



# Thematic Paper: Sector & Community Businesses

How can the concept of sector be useful to understand and support community businesses?

Report Authors: Waseem Meghjee, Mylene Pacot, Mahdy Alraie and Rachel Sturgis

#### Introduction

Sector classifications exist in many forms, ranging from widely accepted typologies such as the UK Standard Industrial Classification Hierarchy¹ to those created by individual organisations for their own operations. Power to Change, like most funders, has developed its own classification to manage and categorise their diverse pool of funding.

This paper explores whether the concept of sector can be useful to funders to understand and support community businesses going forward. It shows that:

#### **Key findings**

While sector trends in the community business market are not always clear or easy to identify (partly because community businesses tend not to operate neatly in one sector), sector typologies can be beneficial anyway. They can be helpful to make funding decisions, manage programmes, facilitate networks, identify new market opportunities, and to understand the influencing factors unique to certain sectors. Other characteristics – such as the structure of community businesses, and the nature of their services or products - can also help funders understand and support community businesses.

This leads to the following recommendations to Power to Change and other funders:

#### Recommendations

Power to Change and other funders should continue using sector typologies to understand and support community businesses, while being mindful of their limitations. Sector categorisations could be used in conjunction with other characteristics, and should continue to evolve over time. For instance, sector typologies could include new market opportunities such as environment and sustainability, technology and incubator spaces - along with research into the role of community businesses in those markets.

Findings in this paper were drawn from Renaisi's evaluation of three Power to Change-funded programmes: Bright Ideas (BI), Trade Up (TU) and Community Business Fund (CBF). The research was based on data collected through over 60 qualitative interviews with Power to Change grantees, staff and delivery partners between April 2019 and May 2021, and through four workshops conducted between August and September 2021 with BI Advisors, TU Learning Managers and members from the CBF community business panel.

Note that while the topic of 'sectors' was explored during recent workshops, it was not an explicit focus of Renaisi's evaluation. This paper uses the sector typology self-reported by Power to Change grantees, which can be used inconsistently by grantees.<sup>2</sup>

<sup>&</sup>lt;sup>1</sup> Office for National Statistics (2018), Standard industrial classification of economic activities (SIC) <a href="https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/ONS">https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/ONS</a> SIC hierarchy view.html

<sup>&</sup>lt;sup>2</sup> For example, some grantees defined their sector as their organisation's primary sector, whereas others chose their sector based on the work they were requesting funding for. Additionally, the list of sector typologies that grantees selected from in the application process has developed over time.

## Section 1: Sector trends in the community business market are not always clear or easy to identify

#### I. How does Power to Change use sector typologies?

As common amongst funders, Power to Change uses sector typology for **operational purposes** such as grant making. These classifications are self-assigned by community businesses at the application stage and consolidated via Power to Change's grant management software. *The Community Business Market in 2020* report states that:

"Power to Change's sector classifications are purposive and used to make decisions about funding allocations; they are not designed to assign a community business empirically to a consistent standard industrial classification."

This typology has **developed over time**; the Community Business Market report<sup>4</sup> and different funding rounds of the CBF, TU and BI programmes used different variations of sector categories over time. For example, the Community Business Market report uses the following sector typologies in its analysis: cafes and shops; energy; food, catering and production; housing; libraries; pubs; transport; and village halls.

The sector typology highlighted in Figure 1 is used for the purposes of this paper.

Figure 1 Sector classifications used for Renaisi's evaluation for CBF, TU and BI



## II. How has the community business market's sector profile changed over time?

Between 2015 - when Power to Change was established as a trust focused on community businesses - and today, the marketplace for community businesses has changed significantly. For example, there has been a clear increase in the number of community businesses operating in England. Power to Change estimates that in 2015, there were approximately 5,650 community businesses operating in England.<sup>5</sup> By 2020, this figure had increased to an estimated 11,300 community businesses.<sup>6</sup>

<sup>&</sup>lt;sup>3</sup> Power to Change (2021), *Community Business Market in 2020*, p. 58 <a href="https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf">https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf</a>

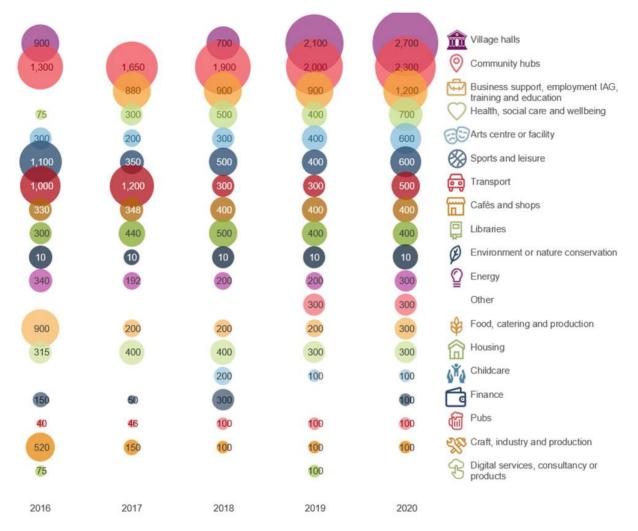
<sup>&</sup>lt;sup>4</sup> As footnote above.

<sup>&</sup>lt;sup>5</sup> Power to Change (2016), *Community Business Market in 2015*, p. 2 <a href="https://www.powertochange.org.uk/wp-content/uploads/2016/03/PTC-State-of-the-market-2015-research-report-tagged\_AW-REV1.pdf">https://www.powertochange.org.uk/wp-content/uploads/2016/03/PTC-State-of-the-market-2015-research-report-tagged\_AW-REV1.pdf</a>

<sup>&</sup>lt;sup>6</sup> Power to Change (2021), *Community Business Market in 2020*, p. 3 <a href="https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf">https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf</a>

The change in sector profile of the community business marketplace is less clear. An analysis of the number of community businesses per sector shows that different sectors have either grown, plateaued, decreased or fluctuated over the last five years. Figure 2 demonstrates this by presenting the number of community businesses per sector between 2016 and 2020.

Figure 2 Evolution of the community business market by number of community businesses per sector between 2016 and 2020 (Data source: Power to Change's Community Business Market data)



The key findings from Figure 2 include:

- The growing sectors are village halls; community hubs; business support, employment, training and education; health, social care and wellbeing; and arts centre or facilities.
- The stable sectors are cafes and shops; libraries; pubs; craft, industry and production; and environment or nature conservation.
- The decreasing sectors are childcare and housing.
- The fluctuating sectors are sports and leisure; transport; energy; food, catering and production; and finance.
- The largest four sectors in 2020 by number of community businesses are: village halls; community hubs; business support, employment information, advice and guidance (IAG), training and education; and health, social care and wellbeing.

The smallest four sectors by number are: finance; pubs; craft, industry and production;

- and digital services, consultancy or products.
- There are some emerging sectors where the community business model was not previously used. For example, the childcare, digital services, consultancy and products sectors. There are also a small number of community businesses that have started to be categorised as 'other'. For example, community businesses that function as incubator spaces for other community initiatives.

Figure 3 below provides a different perspective by showing the evolution of community businesses' median income over time by sector. When considering the changes in sector profile through income, clearer patterns emerge.

Figure 3 Evolution of the community business market by income per sector between 2016 and 2020 (Data source: Power to Change's Community Business Market data)

Sector		Median income (£m)					Count				
		2017	2018	2019	2020	2016	2017	2018	2019	2020	
Village halls	£100	-	£34	£17	£47	900	-	700	2,100	2,700	
Community hubs	£150	£230	£371	£247	£324	1,300	1,650	1,900	2,000	2,300	
Business support, employment IAG, training and education	-	£73	£88	£148	£139	-	880	900	900	1,200	
Health, social care and wellbeing	£6	£90	£35	£123	£30	75	300	500	400	700	
Arts centre or facility	£9	£10	£19	£50	£122	300	200	300	400	600	
Sports and leisure	£450	£40	£61	£118	£101	1,100	350	500	400	600	
Transport	£150	£400	£126	-	-	1,000	1,200	300	300	500	
Cafés and shops	£55	£55	£57	£63	£70	330	348	400	400	400	
Libraries	£6	-	-	£7	£19	300	440	500	400	400	
Environment or nature conservation	£7	£15	£13	£9	£18	340	150	300	300	400	
Energy	£15	£123	£14	£36	£29	340	192	200	200	300	
Other	-	-	-	£15	£27	-	-	-	300	300	
Food, catering and production	£45	£50	£29	£21	£21	900	200	200	200	300	
Housing	£50	£70	£132	£17	£14	315	400	400	300	300	
Childcare	-	-	£10	-	-	-	-	200	100	100	
Finance	£20	-	£32	-	-	150	50	300	-	100	
Pubs	£5	£6	£27	£14	£11	40	46	100	100	100	
Craft, industry and production	£45	£20	-	£3	£2	520	150	100	100	100	
Digital services, consultancy or products	£8	-	-	£3	-	75	-	-	100	-	

#### Key findings from Figure 3 include:

- Aside from art centres or facilities, cafes and shops and libraries (which experienced a steady increase), all other sectors experienced fluctuations in median income.
- The concentration of income differs significantly by sector. For example, while the village hall sector has the highest number of community businesses (2,700), its median income across all village halls (£47 million) is significantly smaller than the total median income of community hubs (£324 million pounds and 2,300 community businesses).
- The biggest sectors by income are; community hubs; business support, employment IAG, training and education; arts centre or facility; and sports and leisure.

This analysis shows that sector trends in the community business market are not always clear or easy to identify. Such trends can also be difficult to grasp as community businesses do not always operate neatly in one sector.

# Section 2: Community businesses do not always operate neatly in one sector

In the Community Business Market in 2020 report, Power to Change highlights that:

"The core of the issue is defining and categorising organisations by what they do and how they do business. Some organisations fit poorly into standard classification schema because either no category exists for them, or because they fall into several categories."

A similar dichotomy with sector categorisation was found in the research for this paper. Interviews with community businesses and reflections from workshops showed that, as the community business market grows and community businesses evolve, the lines between sectors become increasingly blurred. Community businesses either do not feel that their work is represented in existing typologies, or do not operate neatly in one sector.

#### I. Community businesses that fall into several categories

Community businesses can fall into several categories for a number of reasons; they can operate across more than one sector or the sectors they operate in may overlap. For some community businesses, offering a wide range of services is part of their ethos and approach to supporting the community. This is done through providing the community with a space or platform to explore different community-related activities and / or services.

#### Case study: If the community comes in and wants to do something

The primary sector of this Trade Up grantee is 'community hub'. As part of their ethos, they provide the community with a physical space to carry out any activities or services needed. As a result, like most community hubs that offer multiple services, they do not neatly operate in one sector.

"We're a community hub. There is a café, a bike repair shop, a coworking space, [meeting] rooms to rent out [and we host] lots of community group activities like baking, crochet, parents and toddlers.... [Our] ethos is 'if community comes in and wants to do something, we'll give them a key and say do what you want, it's your space." – Trade Up grantee

For other community businesses, operating across multiple sectors is central to their business model as it generates multiple income streams. This tends to be the case when community businesses are based around a physical space.

<sup>&</sup>lt;sup>7</sup> Power to Change (2021), *Community Business Market in 2020*, p. 58 <a href="https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf">https://www.powertochange.org.uk/wp-content/uploads/2021/03/Community-Business-Market-in-2020-FINAL-2.pdf</a>

#### Case Study: Running multiple community businesses

This CBF grantee uses its physical assets to run different businesses, ranging from a community hub to a sports club and a wood recycling project. This enables them to generate income from different sources.

"We run various community businesses. We have a community hub and we manage a workspace. We run a sports club and wood recycling project. We run a nursery, provide tool library, community events, community recycling service, neighbourhood forum to engage local neighbourhoods..." – CBF Grantee

#### II. Some community businesses do not fit in any category

For some community businesses, **sector typologies do not successfully capture the work they do**. Research shows that this is due to two main reasons:

- Some community businesses operate in a new and emerging sector that is not yet covered in traditional sector classifications. For example, community businesses that function as incubator spaces for other community initiatives. Further examples of this are explored below in Section 4.
- Other community businesses felt that they did not neatly fit in any sector category.
  For example, workshop participants highlighted that community businesses that take a
  community-led approach to providing services such as housing or health are different to
  traditional community businesses delivering services. One participant shared for
  instance:

"Our community-led housing does not fit under these sector types. It could be its own sector or a sub-sector." - Workshop attendee

#### Case Study: A new approach to housing

This CBF grantee has taken a community-led approach to the housing sector by setting up a social lettings agency. Research showed that community businesses using new approaches such as this one increasingly do not identify with their 'sector' as the approach is a departure from what is seen as a traditional approach.

"We have enough of an influence to change dynamics on specific streets. We bought and refurbished four previously empty shops; one of them is [our] estate agency... we are buying and managing more houses, and as a social lettings agency we can expand outreach and impact and offer a good service [alternative to] private landlords. That is pretty much what we do around creating a better place... Rent to local families who will have a safe and well-maintained property..."
CBF Grantee

As community businesses continuously evolve and adapt to be sustainable, sector typologies are becoming increasingly blurred. Community businesses appear to be

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spanning across multiple sector categories and venturing into new areas of work not traditionally encompassed in the typology. This suggests that current sector typologies may not be as relevant as they used to be, yet there are benefits to categorising the diverse range of work done by community businesses – as shown in the section below.

### Section 3: Sector typologies can still be beneficial

Despite certain limitations around their accuracy, there are several benefits and practical uses for sector typologies. Other characteristics can also be used to think of community business typologies in a helpful way – as discussed further below.

#### I. Benefits of sector typologies

The use of sector typologies, while imperfect, has **several benefits for both funders and community businesses**.

For funders, these benefits include:

- Decision making and funding processes: sector typologies can aid funders like
  Power to Change to make funding decisions. Such categorisations enable funders to
  support a wide range of organisations, ensure that their funding decisions align with
  their strategic goals, and allow more equitable disbursement of funding.
- **Managing funding programmes:** sector typologies can help group grantees together and thus facilitate programme management. For example, the sector typology was used to group grantees in the action learning component of the TU programme.
- Research and learning: sector typologies also support research and learning; for example, the Community Business Market report series use sector classification as a variable to understand the broader sector. Sector typologies also aid the grouping of community businesses together to facilitate peer support and learning; this is evident in the TU programme as well as in other Power to Change funded programmes such as More Than a Pub<sup>8</sup> and Empowering Places<sup>9</sup>.

For community businesses, sector typologies offer one way to understand and navigate a vast and varied sector. In particular, **sector typologies help facilitate networks**. Community businesses often highlighted that being part of a network of their peers provided a broad range of benefits from learning to moral support and even referral for work. For example, one community business supported under the BI programme explained that being part of various sector networks has been key to their journey.

"We are part of networks. We've joined a community of practice for social care analytics, an older people welfare forum. So, we are members of quite a few networks... the impact of these networks has

<sup>&</sup>lt;sup>8</sup> Renaisi (2021), *More than a Pub Final Evaluation Report*, <a href="https://renaisi.com/2021/09/20/evaluating-impact-community-owned-pubs/">https://renaisi.com/2021/09/20/evaluating-impact-community-owned-pubs/</a>

<sup>&</sup>lt;sup>9</sup> Renaisi (2020), *Empowering Places Interim Evaluation Report*, <a href="https://www.powertochange.org.uk/news/the-empowering-places-model-and-emerging-impact/">https://www.powertochange.org.uk/news/the-empowering-places-model-and-emerging-impact/</a>

been business, we've got referrals through them. As well as mutual help and support. Making sure that we aren't reinventing the wheel and that we are only innovating in our particular area of expertise." – Bright Ideas grantee

#### II. Other characteristics can help categorise community businesses

In order to access these benefits, **other characteristics could be used to categorise community businesses in a helpful way**. These characteristics could be used in addition to or instead of sector typologies – and while they do not provide a 'silver bullet', they can help understand and support community businesses. They include:

- Structure of community business: the structure of a community business (i.e., its physical space / asset and business model) is a useful element to consider. The structure of a community business can shape the barriers and enablers that influence their success, and ultimately the impact they have. For example, owning an asset or having access to a physical space provides community businesses with a broad scope of income generating opportunities that they can pursue regardless of whether they are a community hub, shop, café or pub. Conversely, it provides them with similar challenges such as the financial costs of maintaining a physical space.
- Speciality and variation in service delivery: the kind of service a community
  business delivers has a significant bearing on the experience of an organisation;
  particularly when a community business delivers a service that is traditionally provided
  by statutory bodies. For example, community businesses that deliver education and
  employment services, social care services and healthcare services are all accountable
  to accrediting and regulatory bodies. Thus, a common variable that needs to be
  considered as much as their sector is the kind of service they are delivering.
- Commerciality of product: the commerciality of a community business's offer, or whether they sell tradeable products, can be another useful consideration. Community businesses which trade in competition with private sector businesses and whose products have a broad market appeal will require different support to the community businesses that target a specific / narrower audience. For example, a community pub would trade openly and against a commercial pub, where as a community hub would not necessarily do so.

Despite the fact that sector typologies are not perfect, such categorisations fulfil a useful function for both funders and community businesses. Sector typologies, however, are not the only way in which the journeys and support needs of community businesses can be understood. Other characteristics – such as their structure, and the nature of their services or products - can play an important role in shaping their experiences, opportunities and challenges.

## Section 4: Understanding new market opportunities for the community business model

As mentioned above, defining and categorising community businesses according to what they do and how can be challenging. New market opportunities exist where community businesses **emerge outside the traditional sector typologies**, and in sectors where the community business model is **underrepresented**.

**Three new market opportunities** in particular were highlighted as areas where the community business model is underrepresented, yet growing:



Environmental and sustainability

Stakeholders from all three Power to Change funded programmes expressed the pressing need for the community business model to be used more widely to address environmental issues. They also expressed that more can be done to support community businesses across all sectors to think about their environmental impact and embed sustainability into their approaches.

"Traditionally it has been an activists' investment proposition... its niche, activist-driven, and irrelevant to the rest of the community. But there will come a point when they're going to need to scale because it's increasingly relevant. What then tends to happen is we get statewide intervention, becomes a feeding frenzy and community businesses get washed to the side. But we are here doing and building models. The question is how do we do it in all communities."

— Workshop attendant

The **technology sector** and the use of technology in approaches for social change was another new market opportunity that was highlighted during the research. This was particularly raised in the context of Covid-19, where technology has played a greater role in community businesses ability to trade and reach their audiences. Community businesses and stakeholders supporting them expressed support and funding needs to become more accommodating of the use of technology. For example, expanding the idea of community to include a digital one, for digital platform to be recognised as an asset and capacity building support to include financial support to access technology and digital tools.



"In terms of other business support do you know what would have been useful... is a kind of fund for tech. A fund for being able to subscribe to the various apps you need to use [when running a digital component]." – Bright Ideas grantee



Incubator and infrastructure spaces were highlighted as areas where the community business model was underserved and not captured in the sector typologies. A number of community businesses on the CBF programme, as well as those on Power to Change's Empowering Places programme would fall under the community hub sector, however a key component of their impact on the community is providing space and support to establish community initiatives.

These emerging market opportunities present new avenues to further implement the community business model. Broader questions were raised during workshops - about whether the community business sector was able to grasp these opportunities quickly enough (compared to the private sector). Capitalising on emerging markets such as technology requires agility and adaptability, which community businesses have shown (particularly in the context of Covid-19). However, preconditions for such agility also include resources and capacity which private businesses tend to have greater access to.

## Section 5: There are both common and unique influencing factors across sectors

In order to understand how to best support community businesses on their journey towards financial sustainability, it is important to understand the factors that influence them – both as barriers and enablers. Research shows that there are **several common influencing factors across sectors**, and that **certain factors are more prevalent in a given sectors**.

#### I. Common influencing factors

An indicative list of common internal factors is presented in Table 1.10

Table 1 Internal influencing factors that can act either as barriers or enablers in the journey of community businesses

Influencing factors		
Staffing	Recruiting staff with the right combination of skills to support the business needs and create social impact.	
Understanding needs	Being able to understand the often-varied needs of the community and how to best support them.	
Impact	Managing the balance between efforts to increase the positive social impact on the community and running a financially viable business.	
Confidence	Having the confidence to trade on the open market and present themselves as viable options to alternative business models.	

<sup>&</sup>lt;sup>10</sup> Internal influencing factors were further explored in Renaisi's full evaluation report of CBF, TU and BI (to be published soon), Renaisi's evaluation of <u>More Than a Pub</u> and Renaisi's evaluation of <u>Empowering Places</u>.

#### An indicative list of common external factors is presented in Table 2.11

Table 2 External influencing factors that can act either as barriers or enablers in the journey of community businesses

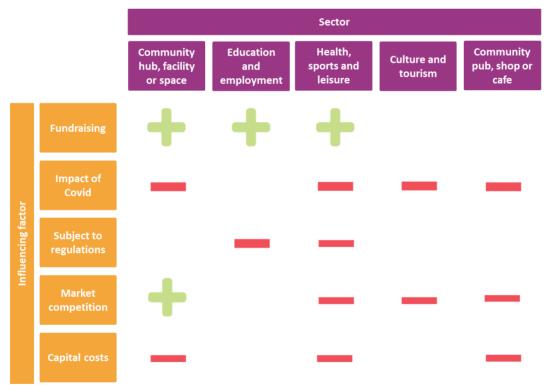
Influencing factors	
Access to funds	Accessing funds through grants, loans or commissioned contracts.
Business Market	Having a large enough market and customer base to be able to trade.
Perception of community businesses	Having the support of the local community, local authorities and other stakeholders in carrying out the community business model.

#### II. Unique influencing factors

While many influencing factors are common across sectors, **some factors are unique or more relevant to specific sectors**. Table 3 below indicates which factors were raised as being more influential in different sectors.

Table 3 The influencing factors that have been highlighted as being unique to specific sectors.

Green addition symbols indicate where the influencing factors is most commonly positive and therefore an enabler. The red minus symbols indicate where the influencing factors more commonly prove to be challenging and thus a barrier.



In Table 3, the green '+' symbols indicate when an influencing factor functions as an enabler. The red '-' symbols rather show barriers for community businesses. It is important to note that community businesses across all sectors are often subject to all factors.

<sup>&</sup>lt;sup>11</sup> External influencing factors were further explored in Renaisi's full evaluation report of CBF, TU and BI (to be published soon), Renaisi's evaluation of <u>More Than a Pub</u> and Renaisi's evaluation of <u>Empowering Places</u>.

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However, this table specifically indicates the prevalence of certain barriers and enablers in specific sectors.

A further explanation to Table 3 is provided below:

- Fundraising: access to funding is not a new challenge faced by community businesses and is universal across all sectors. However, research for this paper found that for community businesses in three sectors (community hub, facility or space; education and employment; and health, sports and leisure), funding and support tends to be more accessible. This can be due to the fact that those sectors are more traditional and longer standing, and better aligned with the funding made available by funders and commissioners.
- Impact of Covid-19: Covid-19 has had a significant impact on the broader economy and therefore inevitably most (if not all) community businesses. However, the ability of community businesses to survive the impact of Covid-19 and adapt to the restrictions on social interactions greatly depended on their business model. More specifically, it depended on the activities they carried out to generate income. Four sectors were highlighted has facing significant barriers as a result of Covid-19 because their business models relied on physical spaces and physical footfall or interaction. These sectors were: community hub, facility or space; education and employment; health, sports and leisure; and culture and tourism.
- Subject to regulations: in a number of cases, community businesses carry out or support with services that are otherwise provided for by statutory bodies. As a result, some community business in specific sectors are more subject to regulations than others. For example, requiring a relevant accreditation to provide a service or having to pass inspections. This has been found to often function as a barrier, particularly for community businesses that are at the beginning of their journey. This was particularly emphasised in the context of the following two sectors; education and employment; and health, sports and leisure.
- Market competition: community businesses, different to other not-for-profit organisations, function as revenue generating businesses. Therefore, a key factor that influences their journey is the market itself (i.e., the size of local demand and the presence of competitors). For some community businesses, this can be a barrier as their business provides a service that is also privately supplied on the market. For example, community sports facilities or gyms have to compete against privately resourced gyms. For other community businesses, this is an enabler because they provide services or functions not usually provided for privately (e.g., community hubs). Market competition can be positive for one sector (community hub, facility or space), however it can be a challenge for three sectors (health, sport and leisure; culture and tourism; and community pub, shop or café).
- Capital costs: community businesses require financial investment at varying and
  multiple stages of their journey towards financial sustainability. Some community
  businesses, based on their sector, can require more investments because of capital
  costs. This is particularly the case when a community business is centred around a
  physical asset because operational costs are higher. This can prove to be a challenge

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because these businesses require more investment, need to earn a higher income and often have more liabilities. The sectors most subject to this factor are community hub, facility or space; health, sports and leisure; and community, pub, shops or café.

In short, community businesses are influenced by factors that can either enable them to thrive or act as barriers. Often these factors are common across all sectors and can be either internal or external. There are, however, a number of factors that play a bigger role for certain community business sectors.

#### Conclusion and recommendations

The concept of sector can be challenging to use when trying to understand and support community businesses. Trends in the sector profile of the community business market are not always clear, with multiple variables impacting the journey of community businesses. The size of sectors (by number of community businesses and by income) have varied over time, with most sector sizes fluctuating. Relatedly, community businesses tend not to neatly fit into one sector category - either because they span across multiple sectors or because the work they do is not captured in the typologies. **Going forward, Power to Change and other funders should be mindful of such challenges and limitations when using sector typologies.** 

This does not mean, however, that funders should stop using sector typologies. Despite these challenges, sector typologies can still be beneficial for decision-making, funding management, research and learning, and to facilitate community businesses networks. Sector typologies are also helpful to unpick the common and unique influencing factors across sector lines that either positively or negatively impact community businesses. Some sectors, for instance, are uniquely impacted by factors such as increased capital costs, regulation and accredication requirements or distinct market competition.

Power to Change and other funders should rather aim to use sector categorisations in conjunction with other variables, such as community businesses' structure, the service they deliver and the commerciality of their product. Complementing sector categorisations with other characteristics can provide a more granular understanding of community businesses and their context.

Power to Change and other funders should also continue adapting sector typologies over time, to reflect changes in the community business market. For instance, going forward, sector typologies could include new market opportunities such as environment and sustainability, technology and incubator spaces. Further research to better understand the role community businesses can play in those three markets would also help funders support community businesses in sectors where they are underrepresented.

Power to Change and other funders should support community businesses to adapt and innovate in response to new market opportunities. For instance, grantees on longer term programmes such as the Community Business Fund or Empowering Places should have the flexibility to adapt quickly and easily in response to new market opportunities. Further funding could also equip community businesses with the capacity needed to identify and respond to new opportunities.

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<sup>&</sup>lt;sup>12</sup> Note that this aligns with findings from Renaisi's research into grant variations for the Community Business Fund (produced in August 2021), where one recommendation was to take a flexible approach to grant management.

# About Power to Change

Power to Change is the independent trust that supports community businesses in England.

Community businesses are locally rooted, community-led, trade for community benefit and make life better for local people. The sector owns assets worth £870m and comprises 11,300 community businesses across England who employ more than 37,000 people. (Source: Community Business Market 2020).

From pubs to libraries; shops to bakeries; swimming pools to solar farms; community businesses are creating great products and services, providing employment and training and transforming lives. Power to Change received an original endowment from the National Lottery Community Fund in 2015.

#### Find out more at powertochange.org.uk

Follow Power to Change on Twitter (@peoplesbiz) or on LinkedIn and get in touch at:

#### **Contact details:**

- T +44 (0) 20 3857 7270
- info@powertochange.co.uk

W https://www.powertochange.org.uk/about-us/contact/

#### **About Renaisi**

We're passionate about creating the conditions for strong, inclusive communities to thrive.

We're constantly learning from the different perspectives we see working directly with communities, with the providers of services and the investors in communities. It gives us a unique perspective on how systems work and how to improve places equitably.

The combination of our research and evaluation consultancy with employment & advice programme delivery, makes Renaisi a uniquely well-rounded learning partner for the voluntary and community sector.

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#### **Contact details:**

- T +44 (0) 20 7033 2600
- E info@renaisi.com

Unit 13 (entrance on Valette Street), 290-296 Mare Street, London, England, E8 1HE