, at the other, those closer to the ‘pure’ volunteerism of small community organisations relying on donations and grants (e.g. those providing support services or running community centres). Therefore, the models of accountability may vary depending where on the community business spectrum they are located (and this may vary between their different activities).

What this might mean for practice

- 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.

4.4 Embedded in a locality

The individuals leading work in the community businesses and sustaining it (as staff, volunteers and/or trustees) are local or locally active, have good links or are well networked, passionate, value-driven, committed. They are – mostly – from and of their communities. As such, traditional definitions or categories for involvement in the business do not always fit neatly – individuals were involved in multiple ways as volunteers, clients/customers and shareholders, for example. Because of the embedded nature of the business it is hard for those involved to see community accountability as a distinct concept: rather it is a way of working.

The strengths of these individual and institutional networks – including local organisations, businesses and partners – was a major asset of the businesses and central to them being built into the fabric of the local area and creating a sense of ownership locally. It also contributed heavily to them being visible and transparent in their processes and work.

What this might mean for practice

- 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 activity 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.

4.5 Appetite for risk

Across the 12 businesses, we found a need for those governing or leading to be comfortable taking some risks in order to do what was needed for the community. Seizing opportunities for the benefit of the community may on occasion mean that these businesses are financially vulnerable. However, making these decisions and taking such risks are part of a wider commitment to being there for the long term.

Working in this way requires the individuals involved in leadership and/or governance (board, management committee, directors, members) to be able to situate such risks within the mission and values of the business. This sometimes means taking the risk that success will take time to emerge. For example, the principle of employing locally to fulfil a vision of building local capacity long-term, may require greater resources upfront to support staff or mean that it takes longer to achieve financial success. On the other hand, it also sometimes means taking decisions to balance the books (though that may sometimes be counter to immediate community views) which are about fulfilling the long-term mission (i.e. keeping the business going). The social aspect of community businesses may not be sufficient on its own to guarantee survival, but it is necessary.

What this might mean for practice

- 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.

4.6 Organisational life cycle and accountability

Community accountability was not an add-on but at the heart of what the businesses did and the impetus from which they began. They had developed from a local need or as a response to shifts locally, e.g. shops or services closing. They were about preserving or providing something locally for which there was demand and appetite.

Accountability shifted as businesses grew or developed, with elements formalising as and when needed. Thus, one can expect to see accountability shift and change across the lifetime of a business, which will use different ways of drawing in different groups at different times and for different needs. During the inception of a business the approach to accountability may be relatively simple (a locally drawn board/steering group) and implicit in the community-led impetus for the work; later down the line this is likely to develop and take a different shape. In light of this, to understand an organisation's accountability, one needs to consider past and planned (or aspirational) work as well as the current way of working.

What this might mean for practice

- Community businesses are borne from genuine community need – 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.

4.7 Critical events as markers of accountability

Our findings suggest that critical events – times of challenge for a business – can helpfully shed light on community accountability during times of stress, not just 'peacetime'. They demonstrate how organisations respond to and manage challenge, and they were used by some businesses as a way of explaining what successful community accountability looks like. They can offer examples of when accountability appeared to be essential to resolution and/or the reason that they wanted to resolve something. For example, one business ceased operating temporarily in order to work with local residents to understand their concerns and resolve things to mutual benefit. In these cases, it was felt to be more important to negotiate and preserve relationships than to keep the business going at all costs.

These kinds of instances might be useful for other community businesses as markers that help make the intangible more tangible and highlight the kinds of issues community businesses might face in terms of community accountability.

What this might mean for practice

- 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').

4.8 Resourcing accountability

As discussed, developing and maintaining the relationships and processes that underpin ‘community accountability’ is complex and often intangible – it is embedded in community businesses’ way of operating and an expression of their values.

We heard about the time, resources and capacity that achieving this takes and the fact that working in this way often means going above and beyond their core business. This way of working was felt to be rarely covered by grant funding and, when it was, it was difficult to demonstrate and report on for the reasons outlined in Section 2.5.7.

This was part of the reason why many of the businesses were striving towards financial independence and away from grant funding. This argument is also reflected in the literature, which suggests that commercial or earned income is sometimes seen as less controlling of an organisation’s ideology or direction (Thomas, 1990). However, our work elsewhere cautions about the demands that earned income can also exert (Aiken, Taylor and Moran, 2015).

In addition, financial independence was not a possibility or desire for all of the case study businesses – particularly those preserving a community resource or asset rather than providing a specific product/service. For these businesses, support from independent charitable sources was still very much needed and valued. In reference to this, we heard of the value and importance of core funding that enabled organisations to adequately resource working in the way described throughout this report without being out of pocket.

What this might mean for practice

- A need to support community businesses leaders to consider the most appropriate direction – for example, the pros and cons of reliance on earned income or asset management.
- Core funding to support this way of working in businesses where financial independence is neither feasible or desirable.

5. Conclusion

This research set out to develop the definition of ‘community accountability’; expand understanding of what it looks like in practice; and increase understanding of how to assess, support and demonstrate community accountability.

‘Community accountability’ as a term was neither familiar nor clear to many of the community businesses in this study. However, this did not mean that – when the term was unpacked – the ideas behind it were unimportant. On the contrary, ensuring they were being responsive, relevant and meaningful to their different (and sometimes overlapping) stakeholders – and delivering their mission – was a major focus of the businesses. As value-based organisations – some of whom were less than five years old – there was a vivid and dynamic approach to both taking account of, and giving an account to, key stakeholders. This extended to wider constituencies and social issues in their field of operation. Finding ways to weigh their responsibilities between these different realms and maintaining their business model required significant skill and judgement and organisational work.

In the light of our research, and previous studies, community accountability might be broadly understood as an ongoing process through which a community business:

- Relates to the people, organisations and issues that are central to its mission
- Assesses and responds to the direct and indirect consequences arising from its work and the changing needs of these communities
- Takes actions and decisions based upon these insights.

The scale and range of this work depends on a number of dimensions related to the type of community business, in terms of:

- Reach (hyperlocal, neighbourhood level, city-based or a wider group of interest or identity)
- The dynamics of its particular work (community building, a rural shop, a local newspaper)
- Size of operation (mainly volunteers in a small organisation; large city-wide organisation with a dozen staff)
- Length of operation.

Community businesses arise in response to something happening or changing locally, or an emerging need or demand, which is spotted and acted on by someone or some people living or working locally. At the heart of these businesses and community accountability were individuals with a passion, commitment and the ability to form meaningful networks locally. All of the businesses invested heavily in developing and building two-way relationships of trust and honesty.

Community accountability was embedded in these wide-ranging, ongoing relationships with the community. Technical and formal requirements (responding to legal, regulatory and financial demands), providing information to shareholders, members and staff, and undertaking some assessment of their efficacy, remains a *necessary* part of accountability. However, for all the organisations in this research, this was not *sufficient*, and organisational work beyond technical formal processes was vital to their legitimacy and function.

Hence, community accountability is fluid and dynamic – an ongoing process and conversation rather than a tick-box exercise. A membership and ownership structure provides structural leverage, particularly on major issues. As such, there is no ‘right’ way of being accountable to the community – it is a balancing act that requires collaborative judgements and discretion (both inside the business and, at times, with all stakeholders) to decide the best way to engage, listen and respond. The research suggests that the way forward is not about a prescriptive approach to community accountability but about supporting different types of community businesses to reflect, explore and share appropriate and meaningful forms for them, and to review these as the businesses grow and develop.

The critical success factors begin to draw out what might be the core characteristics of a business when accountability is done well, though the actual mechanisms used will vary by individual business. Our findings provide an emerging framework or set of questions that might guide community businesses and those supporting them to articulate and describe their approach to community accountability (Box 5).

In developing this further, it may be useful to consider different ‘families’ or types of community business. While all community businesses will share some characteristics and needs, different families may have particular and different requirements and assessment/measurement processes. These families may be constituted in terms of type (community shops and pubs; community centres; broader-reach projects); primary legal form; stage of development; or area of focus. Finally, this research explored community accountability from the perspective of community businesses. While we spoke to a number of those involved in the businesses who might be considered of the community, further research might look to develop the above thinking by sharing and testing it out with local people and community members using local stakeholder groups from different types/families.

Box 5: 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?

Appendix 1: 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

Appendix 2: Learning from the literature on community accountability

1. Introduction and approach

1.1 Introduction

This brief review seeks to understand some of the existing knowledge about community business and accountability by exploring academic and practitioner literature in this area in order to draw out key themes, as part of IVAR’s research for Power to Change exploring community accountability in the community business sector.

Over the last decade, there has been a steady growth of interest in the community business sector from funders, umbrella organisations and local practitioners. The term ‘community business’ does not have a firm definition but it can be seen to be part of the community or social enterprise sector. Haugh (2012), for example, argues that local people are best qualified to identify the needs of their community and that organisations ‘led by, accountable to and embedded in the values of the community they serve’ will be best at finding solutions (Haugh 2012: 184). There may also be long-term benefits: ‘Community enterprises have the capacity to transform local economies, valuing work that has not been valued, keeping ownership of assets and resources in local communities’ (Taylor 2013:201).

Community-owned pubs and shops, along with sustainable energy projects, are just some of the examples commonly cited as belonging to the community business field. Such initiatives seek to combine local community endeavours with a business model – and may involve a mix of legal structures and governance arrangements that blend elements from charitable, mutual and co-operative, or business organisations into one. In this context, the ways in which they are accountable – often to a variety of constituencies and stakeholders – is likely to be complex.

1.2 Approach

The review was undertaken between April and June 2017 by searching a range of databases covering published material mainly related to the last 20 years. Databases of academic journals were searched by using a range of organisational terms such as: ‘community business’, ‘social business’, ‘social and community enterprises’, ‘community co-operatives’. The results were then linked to expressions such as ‘accountability’, ‘community accountability and business’, ‘accountability and non-profit/voluntary/social enterprise’, ‘community-led business’, ‘local business and accountability.’ These searches were undertaken using Research Gate, Google scholar and EBSCO (an international university database which searches all available academic journals). This was supplemented by calls to the Voluntary Sector Studies Network and key contacts for relevant literature. Practitioner

material was examined by drawing on resources, website and information by: Locality, Power to Change, Social Enterprise UK, Association of Chief Executives of Voluntary Organisations (ACEVO), the National Association of Voluntary and Community Action (NAVCA), National Council for Voluntary Organisations (NCVO) and New Economics Foundation. In addition, reports and documents from the Joseph Rowntree Foundation and the European Social Enterprise Research Network were also examined. Following a review of abstracts, titles and key words a variety of materials was selected as having strong relevance. In total 86 items were then reviewed in detail – covering academic and practitioner perspectives. Overall, there tended to be more material discussing accountability in research literature when compared to practitioner sources.

2. What is meant by community business and accountability?

2.1 Community businesses

According to Power to Change (2017), community businesses:

- Are rooted in, and respond to, the needs of a specific local place
- Have a business model built around trading, but do so for the benefit of the local community
- Engage with, and are accountable to, local people
- Benefit their local community as a whole, not just specific interest groups or individuals.

The field of ‘community businesses’ has not been easy to delineate and over time, different terms have been used to describe the associated ideas. These changes have partly been a reflection of changes in political narratives as well as being related to practitioner or funder preferences. In earlier times, there has been a re-branding of existing initiatives with terminology that fits – or contests – current fashions. For example, Pearce (1993, 2003) describes the shift in terminology from ‘community enterprise’ to ‘community businesses’ to describe a range of organisations – including community businesses, development trusts, community development corporations and community trading organisations – partly as a response to the Conservative Government’s adoption of ‘community enterprise’ for their job creation scheme in 1982.

Today, the term is generally taken to mean a community-based commercial organisation with strong roots in a specific locality. This is generally consistent with Power to Change’s (2017) framework to delineate trading organisations that are: seeking to create benefits through community ownership of wealth and assets; and rooted in – and seeking to be accountable to – a given community.

‘Community business’ can be understood as one type within the family of social enterprise. John Pearce’s (1993) constellation of initiatives in this field included, for example, community launderettes in deprived areas with profits distributed for additional community benefit. Furthermore, they can be seen as one type within European notions about social enterprise (Spear et al, 2017). Concepts developed by the EMES research network present a three part ‘ideal type’ for

such organisations (ICSEM (2017); Defourney-Nyssens, 2012:2) while Spear, R., Teasdale, S., Lyon, et al (2017:29) provide an overview of the types and principles of the field in the UK. Community businesses are discussed as one type within this arena that bear resemblances to co-operatives alongside others indicated in Table 1. Nevertheless, leaving aside the *structural features* of the organisation, not all co-operatives have beneficiaries who are disadvantaged. As Spear et al (2017:28) point out: ‘If a co-operative emphasises mutual benefit, its members are not disadvantaged, and there is little wider community/public benefit, then it is difficult to consider that this co-operative has a social purpose.’ In short, an organisation may have co-operative characteristics but this alone may not be sufficient to demonstrate community benefits.

Table 1: Organisations that bear resemblances to co-operatives

‘... community enterprises (or community businesses), community development finance institutions, community finance societies, community land trusts, community-supported agriculture organisations, development trusts, employee-owned businesses, leisure and cultural trusts, mutual partnerships, social enterprises, social firms, supporters’ trusts, and tenants’ and residents’ associations, clubs or associations...’

Spear, R., et al, (2017:30), adapted from *Co-operatives UK* (2009: 31-35)

In that sense, the EMES/ICSEM approach to social enterprises, as suggested by Defourney and Nyssens (2012), may provide a helpful framework for community businesses. This proposes that an ideal type would encompass nine criteria located under three main headings: economic and entrepreneurial dimensions; social dimensions; participatory governance dimensions.

In practice, the types presented in this framework may not always be fully achieved. In the messy reality of organisational life, some blurring and shape-changing is likely at times. Nevertheless, this may provide a guide for community businesses that, at a basic level, pull in three ways in no fixed order of priority. In their own unique configuration, they hold some constituted role that contains commercial, co-operative and community impulses.

First, they have some commercial imperatives to run a viable business.

Second, they are organised in some variety of co-operative/mutual organisation. For example, The Plunket Foundation (2016), which seeks to support rural community co-operatives, has developed criteria for organisations qualifying for support that is largely congruent with the co-operative model of mutual ownership where strategic direction is ultimately exercised through a member-owner structure. They do not specify a particular legal structure but argue that it should enable ‘genuine and democratic community ownership’ to take place (see the summary in Table 2).

Third, they engage in work for social benefit and thus have some similarities to voluntary and community organisations (often registered as charities).

In summary, community businesses can be understood as part of the social enterprise field – hybrid organisations (Billis, 2010) that blend social and economic imperatives but are also part of the broader social economy or third sector. They are a member of a family of organisations discussed by Pearce (1993; 2003) in relation to the ‘community economy’ or examples of ‘community enterprise’ (Taylor, 2011:213-214). They can be understood as organisations operating in the mutual sphere, close to co-operative approaches in relation to ownership of assets and redistributive benefits, operating with some variety of business and seeking benefits to a wider community of people who face some disadvantage.

Table 2: Plunkett Foundation – criteria for organisations supported

The Plunkett Foundation... supports organisations whose legal structures feature:
<ul style="list-style-type: none"> – Open and voluntary membership – One member one vote – The interests of the co-operative are linked into long-term community control – The distribution of profit does not enable some members’ greater control than others.
... and funds communities that meet or are working towards:
<ul style="list-style-type: none"> – ...using enterprise as a means to alleviate rural poverty (or disadvantage) and social exclusion – ...exists to provide community benefits that are identified as needed and supported by its immediate population – ...is based in or is serving a rural community – ...is owned and run democratically by the local community.
From: Plunkett Foundation (2016) <i>Information, Advice and Support for Community Co-operatives</i> , March 2016, Oxford: Plunkett Foundation.

2.2 What is community accountability and why is it important to community businesses?

Accountability can be seen as ‘the state of being called to account, to provide an explanation or justification for one’s conduct or duties, especially, but not only, for the appropriate use of finance...’ Onyx, J. (2008:119-129) and this is seen as applying to individuals as well as to organisations.

The notion of ‘community accountability’ can be hard to pin down. This review has found that it contains complex ideas and is not amenable to one catch-all descriptor. One way to confront this challenge is to consider the importance of ‘*meaningful accountability*’ (Mordaunt, 2006) for managers and boards, whether this be towards a community or to a regulator. The analysis from nearly 20 years ago suggests exploring the *balances* between formal accountability as required by legislative or regulative demands and the proactive accountability driven by values and aspirations to meet community needs (Leat, 1988). A generation ago, Dees (1998:55) voiced concern about the dangers as ‘non-profits are beginning to commercialize the core programs through which they accomplish their missions.’ Overall, the power different stakeholders hold regarding accountability and the ability of a community to actually hold an organisation to account remains important.

Accountability is often stressed as important, nevertheless, as Kenny et al (2015:134) point-out: the claim that ‘third sector organisations model democratic forms of organisations’ needs scrutiny, because ‘whose voices do they enable? And how far are they accountable to those whose interests they claim to represent?’ They deploy this argument specifically with relation to citizen voice organisations. Nevertheless, it remains a relevant challenge to other organisations seeking to work on behalf of any community’s interests. Further, the authors argue a balance needs to be struck between traditional top down , or ‘vertical approaches’ to accountability and horizontal approaches that entail ‘greater flexibility through non-hierarchical networks, building consensus via deliberative dialogue’, although it remains contestable whether ‘open forums and the use of electronic media actually lead to more genuine forms of accountability’ (Kenny et al, 2015:149).

Leat (1988) distinguishes between different modes of accountability: holding to account, giving an account and taking into account. This framework was largely derived from the experience of voluntary organisations gaining funds from governmental sources and the resulting mixed accountabilities that resulted, for example, to the funder, to service users, and to wider community needs. There are three points to explore here. First, the tensions in this arena have probably increased with the growth of contracts as a mechanism for funding for service-delivering organisations (Milbourne and Murray, 2017). In places community businesses have also been in receipt of statutory funding (through European LEADER programmes in rural areas, or special government funding in regeneration or heritage or Green energy) where similar tensions may emerge. Second, to some degree, the three modes of this accountability framework may coalesce into the responsibilities of a few persons in a small community business that perform these three roles seamlessly – until a latent conflict emerges. Third, commercial income through sales, in a community shop when compared to funds from the public sector, may appear less directly controlling of the ideology of an organisation’s direction (Thomas, 1990). However, ‘earned income’ also exerts its own dependencies that may lead to mission drift as was found with commercial lettings of community halls that squeezed the space available for local groups to hire (Aiken, Taylor, Moran, 2011). It may be useful to consider where ‘holding, giving and taking into account’ in relation to accountability may be operating informally, or blur into each other within small community businesses.

Charities may, in theory at least, be deemed to have notions of accountability built into their structure by virtue of a charitable mission regulated by government (Leat, 1988:63). Arguably, such a notion does not exist, theoretically, in the same way for community businesses. Certainly, the impact of a community business on its constituency is an important element to consider but, in practice, this may be assessed in widely different ways in various settings. For example, the balance between trading success and community benefits may be valued in divergent ways by quite similar community businesses. On the other hand, the overt business imperative within these organisations makes accountability to the social mission an important issue for members, staff and volunteers to examine. The ‘legitimacy’ (Evers, 2005) of these organisations with their constituencies in relation to social mission is important; maintaining the stock of social capital may have crucial effects upon their long-term social and business sustainability (Hopgood, 2016). Hence, as Taylor and Warburton (2003) argue in relation to policy processes, it may be the technical expertise of third sector organisations in relation to policy development that is highly valued by government but it is the accountability to members or beneficiaries that provides legitimacy in their own communities.

Overall, it may be useful to think of *accountabilities*, and that different stakeholders and various communities may hold more or less power at different times. Further, the balances may shift over time according to circumstances and the life stage of the organisation. Hence there may be technical (financial/legal), relational (people, places), and governance accountabilities. In that sense Leat’s distinctions between holding to account, giving an account, and taking into account remain relevant. Indeed, the very idea of ‘accountability’ implies that there is ‘some degree of lack of control or lack of direct oversight’ of a given agent and that this needs to be rectified in one of three ways through ‘explanatory accountability’ (by describing or explaining); ‘accountability with sanctions’ (if the account or actions offered are inadequate); or ‘responsive accountability’ (where those accountable respond to the views or demands of a given community) (Leat, 1988:19). Elsewhere Leat (1996:66-68) helpfully distinguishes accountability ‘for what’ (for fiscal matters; following correct procedures; relevance of their work or priorities) and ‘to whom’ (for example, to board members; funders; the general public).

3. Community accountability in practice

3.1 Legal, financial or regulatory accountabilities

Much of the discussion on accountability originates from obligations arising from legal, financial or regulatory accountabilities.

Some community businesses may operate with an attached charity. In this case, in England and Wales they must submit financial accounts to the Charity Commission and undertake activities that are consistent with legal structures or regulations. There are general rules and codes of conduct in relation to financial management and due diligence relating to charities. For example, the ‘Statement of Recommended Practice’ (SORP) provides guidance on how charities should report on their finances for accounting purposes (Charity Commission, 2015a). SORP provides guidance for charities, referred to as ‘FRS 102’, about how to apply the Financial Reporting Standard applicable in the UK. It is important for those

preparing accounts to make reference to this standard and to make the required disclosures. There is also SORP consistent recommended practices for accounting (‘Charities SORP’, 2017b) and in relation to the responsibilities for trustees (Charity Commission, 2015). Many charities will also be a company limited by guarantee, which implies additional legal and financial accountabilities. Buse (2010) agrees that accountability is a part of governance but that charities are also accountable to their stakeholders.

Social enterprises may be registered as CICs, where regulation has been regarded as ‘light touch.’ Here the requirements for an asset lock, so that collective assets and wealth are not distributed to individuals or agents outside the organisation, remain important. Challenges concerning the strength of this lock have been raised periodically. The retrenchment of ECT, a much-celebrated social enterprise in West London, in relation to private companies gave rise to fears that the asset lock had been broken (Aiken, 2010:304) or that co-operative principles relating to non-distribution of assets outside of the field may have taken place. Meanwhile, adjustments to the legal structures relating to co-operatives took place in 2014 to specify a ‘Community Benefit Society’ (Spear, R, et al 2017: 31) and ending any new registrations of the Industrial and Provident Society form that had been popular with existing co-operatives.

3.2 Beyond legal and technical approaches to accountability

The legal and regulative approach has tended to locate accountability in relation to frameworks arising from the fields of accountancy, law or financial management. However, even for large corporations, other types of accountabilities beyond the required legal standards also arise. These may be concerned with public relations, to perceived accountabilities to suppliers, the environment or the wider public, or to ethical concerns. Hence, retailers such as Marks and Spencer (2014), and H&M (2011) have developed extensive policies relating to environmental and social responsibility in their trading and supply chains along with various measurement systems and indicators to assess their achievements. This may be seen as ‘Greenwash’ to critics but indicates a motivation to appeal to accountabilities beyond legal or formal demands.

3.3 Measurement and accountability

As noted earlier, analysis of the impetus towards – and demands arising from – measurement of results has often been found in the accountancy or management literature. However, the complexity of assessing outcomes – particularly when related to community aspirations – necessarily involves engagement in the literature around sociology as well as economics and organisational studies. Power (1994; 2003) identified the growth of audit and measurement related to the expansion of neo-liberal regimes but these methods became increasingly embedded in funding for community-based organisations especially in contracting arrangements. For example, even quite small community-based community composting projects became susceptible to such measurement process (Slater and Aiken, 2015). However, others argued that measurement processes, such as social impact measures, could also represent sites for partial resistance against funder

demands particularly by de-coupling external demands from internal processes. (Arvidson and Lyon, 2013:871). Further, the argument that simple outcomes approaches are insufficient for accountability to communities has often been voiced (Aimers and Walker, 2008). Campbell (2002), for example, argued that outcome assessments were poor ways of holding organisations to account for community plans. Cribb (2005) echoes Leat (1988) in asking: who is accountability for and for what are they accountable? Unerman and O'Dwyer (2006) examined accountability mechanisms of NGOs particularly in relation to their advocacy roles, and took a relational approach based on the work of Sinclair (1995:221) in which people are 'required to explain and take responsibility for their actions' rather than simply demonstrating adherence to technical requisites.

3.4 Accountabilities and challenges

Community businesses are frequently membership-based. Nevertheless, maintaining or renewing an active and skilled membership that is capable of providing constructive challenge to management – has remained a challenge for larger organisations in parts of the co-operative movement. Insiders in the retail Co-operative Society have confronted the difficulties inherent in co-operative structures as members age and spoke of weak or inactive membership unable to challenge weak boards of governance (Middleton, A., 1998). This suggests that accountability may face fresh challenges as organisations grow and age. In addition, Arvidson and Lyon (2006) concluded that disadvantaged communities found it hard to locate technical and intangible back up when they faced organisational difficulties.

Research done by Kissane and Gingerich (2004:312) questions the degree to which community-based organisations in neighbourhoods always understand their localities, arguing that 'the way that directors of community-based non-profits view their neighbourhood context, their constituents, and the community's service needs may not coincide with the views of those who reside in the neighbourhoods...' They concluded that there was more similarity on perceptions of issues facing the community 'between nonprofit directors across neighbourhoods than between directors and residents within the communities they served' (Kissane and Gingerich, 2004:329).

3.5 Accountabilities of professionals, organisations and for social programme funding

Accountability is also discussed in the literature as related to individual or collective professional workers or board members in public agencies (Barsi, 2008) or community colleges in the USA; or within citizen participation in regeneration programmes (Bella Dicks, 2014). Hence staff and board members may also bear allegiance to professional standards from other arenas of their life – in relation, for example to management of staff, community involvement or financial management – to which they feel accountable and these aspirations are brought into the community business.

3.6 Accountabilities and ethics

Another aspect of accountability may be raised in relation to wider ethical concerns. Bowman (2012) argues that not-for-profit organisations can be drawn into accountability to funders rather than to local users – hence leadership is important in a contested arena where ethics play an important role. Broader ethical commitments – where even private companies may be deemed to have moral responsibilities towards local citizens – may go beyond legal requirements (Sidel, 2004). Meanwhile, Nowland-Foreman (2009:2) questioned whether an emphasis on accountability was necessarily a positive development in relation to charities and argued that: 'Calls for increased accountability, however, may be little more than attempts to re-make third sector organisations into another sector's image – attempts at sectoral 'cloning'. This may present tensions with community businesses that face accountabilities towards community needs which are incommensurate with very different commercial imperatives.

In this case the argument was with externally imposed accountability leading in stages to, for example, adoption of specific reporting mechanisms, undertaking work that gained attention rather than being crucial, highly specified vertical accountability and, ultimately, to mission drift. Indeed, following Mintzberg's (1994) account of the 'formalisation edge', Nowland-Foreman argues for:

'... systematic responsiveness to a wide range of significant stakeholders, a willingness to take calculated risks in order to make the best use of all the resources (tangible and intangible) available to the organisation, and a commitment to actively and routinely interpret the needs of the communities and people we serve...' (Nowland-Foreman (2009:15)

4. Challenges and tensions: Towards a 'fuzzy logic' of accountability

4.1 Listening to stakeholders and relational approaches

Buse (2010) and Cambridge (2002), argued for accountability better linked to stakeholders. Cribb (2005) stressed the need for a relational approach to accountability that involved attention to multiple stakeholders and did not try to over specify outcomes. Further, Campbell (2002) emphasises the importance of reflective processes in accountability.

Ebrahim's (2005:73) work on NGOs challenged notions of myopic accountability that could lead organisations to short-term approaches: 'the key point is that accountability, like power, is a relational concept, and the effects of its mechanisms can thus only be understood when placed in context.' Seven propositions relating to accountability were outlined. In examining different types of accountability, it was argued that 'The contingent and relational nature of accountability necessarily requires a prioritisation of accountabilities.' Of particular importance for this discussion is the proposition that 'organisational learning is more likely if internal accountability to mission, rather than upward accountability to donors, guides information and reporting systems.' This suggests that accountability in community businesses will need to relate to the dual aspects of the mission. Ebrahim's work drew instead on approaches that focused on democratic

accountability and representation, ethics and so on. It was argued that much of current accountability approaches can be bad, whereas an approach based on a system of relations was more appropriate.

Mathuri (2007), also from a development studies perspective, examined Corporate Community Involvement, which involved business's engagement in communities through money, materials or personnel and noted shifts in terminology from 'involvement' to 'investment.' She analysed a range of different social roles of corporations in relation to communities. These ranged from a 'citizenship' approach where they would 'actively participate for the common good' through to engagement in 'public or social responsibility for self-interest' Mathuri (2007:181). This analysis could begin to apply to larger community businesses with an internal interaction between two 'sides' with trade-offs when 'communities demand priority-based social needs vis-à-vis competing business cases' Mathuri (2007:188). From a citizenship perspective 'stakeholder democracy, governance and transparency' are closely related ideas Mathuri (2007:181). The legitimacy of community-based organisations requires connection with a given community and an associated stock of social capital (Evers, 2005). It relies on general assumptions that the organisations' actions are 'desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions' (Suchman, 1995: 574) rather than being simply understood in narrow commercial terms (Dart, 2004). Gidron (2017) sees social enterprise organisations in general as combining two logics – a for-profit workplace and a human service agency. Although there are various different conceptions of community businesses, both the social and economic aspects represent important components of their accountability relationship to a community.

Williams and Taylor (2013) also pointed to the ambiguous nature of accountability in complex settings and its limitations as an idea. Smaller organisations, in particular, can face unrealistic pressures by overambitious accountability processes (Slater and Aiken, 2014). However, social accountability remains important, as Mathews (2009) pointed out, in showing how conflicts in a community forest project could tear a project apart. Multiple accountabilities and deliberations can also be problematic, overwhelm an organisation and lead to chaos (Landry et al, 1985). Further, in some cases, relying on a core of staff or board, who assess and mediate a variety of voices and claims, can be contested. One study found that most CEOs of projects in a given area agreed more with each other than with the divergent communities they served (Kissane and Gingerich, 2004).

The relational approach is related to the development of trust and this may pose alternative routes into community accountability but also present challenges where engagement is threatened by contract culture (Domenciso, 2009). Pratten (2004), in an NCVO report argued that accountability is linked to confidence, trust, transparency and independence. Further, Duncan (2012) argued that accountability is linked to community development and engagement using Asset-based Community Development (ABCD) approaches. Aiken, Taylor and Moran (2015) illustrated how taking on an asset could stretch accountability processes. They argued that organisations could sometimes face criticism for lack of accountability and hence day-to-day contact with beneficiaries in an area was as important as formal mechanisms. Elsewhere research for JRF (Allen, 2014:20) pointed out that

activists in community projects were involved in 'complex decision making' with many responsibilities and such work necessitated both risk and trust: 'The fear of drawing public censure or disapproval is very real for those who take the "risk" of action' (Allen, 2014:13). In work with newcomers to an area it was important to consider *who* was heard and who was not, which pointed to the need for transparent accountability (Blake et al, 2008). Nevertheless, Kay and McMullan (2016) also saw increased accountability to local stakeholders as possible for social enterprises and community organisations and emphasised the importance of assessing social value and audits.

Indeed, accountability issues for civil society organisations need to be located within wider issues of politics and complex cross-community links that are fundamentally different to issues of accountability faced by public agencies and civil society. Hence, according to one account from Latin America, there are different rules for civil society actors when compared to governmental actors (Peruzzotti, 2003) in relation to accountability. Community businesses have not been set up by statute and can, arguably, follow pathways that are more flexible.

There are also, as Ebrahim (2005) pointed out, competing accountabilities while Gidron (2016) argued that a mix of accountabilities may be important for hybrid organisations (such as community businesses). However, Goodin's (2013) examination of the implications for democratic accountability considered that blurred organisational boundaries may undermine accountability. Hooze's (2015) research into horizontal accountability (in the context of vocational education projects) saw accountability as about 'responsiveness' not just compliance.

Social movements and organisational origins can also have deep effects on accountability issues. In some situations, a community organisation may hold, or even be perceived to hold, a strong historical relation to a given social movement that requires a degree of congruence to exist between the two. Hence, community businesses engaged in generating electric power from renewable energy may be expected, in the public eye, to hold some informal relation and accountability to Green or environmental movements. No formal linkage may exist today but where there is a sharp divergence on policy or organising issues between the two, the organisation could face reputational damage. This can be understood as a form of loose-fit accountability. For example, Johnson (2004:110) studied the approach of a regeneration organisation whose origins and founders arose from the Black Power movement 25 years earlier. It was still affected by that approach to 'community participation' and this also shaped today 'how the organisation defines accountability to those within and outside of the community' (Johnson, 2004:110).

Hence, the early development of an organisation may exert strong and lasting effects in relation to accountability processes. The discussion here moves into broader issues in relation to participation and representation at community level that goes beyond the scope of this review.

In relation to influencing policy, Taylor and Warburton (2003) distinguish between legitimacy and accountability. They found that ‘formal systems were not always seen as being as inclusive as less *formally* accountable, but much more *open*, structures in which users and members genuinely engaged with the organization’s decision-making processes’ (Taylor and Warburton, 2003:331). The work of Crawford, Morgan, and Cordery (2016) in relation to NGOs also recognises the importance of broad stewardship accountability to all stakeholders as important but prioritises accountability upwards to external funders and regulators.

4.2 Frameworks and practitioner network discussions

Practitioner networks pay attention to the themes discussed in relation to community accountability although, perhaps surprisingly, the issue did not tend to be dominant and was not contained within other debates. Locality (2017) argue that community control and accountability are important issues among place-based organisations and Locality and NAVCA (2016) stress that accountability through engagement is important. NCVO offered some materials relating to formal processes and reported points arising from a roundtable discussion (NCVO, 2017) with links to governance, trustees and formal processes. Arguably, participation work in the community has had close links – if not explicitly – to this theme (Brodie, Hughes, Jochum et al 2015:11), whereby ‘improving participation opportunities requires starting where people are and taking account of their concerns and interests...’ This relates to ‘receptive governance’ (Gaventa, 2004), a type of relational approach to accountability. Social Enterprise UK includes being accountable in its framework (Social Enterprise UK, 2012) although this is not entered into in depth.

Accountability frameworks may be more difficult in hybrid organisations such as community businesses and this suggests approaches that combine both narrow and broad scoping may be important in the contexts of multiple stakeholders. Without such a (paradoxical) method, accountability processes may appear compliant but irrelevant. For instance, Mordaunt (2006:120) points to the way ‘accountability demands can produce responses that seem bizarre...’ where organisations are required to report on matters of little relevance to their main purpose. In particular, this work considers the way different stakeholders have differential possibilities to enforce their accountability demands, thus leading to paradoxical situations for boards and managers in trying to satisfy competing demands. This draws on Hampden-Turner’s (1990), work which emphasised paradoxes and dilemmas within management processes. Mordaunt proposes three interacting spheres of the governance system relating to accountability – organisation, the operating environment and the wider environment – to understand the ways tensions between stakeholders may be reconceptualised as ‘shared dilemmas’ for negotiation (Mordaunt, 2006:124).

Shaw’s (2015) work on use of video in sustainable development, building on Burns et al, (2015), argues for the need to build ‘both local collective dynamics and longer-term exchange between excluded groups and state agencies as the foundation for accountable governance...and building the foundations for accountability.’

Further, Carman (2010:270) considered why accountability systems often do not work and argued that a proliferation of different measuring approaches and a lack of consensus around ‘accountability expectations’ have inhibited ‘organisational learning.’ Meanwhile Connolly and Kelly (2010) developed a framework to contrast legal, constructive and voluntary dimensions of accountability specifically for social enterprises. Here we may also consider the difference between ‘resident-led’ (where residents’ views are taken into account) and ‘resident controlled’ (where residents make the decisions) (Hart, 2017).

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