CAPACITY
The Public Services Lab

COMMUNITY BUSINESS
SUPPORT
Support for community businesses in Liverpool City Region.

CONTENTS

ABOUT
POWER TO CHANGE

Power to Change's vision is to create better places through community business. They use their endowment to strengthen community businesses across England. This means providing money, advice and support to help local people come together to take control. At a time when many parts of the country face cuts and social problems, Power to Change wants to make sure local areas survive and stay vibrant. Their endowment came from the The National Lottery Community Fund (formerly Big Lottery Fund) in 2015.

Liverpool City Region is one of Power to Change's priority places. Since 2015, they have invested nearly £4.2 million via 53 awards to community businesses in the city region. In addition to directly funding community businesses, Power to Change is working with partners across the city region to establish the conditions that will enable the community business sector to thrive. Power to Change has commissioned Capacity: Public Services Lab to carry out this research in order to improve future support for community businesses in Liverpool City Region.

EXECUTIVE SUMMARY

In summer 2019, Power to Change commissioned Capacity to research the support needed, and available, to the community business sector in Liverpool City Region; community businesses are socially trading organisations.

This report details the findings. It also includes recommendations for providing the sector with better support than is currently available, with a consistent approach across types of organisation and their geography in the City Region.

The term 'community business support' refers to the advice and guidance that is needed for a community business to grow and develop. This can involve a number of elements, such as business planning, financial management, peer-support, professional skills, mentorship and leadership (including programmes) and more. Financial support for community businesses is outside the scope of this research and report.

For this research we looked at support provided from the voluntary, public and private sectors.

Over three months we gathered the views of more than 30 community businesses, from across Liverpool City Region, about the support that they receive and whether it is really delivering what they need, and if not – what would fix this.

The main areas that community businesses reported requiring support with are:

BIDDING FOR CONTRACTS **BUSINESS STRATEGY** **SALES & MARKETING** **EMPLOYING STAFF** **MEASURING IMPACT**

Depending on the sector of the business (arts, housing, community) there are other specialist support needs that have been identified.

Our findings show that:

1. Community businesses need different support at different times of their development, similar to private sector businesses, however the support needs to be tailored and flexible to their requirements as socially trading organisations;
2. There is a vast variability of the quality of support that community businesses access;
3. Community businesses have trouble navigating the system and knowing what support they need, from where, and at what times;
4. A lack of understanding of the community business movement negatively affects the support that they receive from all sectors; and
5. Community business support needs are not fully served by the current business support provision that is available in Liverpool City Region.

We found that community businesses did not express a consistent preference for receiving support from a particular sector of provider; the quality of the support that they receive is more important to them than the sector the support provider sits within. They experience challenges around funding for the support, trust between the provider and the community businesses, their own internal capacity to take on the support, and the technical skills needed to complete their growth.

They did however express a preference for **how** support was to be delivered with their preference being for advisors to come into their business to assist them with tailored support, rather than to attend external workshops or training days.

Throughout the process there was also a strong desire expressed for choice and control over the business support each community business receives and which provider they get it from.

Community businesses care about value for money, flexibility and the quality of support, along with the guidance to assist them along the way both in finding the support and in accessing what is available.

Community businesses also clearly stated that they would like funders and social investors to work in collaboration with each other more in order to more effectively fund community businesses as they develop and grow.

In response to these findings, we propose suggested improvements for community business support delivery based on a 'life course' model for Liverpool City Region: it was the stage of development rather than the type of community business or service provided that we found to be the most important factor when considering business support needs.

Better business support will have a positive outcome on the community business sector and increase not only the number of community businesses, but also their success.

COMMUNITY BUSINESSES IN LIVERPOOL CITY REGION

BACKGROUND

In summer 2019, Power to Change commissioned Capacity: The Public Services Lab to look into support for community businesses across Liverpool City Region, particularly to:

- Identify the existing and new advice and support available to community businesses across the voluntary/social, public and private sectors including the Local Enterprise Partnership;
- Identify gaps in support and guidance as identified by community businesses' needs;
- Identify barriers faced by community businesses in accessing support across sectors (voluntary/social, public, private, LEP etc) and by type of support;
- Identify good quality existing and potential suppliers/agencies of advice and support for community businesses across the voluntary/social, public and private sectors;
- Provide an evidence base on community business support; and
- Make recommendations on how to address the gaps in advice and support for community businesses across the sectors.

By working with community businesses, support providers and funders we looked to identify:

- What support and guidance is on offer;
- What support and guidance is needed;
- Whether that support and guidance that is needed and offered is what is being delivered;
- How and where the support and guidance is being offered;
- What works well;
- What barriers to accessing the support and guidance exist; and
- What gaps in support and guidance exist.

This report details the findings of our research and our recommendations. We believe that these recommendations will ensure that the community business movement across Liverpool City Region receives better support than is currently available and a consistent approach across types of organisation and their location in the region.

WHAT IS A COMMUNITY BUSINESS?

Community businesses are:

- Locally rooted: They are rooted in a particular geographical location and respond to its needs. For example, high levels of urban deprivation or rural isolation.
- Trading for the benefit of the local community: They are businesses. Their income comes from activities such as renting out space in their buildings, trading as cafés, selling produce they grow or generating energy.
- Accountable to the local community: They are accountable to local people, for example through a community shares offer that creates members who have a voice in the business' direction.
- Broad community impact: They benefit and impact their local community as a whole. They often morph into the hub of a neighbourhood, where all types of local groups gather, for example to access broadband or get

training in vital life skills.

Capacity's research findings for this report focus upon community businesses as a sub sector of the City Region's social economy.

According to the Heseltine Institute's research, Liverpool City Region's social economy has around 1,400 social organisations, accounting for 2.2% of all registered companies, with over 80 community businesses in the City Region.

It is necessary, at all times, to remember that community businesses are just that – **businesses**. They are trading organisations that also work socially. However, what sets community businesses apart from the rest of the social sector is that they work within a particular geography and are accountable to the community they serve through their governance and business structure.

Whilst community businesses aim to achieve results and benefits for their community, it is not true that all organisations that strive for a social and community benefit are also community business, unless they are also trading and have the local accountability as mentioned above.

COMMUNITY BUSINESS SUPPORT

When considering 'community business support' it is important to understand that we are talking about the advice and guidance that is needed for a community business to grow and develop. This can involve a number of elements, such as business planning, financial management, peer-support, professional skills (legal, HR, architectural, etc), mentorship and leadership (including programmes) and more. Financial support for community businesses is outside the scope of this report.

SUPPORT PROVIDERS

For this research we looked at support provided from the voluntary, public and private sectors:

- Voluntary sector refers to not-for-profit organisations such as charities or community interest companies;
- Public sector refers to organisations, usually run by or on behalf of local and national government; and
- Private sector refers to commercial organisations operating for profit.

Following an open invitation to community businesses to contribute to this research, we received feedback from them on the following specific providers:

| Voluntary	Public	Private
• Beautiful Ideas Co • Community Action Wirral • Halton and St Helens Voluntary and Community Action • Liverpool Charity and Voluntary Services • Locality • North West Housing Services • Power to Change • Rank Foundation • Safe Regeneration • School for Social Entrepreneurs • Sefton Council for Voluntary Services • Social Investment Business • The Lighthouse • The Women's Organisation	• Knowsley Chamber of Commerce • Knowsley Growth Hub • Liverpool Council • Liverpool Vision • Liverpool City Region Local Enterprise Partnership • Wirral Chamber of Commerce • Wirral Council	• Accountant • Architect • Solicitor • Agent Marketing • Barclays • Capacity: Public Services Lab • Cyber Essentials • John Lewis • Key Fund • M&S • One Economy • Price Waterhouse Coopers • Steinbeck

FINDINGS

The methodology for this study can be found on Page 30.

Over three months we gathered the views of over 30 community businesses, from across Liverpool City Region, about the support that they receive and whether it is really delivering what they need, and, if not, what would fix this.

These community businesses came from across Liverpool City Region, with a greater representation from Liverpool city, but with 75% operating across more than one area.

GEOGRAPHICAL LOCATION OF COMMUNITY BUSINESSES

Most ⬤ ⬤ ⬤ ⬤ ⬤ ⬤ Least
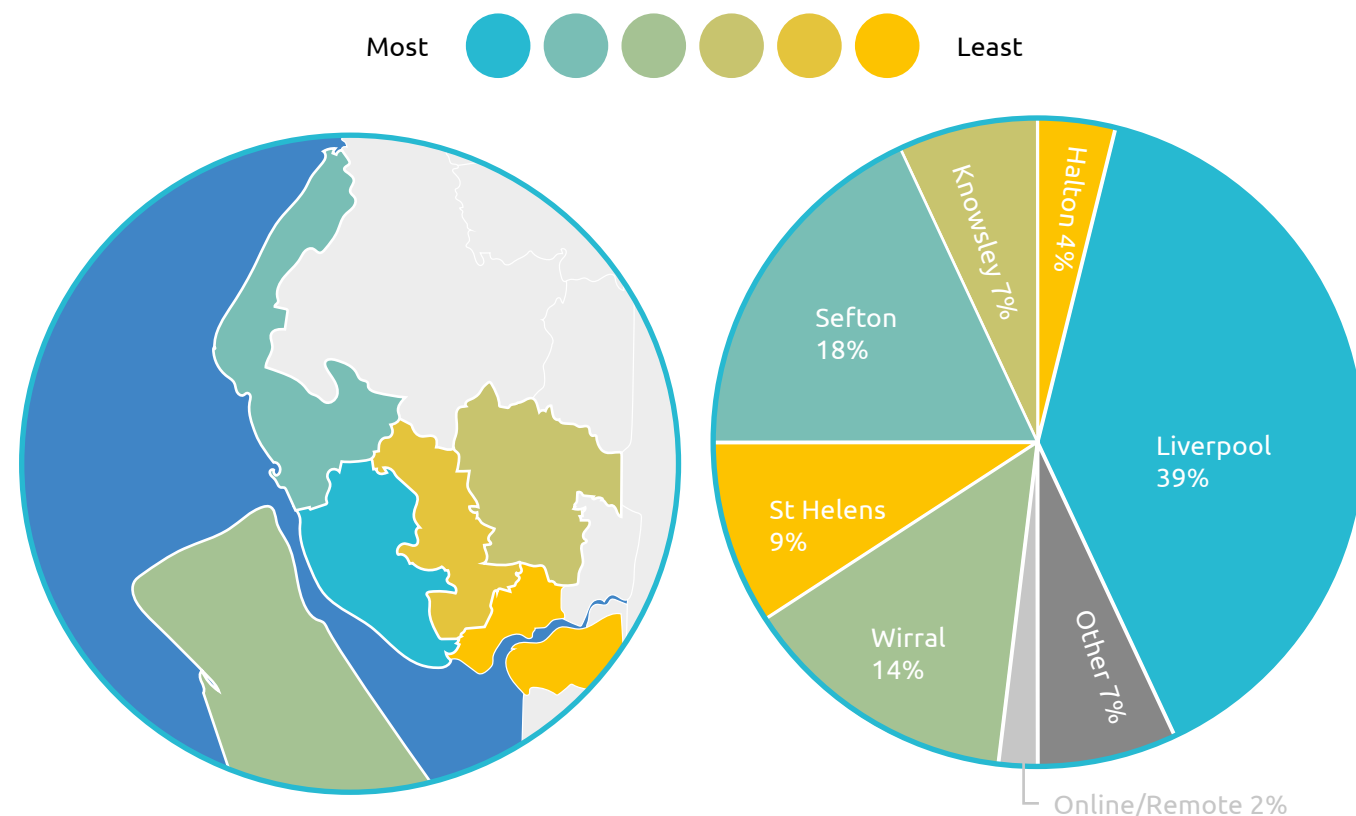
Community businesses ranged in size and age, but most were micro-organisations of under 5 years of age.
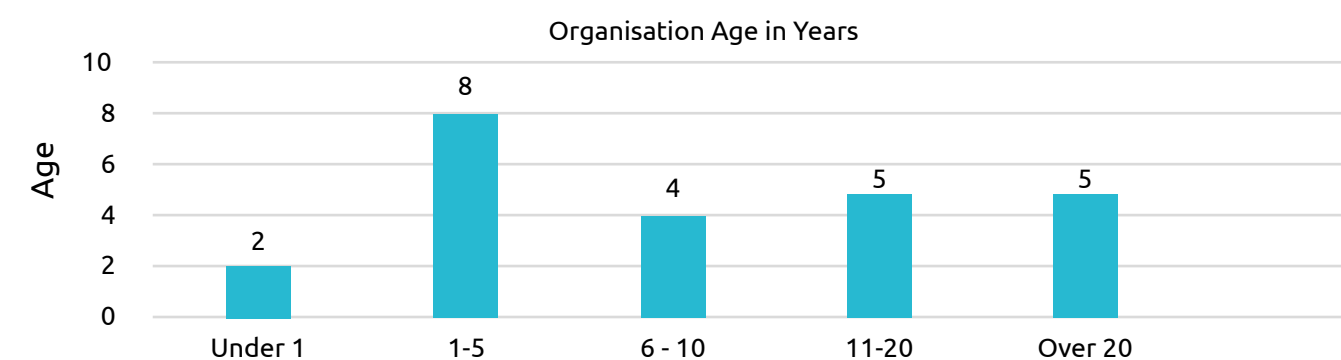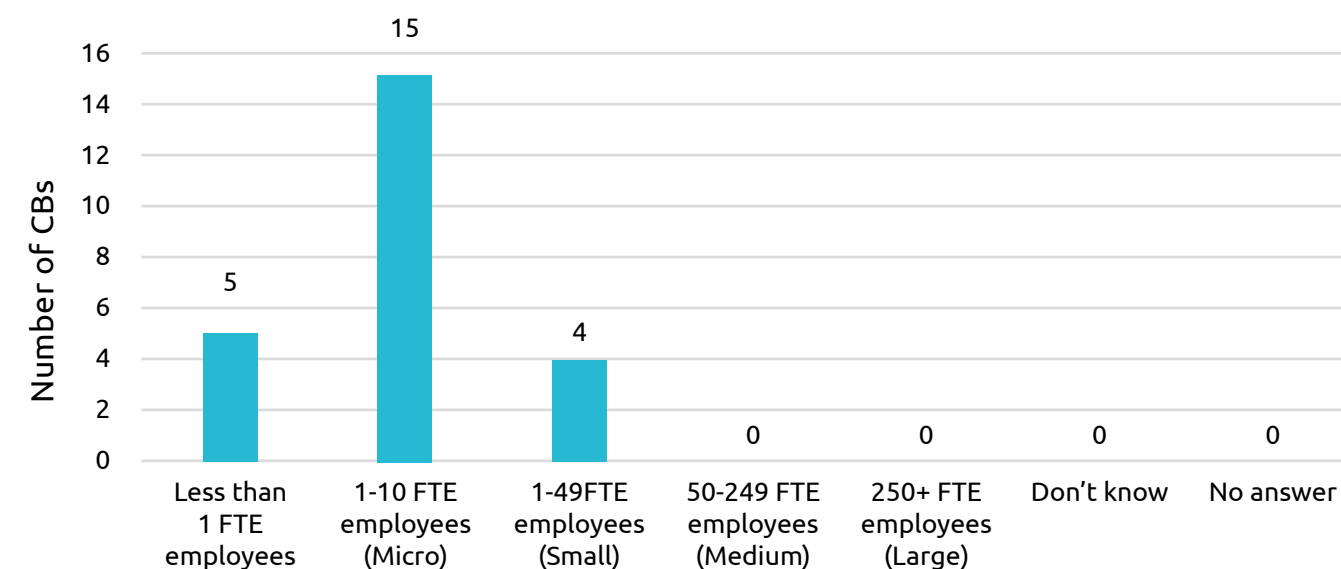
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FINDINGS (continued)

The breakdown of organisations into stages of development and their confidence (in their financial prospects in the next 12 months) is:

Pre-Idea	Start-up	Survive	Thrive

Not at all confident Very Confident

Financial confidence over the next 12 months

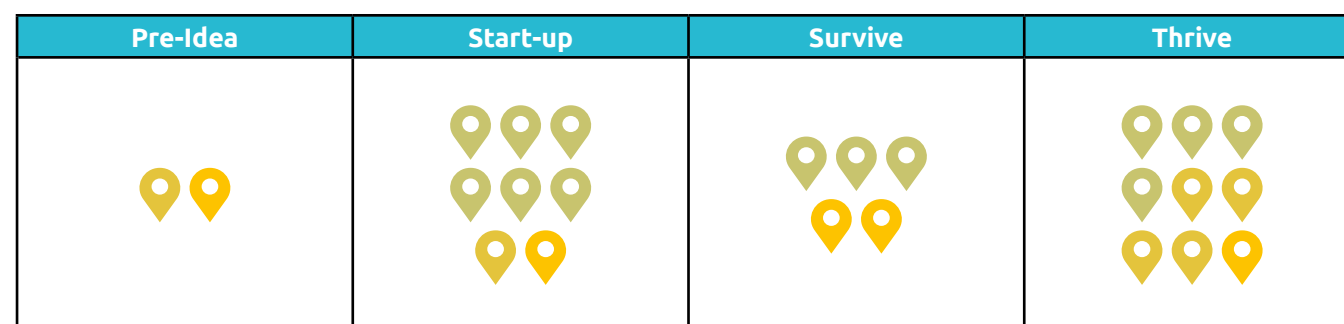The data suggests that community businesses' support needs are currently not fully served by the current business support provision that is available in Liverpool City Region.

Community businesses consistently listed the number of services they currently require as highly as the number of services they have already accessed. Given the range of business ages and stages, this suggests then that most community businesses have at least one critical service that they are seeking to access at every stage of their development.

The barriers to access and range of satisfaction ratings for support received between sectors also suggests that there are key development opportunities being missed by providers.

Community businesses stated the following about initially accessing support:

- "Don't know where to go for support and don't have the time to find out."
- "Struggle to know what is available and where to access support."
- "It needs to be easier for community businesses to engage with private companies. It is complicated to know who to approach and what sort of conditions then apply to that support."
- "There seems to be lots of support available, but it's unsure what the quality is like even with huge variations in cost."
- "We needed to have started an organisation to receive support, but that was the thing we needed support with."
- "Difficult to find the right providers - both in terms of identifying a long-list of providers but also shortlisting providers. No quick way to identify long-list of providers and often providers of business support don't understand sector or spend enough time understanding the organisation."

Having recently accessed business support, community businesses told us they had gained the following benefits:

Voluntary Sector Support Provider	Public Sector (including LEP) Support Provider	Private Sector Support Provider
• Reassurance and confidence • Increased knowledge of the sector • Personal resilience • Viability (constituting organisation/getting charity status/start-up support) • Value for money start-up support	• Better knowledge of policies and procedures	• Better understanding of legal and financial matters • Better partnership working and stronger local networks across the local business sector • Secured grant and investment funding • Improved strategy and operations

However, they felt that the following gaps existed in the support offered:

Voluntary Sector Support Provider	Public Sector (including LEP)	Private Sector
• Mentors and community leaders who really understand community businesses • Opportunities for authentic peer-to-peer connection and learning • Legal and financial advice • More sophisticated support for growth	• Very slow to act/respond • Better advice and guidance around bid writing wanted • Support outside 9-5 hours wanted	• Support at a cost that isn't 'high' • Need for marketing or communications support • Commitment to Corporate Social Responsibility was unclear • Little understanding or knowledge of community businesses

And these improvements could be made:

Voluntary Sector Support Provider	Public Sector (including LEP)	Private Sector
• Bespoke, rather than off-the-shelf offers • Understanding of community business sector • New support for growth stages	• Communication between the public sector organisation and the community business • Working to a faster pace • Be less output driven and more flexible • Offer more bespoke support • Better understanding of community business sector	• More affordable offers • Better understanding of how to engage with community businesses • More corporate involvement at grass-roots level to increase understanding of communities and community business needs

FINDINGS (continued)

10 out of 27 (37%) community businesses reported that there is not enough understanding of the community business sector across all voluntary, public and private sector support providers.

There was a strong feeling that a lack of understanding of the community business sector negatively affected the support that they received from all sectors.

- Whilst some community businesses reported accessing useful advice and development support from voluntary-sector support providers, there was a repeated concern that often this sector also did not understand community businesses, in particular providing limited support when developing and understanding business models that trade and to support the growth of community businesses.

- Community businesses reported frustration at the support from the voluntary sector often being generic and focused on operating as a charity or not-for-profit, rather than as a socially trading body, stating, "Advice is not always suited to the sector," with another stating, "Accessing the right support Is key. One size doesn't fit all. Experts don't always understand your organisation." Another: "There needs to be more targeted support and less general." And another: "Support providers need to recognise the emotional challenge of running a business and tackling a social change."

- Additionally, many community businesses were unaware of, or were not accessing, some of the support available to them. For example, only 7% of community businesses reported knowing about Local Enterprise Partnership (LEP) co-ordinated schemes, such as the Local Growth Hub, with a 0% accessing support through the Local Growth Hub and no positive feedback being reported. One community business reported a "lack of support for our sector from the LEP."

- There was also a reported limited understanding of community businesses from the traditional 'business support' organisations across sectors. Many community businesses reported a misunderstanding by providers of the scale and professionalism of 'community business' itself – not only what they can and are delivering, but the additionality that they also provide or the scale at which they are operating, or could operate at. There is a misassumption that community businesses are only ever very small businesses and are unable to operate at medium or large scale.

- Private sector business support was generally regarded as being good quality and impactful, but expensive. However, it was raised that "advice can cost a lot of money and even then do not always have the correct specialist knowledge" when it could not be guaranteed that the provider understood community businesses.
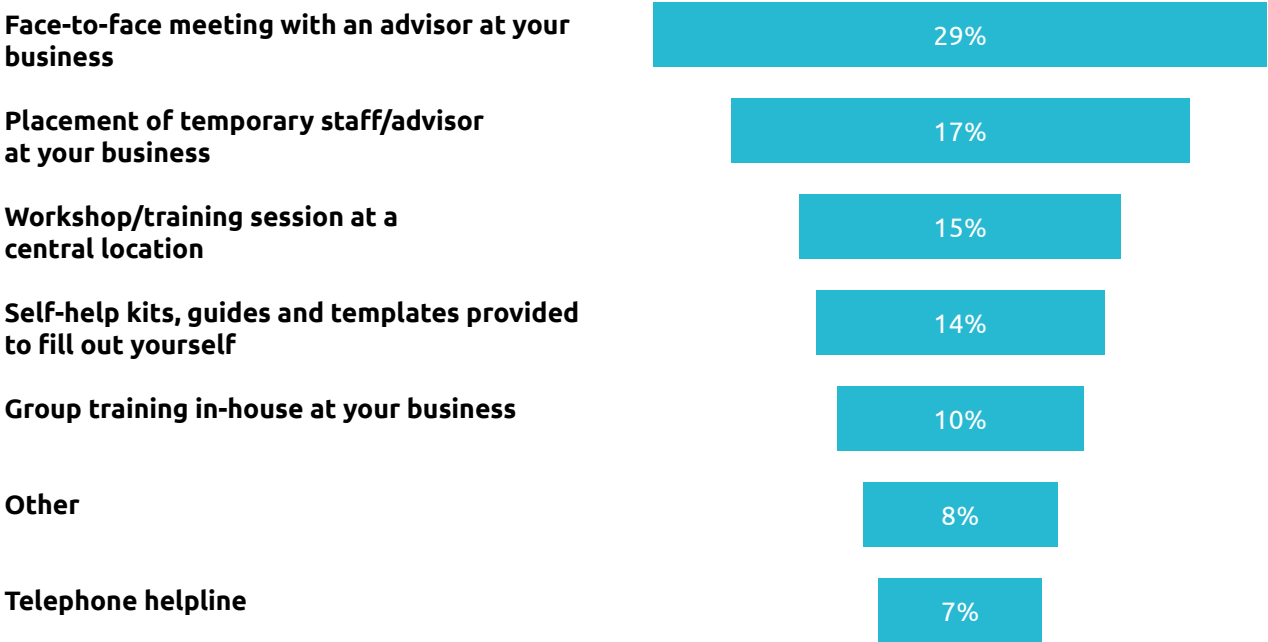
The level of satisfaction was dependent on whether the provider also had an understanding of the community business sector. There were examples found of community businesses seeking private sector support outside of the City Region, such as in the West Midlands, due the quality and value for money offered and trusted recommendations from peers.

Community businesses did not express a consistent preference for receiving support from a particular sector, but the quality of the support they receive is important to them. They are concerned with funding for the support, trust between the provider and the community businesses, their own internal capacity, and the technical skills needed to complete their growth.

Community businesses told us:

- "We need the confidence that the support we are getting is right."

- "We want support to be appropriate and good value - with a 'Trip Advisor' style rating."

- "[You] need to find the right people to support you - people who [are] the right balance of socially and business minded."

- "Advice shouldn't be limited to the community business sector - there are often skills needed from working in specialist fields."

- "Support needs to be offered by someone you trust."

They did express a preference for how support was to be delivered.

Support type	%
Face-to-face meeting with an advisor at your business	29%
Placement of temporary staff/advisor at your business	17%
Workshop/training session at a central location	15%
Self-help kits, guides and templates provided to fill out yourself	14%
Group training in-house at your business	10%
Other	8%
Telephone helpline	7%

Community businesses had clear preferences for what support they need and how they'd like to receive that support. For example, 77% of respondents said that face-to-face support provisions were their preferred choice, but there were other organisations who preferred self-help kits and telephone support, demonstrating the need for a more bespoke or adaptive approach to community business support.

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FINDINGS (continued)

61% said they accessed peer networks, with 26% of all respondents explicitly talking about the value that peer-mentoring had:

- "Need to have mentors for community"

- "Knowing that some of the opportunities and challenges are being experienced by others and learning from their experiences of tackling those opportunities was very beneficial."

- "Would prefer support to be from the community business/social sector."

Though it was also stated:

- "We would like to access a high level business support offer from the private sector as well as learning from other community businesses, which can be great up to a point, but seems to be the main offer and limits the knowledge pool and skills."

This is also reflected when considering intensive business support. Community businesses have a desire to hire resources over a time limited period (such as up to 3 years) to increase internal capacity and provide business support from within the organisation. They stated, "it would be better to have someone who could really get to know the business - from the inside," and "we also need to be able to backfill staff so that we have the capacity and time to access support - cost is an issue."
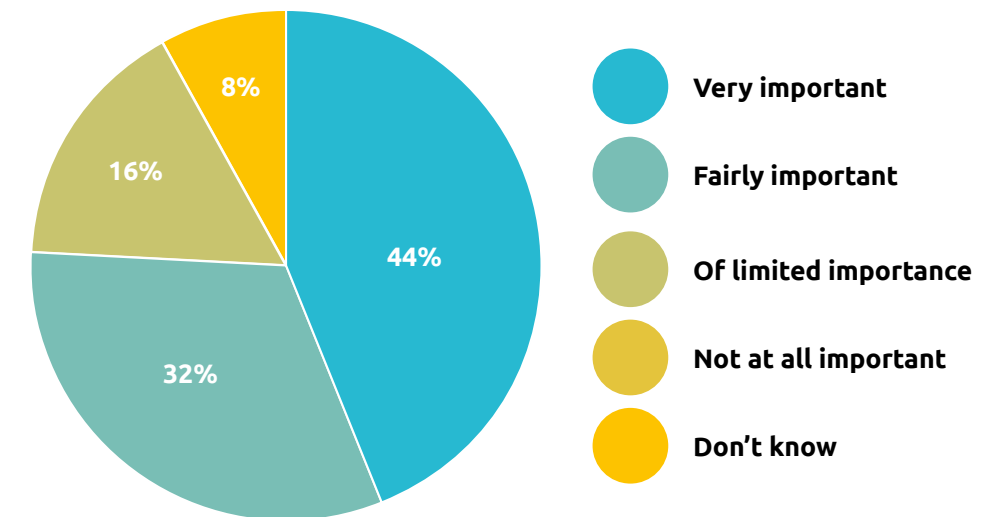
Throughout the process there was also a strong desire expressed for choice and control over the business support provider each community business receives and where they get it from: "We would like to decide where we get business support from, not just through frameworks."

Community businesses care about value for money, flexibility and the quality of support, along with the guidance to assist them along the way both in finding the support and in accessing what is available.

25 out of 27 (93%) mentioned a combination of value, flexibility or lack of quality had been a barrier for them in accessing support. For example, one respondent said, "there's lots on offer but poor quality and high cost", whilst another said, "[the] cost of the support and getting the right person with both the technical skills and understanding of the social/community sector [is our main barrier]".

We also thought it was important to find out how people accessed support and why their access to support had changed over time.

How important was the support of external organisations when starting your organisation?

- Very important — 44%
- Fairly important — 32%
- Of limited importance — 16%
- Not at all important — 8%
- Don't know

How important is the support of external organisations in running your organisation now?

- Very important — 36%
- Fairly important — 32%
- Of limited importance — 16%
- Not at all important — 12%
- Don't know — 5%
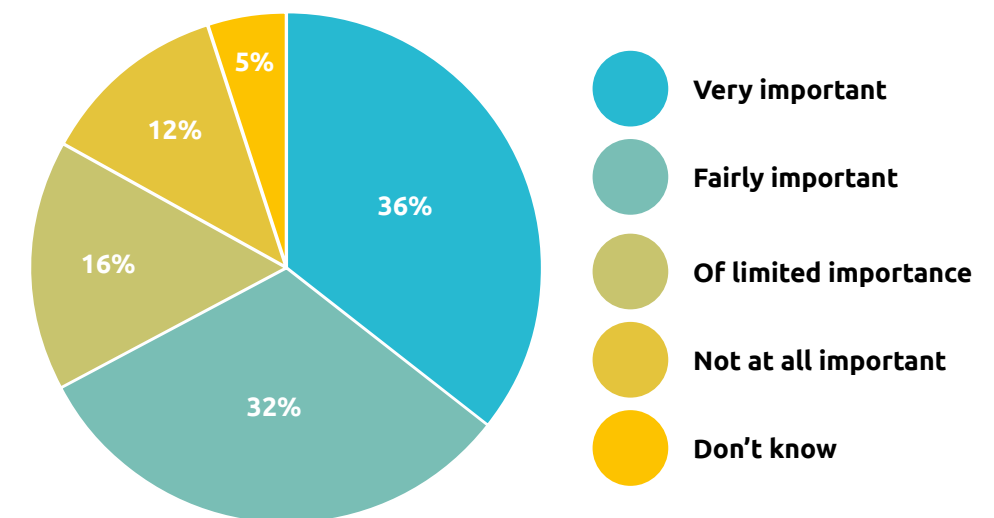
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FINDINGS (continued)

The main elements that community businesses reported requiring support with were: bidding for contracts, business strategy, sales/marketing, employing staff and measuring impact. Depending on the sector of the business (arts, housing, community) there are other specialist support needs that have been identified, particularly legal and financial.

Though this was caveated by community businesses asking for "services such as HR and legal to be provided outside traditional working hours."

Accessed:

Item	Frequency	%
Legal Requirements	16	67%
Peer Networks	16	67%
Finance / Accounting	16	67%
Insurance / Tax	14	58%
Business Strategy	12	50%

Need:

Item	Frequency	%
Measuring Impact	16	67%
Bidding for Contracts	12	50%
Business Strategy	11	46%
Sales / Marketing	11	46%
Employing Staff	10	42%

Additionally, the majority of community businesses (87%) show a preference for business support to be funded by external grants, with one organisation telling us, "I think the combination of grant funding alongside expertise has been very beneficial to our organisation - it has enabled us to properly take part in the programmes, but also enabled us to increase the capacity of the organisation which has been key step change within the organisation."

However, it was acknowledged that there is only a limited amount available for grant funding and so this is not always a feasible solution to funding and development challenges. This will be most relevant for organisations who are at a more developed stage, rather than those at start-up stage.

Given there is limited resource, we asked community businesses what their preference would be for paying for business support. When directly asked, established community business (in the survive and thrive stages) stated that they would be keen on exploring alternative funding to grants, such as Revenue Based Grants or Patient Longer-Term Loans, in order to secure their development and growth.

Community businesses also clearly stated that they would like funders and social investors to work in collaboration more with each other in order to more effectively fund community businesses as they develop and grow. For example, one respondent spoke of a "solidarity economy" where funders, social investors and community businesses work together effectively to achieve the same goals. Others mentioned a lack of this collaboration being a barrier to accessing support, "it is frustrating to have to fill in several different monitoring forms, all only slightly different, for different funders – that's time I could be spending on [the business]."

NEXT STEPS

In response to these findings, we propose suggested improvements for community business support delivery based on a 'life course' model for Liverpool City Region. It was the stage of development rather than the type of community business or service provided that we found to be the most important factor when considering business support needs.

LIFE COURSE

By considering the life course model, we can also target particular stages which are not being well served by business support provision from across sectors and create a framework that is easier to understand for support providers, economic development organisations and funders. With a structure to consider investments and support against, we believe that community businesses will be better, and more consistently, supported. Using the model could ensure that economic development support is delivered to community businesses with a greater level of understanding.

A consistent adoption and use of this model across Liverpool City Region would also help funders to consider their efforts in a more cohesive way.

The key stages to this business model are Pre-Start-Up, Start Up, Survive and Thrive. More detail can be found on Page 22.
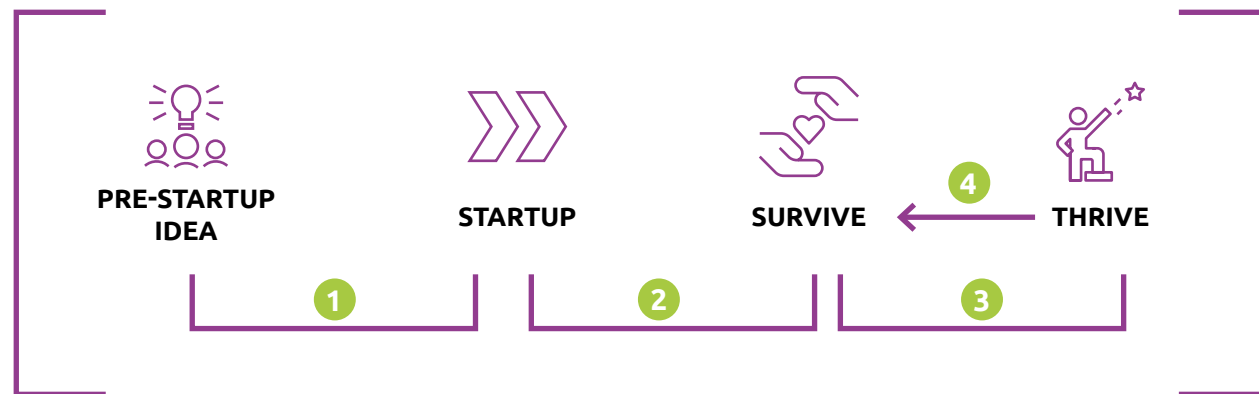
In addition to the life course stages we can also see that the transition between the stages requires some attention as these transitions can include backward transitions, for example, from Thrive to Survive.

The following components have been identified as key support needs for community businesses in the future (expanded on Page 26):

INFRASTRUCTURE - To pro-actively target geographical areas with low numbers of community businesses, support communities to have conversations about community business which could support new start-ups to deliver local impact, including initial help in setting up.

MENTORING - To principally support organisations from start-up through to survive stage, but with support that brings benefit throughout.

INTERNAL CAPACITY AND CAPABILITY - This would involve the use of backfill for senior leaders to develop the organisation, a strategic hire or an experienced advisor on a short/medium-term contract that would give tailored support than a consultancy could offer.

TECHNICAL - The need to purchase technical support, including HR, legal, finance and sector specific technical support such as housing and a list of organisations that understand community businesses to made available.

To tackle these demands in a comprehensive and integrated way, based on the engagement with the community businesses, we have developed the following model of support across the life course of a community business.
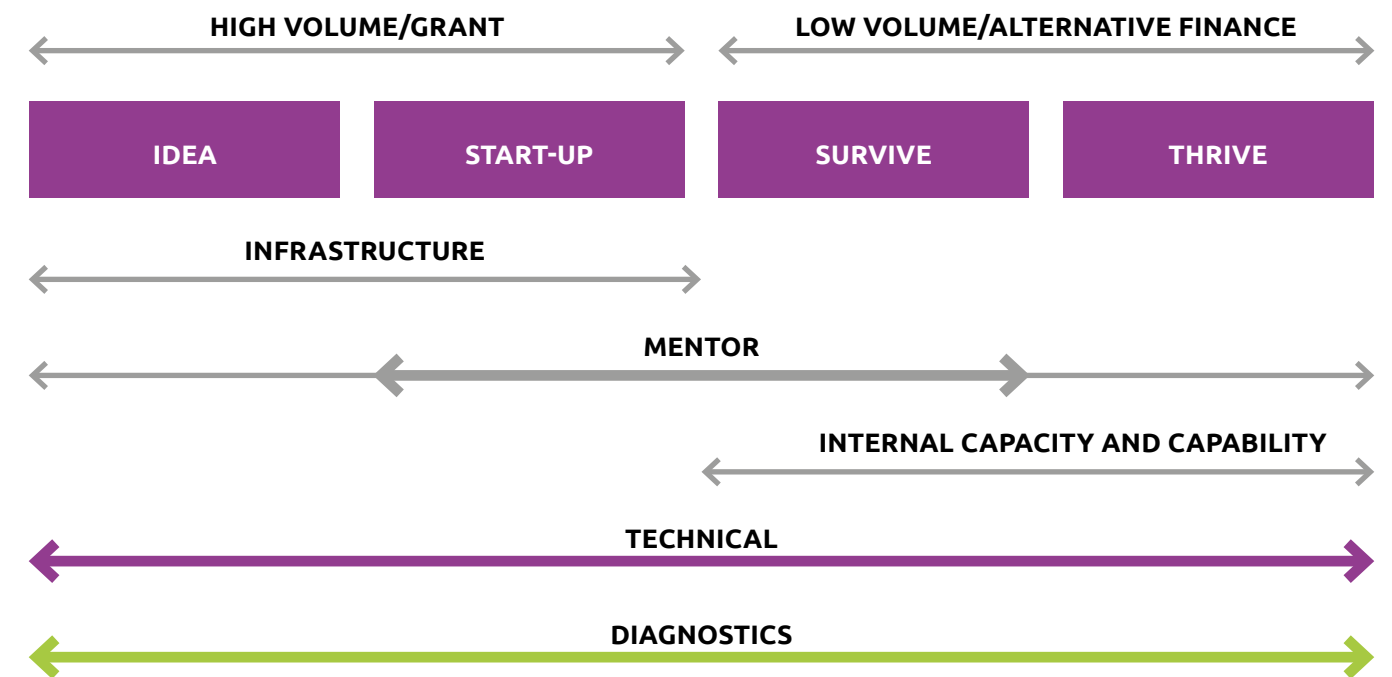
SUSTAINABILITY

However, we know that for this model to benefit community businesses it needs to be accepted and taken up by the structures that already exist in Liverpool City Region. A large part of this is to ensure that the model is practical and sustainable.

We have developed a number of key principles with this aim:

- Business support should be value for money, flexible and good quality from a provider in any sector;
- Business support needs to understand the community business sector e.g. socially trading organisations rooted to the community (place);
- Whilst long-term grant/support from significant funder is not an option, funders could work collaboratively in the short-term support infrastructure to develop sustainable business support offers;
- Infrastructure will be its most financially resilient when it has a blended income model which ensures it is not dependent on any single funding sources. In addition, due to the relatively low margins of some business support it needs to cross-subsidise or work at volume.

CONCLUSION

Our findings show that:

1. Community businesses need different development. This is similar to the support offered to private sector businesses, but needs to be tailored and flexible to their requirements as socially trading organisations
2. The quality of support that community businesses access varies vastly
3. Community businesses have trouble navigating the system and knowing what support they need, and from where, at what times

Our analysis demonstrated that there were five conditions that needed to be met to allow community businesses to grow and to thrive:

Trust: Community businesses need to trust the support that they receive. They need to trust that it is being given for the benefit of their organisation and not the support provider, that it is correct, that it is of a decent cost and affordable, and that it will help them to meet their next steps and aims as they transition through growth.

Capacity: There needs to be the time and opportunity for community businesses to develop and to grow. Whether that is developing themselves or using another organisation for their development needs – there always needs to be capacity for the community business, and those who are in the senior positions, to undertake their next steps. This additional capacity is needed for both business development and operational tasks.

Skills: To develop a community business, the organisation needs to be able to have the correct skills internally to take them through to the next stage or needs to be able to bring in the skillset they do not have. This can be anything from business development support, financial assistance, building planning, and much more. Some of these skills can be developed within the organisation and some, due to their professional status will need to remain being third-party and bought in when necessary. Community businesses acknowledge there are areas they need 'professional' help with.

Understanding: Whilst not a condition that the community business itself needs, it is crucial that support providers develop a greater understanding of community business in order for the correct type and level of support to be delivered. This could include tailored support from existing providers from across sectors or alternative support from peers and the communities in which they are based.

Funding: There is a need for funding to facilitate this development, from grant, income, investment and loans. Community businesses deliver commerciality and social value and often do not have access to the same level of profit or investment that other independent businesses can tap into to fund their development. This needs to be recognised when creating any model for development and include access to an investment fund to support internal capacity and capability requirements.

It is with these five conditions in mind that we built our model for ideal community business support.

However, throughout all of the above, community businesses also need to be adaptable to the new challenges and problems that growing a business encompasses and to undertake the work that this will involve, even though this may be difficult at times.

There is a strong community business movement across Liverpool City Region and the potential for an even wider network of community businesses, all bringing benefits directly to communities and local areas as well as each other. Community businesses use the profits they generate to deliver positive local impact, so it follows that more successful community businesses will bring a greater impact for local lives and community resilience.

Without improvements to the provision of business support as outlined above, the business support sector across the city region risks remaining disconnected and difficult for community businesses to navigate.

Using the 'life course' model, support can be targeted to the particular stages, and transitions between stages, which are not well served by existing business support provision. This framework will also be easier to understand for support providers, economic development organisations and funders.

With a structure to consider investments and support against, we believe that community businesses will be better, and more consistently, supported. Using the model could ensure that support is delivered to community businesses with a greater level of understanding and trust.
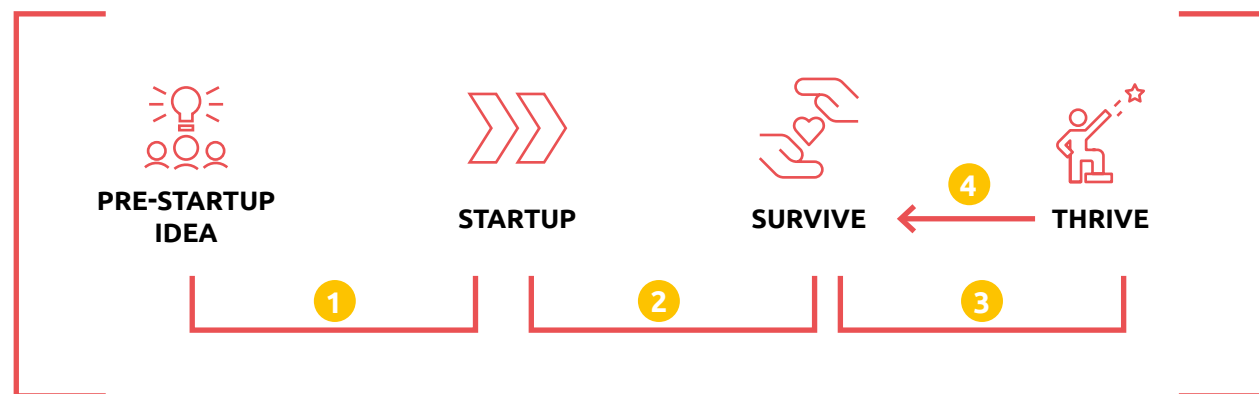
Better business support will have a positive outcome on the community business sector and increase not only the number of community businesses, but also their success.

APPENDIX 1: THE STAGES OF A COMMUNITY BUSINESS

From our work with community businesses and following from the results of the survey, we have modelled the life course that community businesses commonly develop through, regardless of their structure or area of trading focus. We have created the model for business support based on the development and growth needs at each stage, rather than what each sector (e.g. housing, renewables, café) needs to become successful. This means that the model reflects the needs of all types of community business, which by their nature are incredibly diverse and often expand into new and different service areas as they identify additional community needs that they believe could be delivered by their organisation. This model could also be used to develop new ideas and ventures within existing community businesses as well as for new community businesses themselves.

The below describes the characteristics of, and support needed, at each stage of business development and also through the transitions between stage

Idea	
Characteristics	• Have an idea • Group of people interested in the idea • The idea has trading potential • Held an event/meeting about the idea • Idea will help and benefit the community • There is real community need for this idea
Support required	• Supporting communities to have conversations about ideas that could trade, generate a surplus and support the community • Outreach into areas where there is limited track record of community businesses to support those types of conversations • Outreach must be done through trusted networks/organisations

1. Idea to Start-up	
Characteristics	• More people become interested in the idea • Leaders of the idea emerge with credentials to develop the idea • Some further validation of the trading potential of the idea • Low on confidence on what to do next/what order
Support required	• Technical support around how to constitute/set-up the legal entity • Speak to people (mentors) who have set up similar community businesses before to build confidence and understand next steps • Support to hone vision and outcomes • Possible help establishing outline business plan • Help secure funding to support initial start-up costs

Start-up	
Characteristics	• Registered as organisation • Funding or their own resources to begin testing ideas or developing the idea further • Will maybe employ at least one member of staff and/or committed group of volunteers
Support required	• Business plan • Other technical support such as HR, Finance Systems and Policies and Legal • Meeting/understanding businesses with similar trading models • Securing further funding/investment

2. Start-up to Survive	
Characteristics	• Begin trading/operating regularly • Limited revenue through trading activity but increasing • Lots of teething problems/headaches • Motivation for the community is considerable contribution to resilience during difficult moments • Have very little organisational infrastructure/new infrastructure identified on a daily basis • Cashflow very challenging to manage
Support required	• Mentor • Specific pieces of technical assistance to support infrastructure development

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APPENDIX 1: THE STAGES OF
A COMMUNITY BUSINESS (continued)

Survive	
Characteristics	• More regular income from trading activity but limited • Positive impact being reported by the community • Constantly switching between thinking that the business will be a success and thinking that it is going to fail • Still teething problems/process problems/quality issues • Cashflow still challenging to manage
Support required	• Technical assistance: business development to secure extra funding • Begin conversation with advisor to understand further barriers and opportunities within 'survive' phase – understand what could create the step change • Continual access to mentor

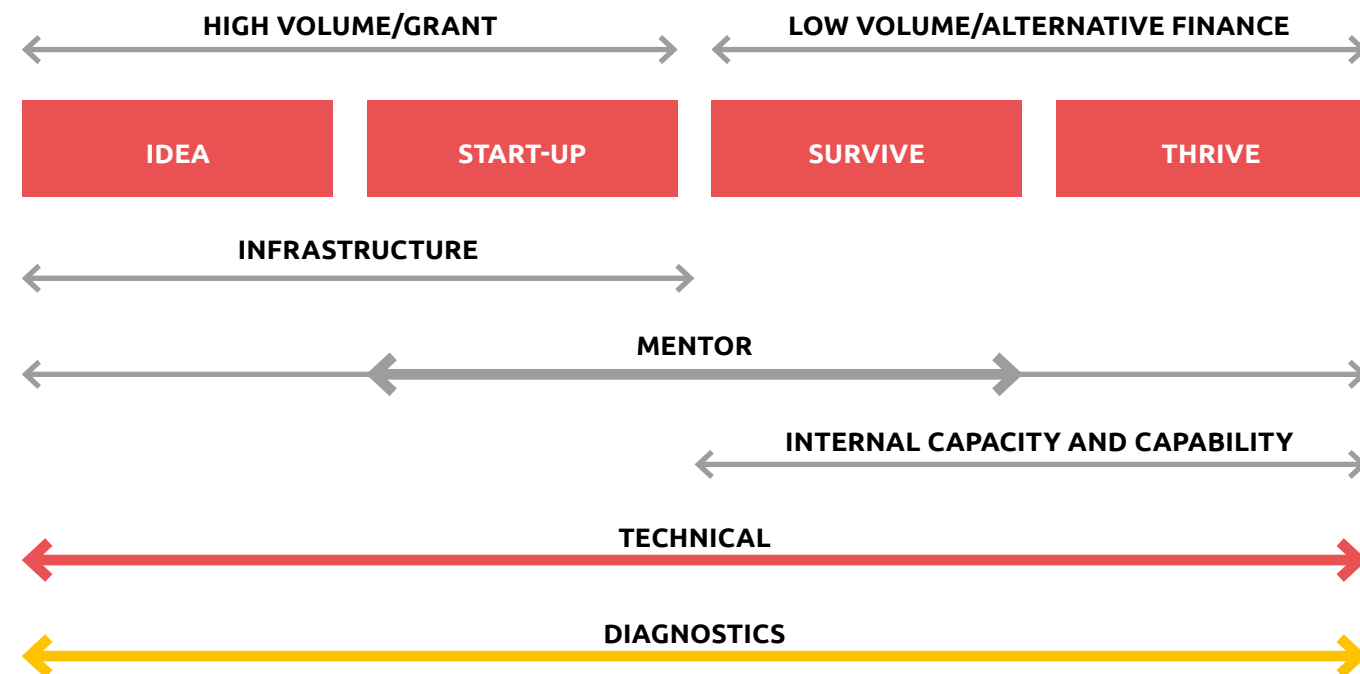| 3. Survive to thrive	
Characteristics	• Have regular earnings, with increased predictability of earnings coming through but not enough to cover all costs • Started to tackle some of the barriers/challenges – either internally or externally – and they are having a clear, positive, impact on the organisation • Struggling to have time to fully concentrate on the challenges/opportunities because of the day-to-day running of the organisation • Community has lots of need – community business has built a positive track record – but at risk of pulling in different directions or pursuing the wrong opportunity or the right opportunity at the wrong time • Cashflow is still difficult to manage but fewer emergencies/sleepless nights • Positive trends on key indicators e.g. revenue compared to the previous 12 months (like for like)
Support required	• Backfill in either operations or development to free up senior staff to concentrate on key opportunities/challenges • Advisor – who has been with them during survival, supporting the transition to thrive • Increase in internal capacity • Technical Assistance – particular expertise around elements of the trading model and if financial system is no longer fit for purpose

Thrive	
Characteristics	• Good predictability on trading revenue/track record to back it up • Infrastructure is supporting the organisation well • If contracting with public sector or commercial businesses, average contracts are 2 years or longer with adequate margin • Able to invest in the development of the organisation through their reserves/surplus – though this may only be small investments
Support required	• Good governance/challenge to spot any downward trends or opportunities • Retaining and developing talent – maximising talent retention

4. Thrive to survive	
Characteristics	• Poor operational delivery leads to reduction in income • Difficult challenges with staff lead to changes in internal culture • Haven't properly planned for the end of a funding stream or decrease in revenue stream • Significant possibility of unforeseen challenges operating an asset • Local politics/external environment has turned against the organisation • Market down-turn in key trading area and reduction in revenue • Have taken too much on and infrastructure isn't able to cope or have taken on too much infrastructure and can't support it through trading revenues • Emotionally struggling with things going backwards
Support required	• Mentor that has dealt with this type of downturn – again, could have multiple mentors • Potential backfill to see through challenging period but could also be funding for an existing role to take the pressure off the trading revenue • Advisor – potentially a different advisor • Technical expertise – financial modelling, legal, human resources

APPENDIX 2: THE MODEL – IN DETAIL

To tackle these demands in a comprehensive and integrated way, we have developed the following model of support across the life course of community businesses.

HIGH VOLUME/GRANT ←→   **LOW VOLUME/ALTERNATIVE FINANCE** ←→

| IDEA | START-UP | SURVIVE | THRIVE |

INFRASTRUCTURE ←→

MENTOR ←→

INTERNAL CAPACITY AND CAPABILITY ←→

TECHNICAL ←→

DIAGNOSTICS ←→

To tackle these demands in a comprehensive and integrated way, we have developed the following model of support across the life course of community businesses.

INFRASTRUCTURE

It is clear that at the early stages of business development, when a budding community business is being taken from idea to start-up, there is a lot of confusion regarding what the next best steps are and how to achieve the required outputs to begin to trade and receive grants. This includes a range of different needs from company registration to simply being able to sit down with someone to see if the idea does indeed have 'legs'.

National organisations such as Power to Change, Locality, Coops UK and others, do provide support to growing community businesses, but this is seen by some as too remote, or in other cases, organisations do not know if this is the correct support. For this report we have focussed on the support available from local providers. We believe that support that is available locally and rooted through Liverpool City Region will reach a greater number of organisations and at more appropriate times in their development.

The Voluntary, Community and Social Enterprise (VCSE) sector across Liverpool City Region is currently providing some of this support but it could be improved by more understanding and knowledge of the community business sector when providing advice. Many community businesses expressed frustrations that, whilst there was good support on offer from the Voluntary Sector Infrastructure Bodies, there was a distinct lack of understanding about community businesses and why organisations would look to trading and profitability rather than purely on a grant-reliant or charitable structure.

There is also a role here for outreach from existing anchor organisations, both community businesses and existing support organisations, around Liverpool City Region to reach out to budding community businesses and organisations that do not realise that they are community businesses, in order to promote and progress the community business sector in the region. However, this does not mean that community business support should necessarily happen from a physical hub – whilst this may be appropriate at early stages of development, from the start-up phase, community businesses need to be based in their community in order to deliver their aims and benefits.

MENTORSHIP

One of the clearest and most consistent messages that emerged from community businesses was that support from a mentor was crucial. The ability to learn from peers that have experienced setting up and running a community business in their service or geographical area is incredibly important. This as-and-when 'informal' support that is conveyed over coffee meetings or catch-up telephone calls provides the reassurance and help that community businesses really appreciate, particularly as they move from Start-up to Survive. Peer networking is something that all of the community businesses surveyed have felt the benefit from and wish there could have been more of.

However, there was a concern from more developed community businesses that they did not have the capacity to provide as much support and mentorship to emerging or peer organisations as they would like to, or that is needed to really improve the community business sector, due to staffing levels, operational issues and the need to develop their own business.

Not all people in a community business will be able to provide the level of mentorship that is needed as not everyone in the organisation will have been through their trials and triumphs.

INTERNAL CAPACITY AND CAPABILITY

Another key element of support that community businesses need, particularly when transitioning from 'survive' to 'thrive' is an increase in internal capacity. This can come through three routes:

- By having increased internal capacity through back-filling existing senior individuals, they would be able to concentrate on key development/operational projects to help move the organisation from Survive to Thrive or to help avoid the organisation going backwards from Thrive to Survive;

- Significant key strategic/long-term hire (e.g. Operations Manager, Development Manager, Finance Manager). This is when the organisation has identified key internal capability challenge which is needed over the long-term as it is a critical business support function needed to support the development of the organisation; and

- Bringing somebody into the organisation with expertise that the organisation doesn't have, but at a greater intensity than a consulant, for example, 3-5 days but time-limited 6 months to 2 years. These skills can be passed on through training or the development of new systems in this time.

A Business Development Advisor can help them progress through these stages that they do not have prior experience of, to avoid costly and timely mistakes that hinder their development. This would be an experienced and contracted position that will be funded by the community business itself.

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APPENDIX 2: THE MODEL – IN DETAIL (continued)

This Advisor would have a number of dedicated hours/days to be based within the community business to be able to take a holistic overview of the business to identify the elements of development needed to ensure growth. This could be governance, business case, financial modelling and processes or more; some of these services could be completed by the Advisors, but others will need external technical support that the Advisor could assist with recommendations and procurement.

There is a significant desire, and need, to have an Advisor that can be based in the business rather than reaching out to a consultant for what could be the wrong piece of work, at the wrong time. To have an experienced professional that is contracted to and invested in the growth and success of the community business, but who will be able to view the status of the business with impartiality to ensure that relationships and culture within the organisation do not direct it rather than the actual needs, will be absolutely key for confidence in their sustainability and success. There is already a small number of advisors, many freelance, providing this support in an uncoordinated way across Liverpool City Region, but this model would require this network to be developed and organised.

TECHNICAL LIST

A number of the community businesses reported unease about approaching providers for technical skills in order to receive quality advice at an appropriate cost. Confidence and trust were key here. Community businesses expressed concerns that, whilst they understood the need for qualified assistance with legal, financial, construction and other such skills – not all of the available professionals understood community businesses or were able to give the correct advice, nor did they charge appropriately.

A 'Recommended Mark' of technical suppliers that understand community businesses, work well and charge affordable rates could help to address this. Many people setting up community businesses do not know how to find support that they know will be both good quality and correct – it is an added complication and stress at an already difficult and 'new' time. A 'Recommended Mark' and list of technical suppliers will gift confidence to the community business that they will receive the best service and speak to an appropriate supplier without needing to reach out to a number of businesses and repeat the time of a number of community businesses before.

We are aware that there would be challenges to the creation and maintenance of this list and suggest that it is part of a networked platform that community businesses could access. This would be maintained by an academic or anchor organisation, but be crowdsourced with regular feedback from community businesses and it would be made clear that this list was crowdsourced, rather than the work of the co-ordinator, and so would be no liability to them for the upkeep of this list.

However, whilst wanting this 'rated list', community businesses were clear that they did not want it to be dictated to as to who they were allowed to contract with, but wanted to be guided and to have the final choice over who to use – or the ability to use their own technical support supplier. There is an understanding that community businesses will build relationships over time with technical suppliers and will not always wish to use those that are on this 'list'. Community businesses in 'Thrive' or 'Survive' that are expanding into new service delivery areas will also get confidence from this guidance.

DIAGNOSTICS

Throughout the process it is clear that there is a need for an impartial system of measurement and progress that community businesses can rely upon to give an accurate measure of status and comparability to other community businesses.

Whilst we are aware of other diagnostic tools available (such as the Lighthouse Diagnostic from Locality), this diagnostic would differ in that it would be regularly reviewed to asses business strengths and weaknesses. However, it would not just be undertaken at times of crisis and should be appropriate for community businesses from start-up. It should also provide a quality and comparator rating against other similar community businesses.

We also believe that this should sit separately to service/provider delivery organisations and funders in order to ensure that community businesses feel confident in the information about their status that they give and subsequently receive. It is important that community businesses trust the diagnostic reports, without feeling as though they are being sold to, but it also important that the community businesses are honest through this process and do not try to give a false impression of their success or sustainability.

We understand that it can be extremely difficult to take a community business from idea to thrive, but an impartial diagnostic process, gone through periodically, will allow the business to feel confident that the advice they receive is accurate and appropriate.

We believe that this would also have the benefit of being able to give funders confidence in organisations that approach them for support without the community business having to complete a separate application process for each different funder. This is something that a number of the community businesses said was burdensome and frustrating. This could also allow for funders to work in collaboration more easily, using the results of diagnostics to set minimum standards for a co-ordinated and combined funding pot that would only need to be administered by one organisation.

CO-ORDINATION

We have identified a need for co-ordination of this model from an existing infrastructure/delivery organisation.

The co-ordination role would be responsible for the recruitment and execution of the advisors and mentors and ensure that they could be distributed appropriately across the community businesses that need support, so that outreach happens across Liverpool City Region to find and develop new community businesses and ideas. There would also need to be an organisation whose responsibility it is to administer the 'Recommended Mark' of rated and recommended technical skills providers that was place-based and connected in with the local community business sector.

APPENDIX 3: METHODOLOGY

The goal of this project is to understand the conditions that enable local community businesses to thrive. To that end, Capacity designed a study which sought to engage a broad but representative range of community businesses from across the Liverpool City Region.

Starting with the Power to Change grantee list, along with the Heseltine's 2019 report[2] that identified 84 community businesses across Liverpool City Region, we pulled together a list of previously identified community businesses across LCR.

However, on analysis of this list, there were a number of businesses that may not fully meet the criteria above (particularly that they are not accountable to community), or who would have been ineligible for Power to Change funding. We also identified a number of local trading organisations that meet the criteria but are not on either list.

Whilst we have not looked at the governance structure of all identified community businesses, for the purpose of this report we have concluded that there are currently around 70 community businesses across the City Region. These businesses are at different stages of development and it is likely that there are businesses that would meet the criteria but are yet to be identified.

The study used a mixed-method design, combining qualitative and quantitative data collection and analysis from both online surveys and semi-structured face-to-face interviews. A mixed-method approach was chosen as the most suitable method for achieving the aims of the project.

Survey and interview schedules were designed by Capacity's Communications and Impact Management teams with feedback from Power to Change.

The survey design used Likert-type scales to measure satisfaction with support offers accessed by community businesses from the voluntary, public and private sectors. Matrix questions and multiple-choice questions asked for further detail about the support received, for example, how was the support delivered, and what was the nature of the support (e.g. "legal", "online presence", "governance"). Open-ended questions were also included to allow participants to expand qualitatively on their experience of the support, barriers to access, and gaps in current offers. Finally, a set of business demographic questions were asked to gauge the size, age and locality of the organisations sampled.

The survey was open from 10th June 2019 until 2nd August 2019, a period of 8 weeks. Capacity emailed the survey to community businesses and promoted it through social media and local networks, along with encouraging respondents to circulate through their networks as well. 36 responses were received in total. A quality review determined that all responses were high quality and therefore 100% of the responses were used in the analysis stage.

Eleven face-to-face interviews with community businesses were carried out during the same time period by Capacity's Community Engagement Lead, Project Manager and Chief Executive. Remuneration of £300 was offered to all organisations taking part in face-to-face interviews as compensation for their time, however all but one organisation declined the money.

There was also a stakeholders' roundtable event, with community businesses and Power to Change, held on 6th August to discuss our initial conclusions with local community businesses and receive feedback.

The target populations for both the survey and face-to-face interviews were the same, the aim being that face-to-face interviews would reveal further qualitative depth not typically available in survey responses. Participants were purposively sampled based on the definition of what a community business is, the grantee list provided by Power to Change and those identified in the Heseltine Report, giving a total of 111 potential organisations, however, as stated earlier we believe this figure to actually be around 70. A total of 36 responses gives us a 32% response rate for all possible respondents which is above the industry average[3], or 51% from the 70 community businesses we believe there are.

To enable statistical analysis, responses to both the interviews and survey were coded by Capacity's Impact Manager using a simple inductive pattern coding approach. Analysis was carried out using GNU PSPP, an open-source replacement for the commonly used IBM statistics package, SPSS.

Secondary data to support the findings and recommendations of this report was gathered primarily from Power to Change sources such as the University of Liverpool's Heseltine Institute for Public Policy, Practice and Place report into growth, sustainability and purpose in the community business market in the Liverpool City Region.

Whilst responses were gathered from each area of the Liverpool City Region, 63% of those report Liverpool as their primary operating area. While this is representative of the city region as a whole, it means that our recommendations may not be representative of individual areas outside Liverpool, for example, Halton.

However, 42% (15) of the organisations we surveyed indicated that they operate beyond their primary area, giving our sample wider applicability. Organisations that said they were primarily based in Liverpool were significantly more likely to operate in one or more additional locations, with Sefton being the most common secondary location.

2 Heseltine Institute (2019) Growth, sustainability and purpose in the community business market in the Liverpool City Region

3 Saldivar, M. G. (2012) A Primer on Survey Response Rate. Learning Systems Institute, Florida State University. Pg. 9.

APPENDIX 4: ORGANISATIONS WHO HAVE BEEN CONSULTED

Liverpool Community Renewables

Beautiful Ideas Company (North) CIC

Bee Wirral Community Interest Company

Birkdale Community Hub (The Blundell Arms Community Pub)

Byrne Avenue Trust

Chain Lane Community Centre Limited

City of Liverpool FC

Coming Home Liverpool CIC

Enterprise Credit Union

Farm Urban LTD.

Friends of Walton Hall Park

Granby Four Streets Community Land Trust Ltd

Greenhouse Project

Growing Sudley

Halton Community Transport

Homebaked Community Land Trust

Homegrown Collective

Inclusive Economy Liverpool

KFCA (Kensington Fields Community Association)

Lister Steps Limited

Little Sandbox Ltd

Liverpool Community Launderette

Liverpool LEP

Liverpool Vision

News From Nowhere Co-Operative

Our Lido Ltd

PlacEd

Plaza Community Cinema

Rotunda Ltd

School of Social Entrepeneurs

Scottie Press CIC

Southport Contemporary Arts

Squash Nutrition

St Helens and Halton Chamber

St Helens Community Transport CIC

Target Football CIC

The Florence Institute Trust Limited

The Neighbourhood Services Company Ltd

The Parr Sports and Community Centre CIO

The Women's Organisation

Tiber Community Building

Tunza's Pride

Vauxhall Neighbourhood Council

Walton Youth Project

Ykids Ltd

ABOUT CAPACITY

CAPACITY

The Public Services Lab

Capacity: The Public Services Lab was founded in 2015 from a unique partnership of Catch22, Amberside Advisors, Interserve Plc and Big Society Capital. Based in Liverpool, but with a client base that extends across the North West of England and North Wales, our mission is to redefine public services by:

1 Championing the voice of the voluntary, community and social enterprise sector

2 Working with commissioners to make public sector contracts more accessible to VCSE organisations

3 Supporting public sector and community organisations to secure funding, run efficiently and design person-centred services

Since its incorporation, Capacity has secured more than £38.5 million commissioned contracts and £600,000 grant funding for charities and social enterprises in England and Wales. In early 2019, we secured a second round of investment of £800,000 from Big Society Capital. By April 2019, we had secured contracts to provide business support to fifty GP practices in the Liverpool City Region, as well as taking over management of three GP surgeries in Wrexham, Wales.

Capacity is a firm believer that public and community services are most successful when they are delivered by people from those communities. We are an expert partner, working to enable socially driven organisations to design and deliver to their full potential.

Already working to support a range of community businesses with governance, business planning, funding and more, but with dedicated Engagement and Impact Teams, we were passionate about completing this piece of research for Power to Change to help to develop and strengthen the community business sector.

Ultimately, Capacity exists to improve outcomes for every individual, by building happy, healthy and resilient communities.

NOTES
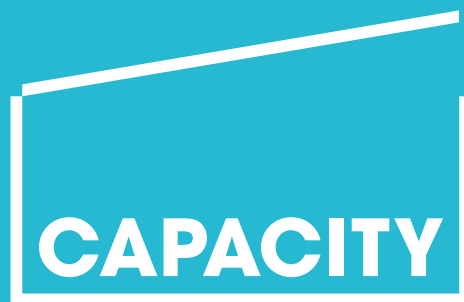
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