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Match Trading and the Behaviours of Community Businesses and Social Enterprises

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Contents

04	Executive Summary
05	About Match Trading
05	Research Focus and Approach
06	Key Findings: The Match Trading Programme
08	Key Findings: Development of Commercial Capacity in Community Organisations
09	Implications for Policy and Practice
11	Introduction
13	Social Enterprise and Community Business: Policy and Practice
13	Social Enterprise and Community Business
15	Earned Income: the Promise of Financial Sustainability and Organisational Agency
17	The Financing Gap and Enterprise Grants
19	Match Trading
22	Research Focus
23	Research Methods
24	Selection
29	Data Collection
30	Limitations of the Study
31	Findings
33	Perceived Effects of Match Trading on Organisations and Leaders
47	Developing Commercial Capacity in Community Organisations
53	Considerations for Policy and Practice
64	Acknowledgements
65	References



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Executive Summary

There has been long-standing interest among UK policymakers in improving the resilience and stability of social ventures by encouraging a move away from state and philanthropic grants towards earned income models and a commercial mindset. A recent development has been a set of 'enterprise grants' that explicitly seek to support the commercial development of social organisations.

This report presents findings from a qualitative study that explored the Match Trading programme, an innovative enterprise grant mechanism designed to enable community businesses and social enterprises to strengthen their commercial capacity and financial sustainability.

About Match Trading

The Match Trading programme, created by the School for Social Entrepreneurs, aims to help organisations generate greater income from trading activities, enabling self-reliance and reduced dependence on grant funding. It combines three interconnected elements:

- **Incentive to grow commercial behaviours:** the amount of grant received is contingent upon increases in the organisation's trading turnover.
- **Learning programme:** to develop leaders' commercial and business skills.
- **Resources:** funding for strategic development activities.

Research Focus and Approach

The research study had two focuses:

- To investigate the effect upon organisations' behaviours of the Match Trading scheme as an innovative instrument that seeks to support organisations' resilience through enhanced commercial trading.
- To explore the broader development of commercial capacity in community organisations, the consequent behaviours and processes of these hybrid organisational forms, and the connections to and implications for policy.

The study used a qualitative approach to build a picture of how the Match Trading programme works in practice – its process, effects, the interactions between its different parts, and the causal factors involved in any change. Such an approach enabled broader exploration of the tensions and ambiguities around commercial activities and social purpose.

The study conducted in-depth interviews with 14 leaders of community businesses and social enterprises who participated in Match Trading programmes (2018–2020). Organisations operated in diverse fields including youth services, work integration, community hubs, health support, and education. Organisations were drawn from different regions of the UK and were of varying sizes and legal structures.

Key Findings: The Match Trading Program

Conditional Grant

The conditional grant structure can have incentive effects for organisations.

These include:

- Push to next stage: the incentive offered by Match Trading pushed organisations to reassess their strategic and operational options when their commercial activities and earned income had stagnated.
- Innovation and risk-taking: for a number of organisations the incentivised Match Trading grant provided a stimulus not for the growth of existing activities, but for the testing of innovations that might increase earned income, such as entering a new market, introducing a new business model, or developing a new fee-raising mechanism.
- Spotting or exploring the possibility of earned income: where organisations had not previously engaged in commercial activities, the programme supported leaders to identify commercial opportunities.
- Change in mindset: leaders became more attuned to the thought processes, behaviours and analysis that underpins commercial action.

Training

Participants identified training as valuable. It offered:

- Enduring peer networks, continuing after participation in the programme had ended, that combatted the isolation often experienced by leaders of social ventures.
- Skills development that in some cases led to the reported professionalisation of management structures and processes in the organisation.
- Increased confidence and validation of participants as leaders.

Grant as Resource

The grant funds were a valuable resource that:

- Enabled development of trading capacity. In some cases the grant took the functional role of small-scale 'catalytic' capital, enabling the pursuit of commercial opportunity (for social purpose) that might otherwise not be possible.
- Enabled leaders to have 'breathing space' away from the pressure of leading a social venture.

Power in Combination

Part of the Match Trading programme's effect lies in the combination of its three elements:

- In most cases the conditional grant was an incentive to apply the learning from the training programme immediately into a real-world project or activity: the application of knowledge was situated, relevant and meaningful.
- The conditional grant makes a formal link between training and organisational outcomes, so that skills learned did not only accrue to an individual leader, but were applied immediately in the organisational setting.
- The grant capital could provide initial funds in enacting learning and innovation from the training programme.
- The grant enabled leaders to take time to attend training by covering staffing costs or providing psychological justification for stepping back from daily operations.

Key Findings: Development of Commercial Capacity in Community Organisations

Commercial Growth Aligns with Social Mission

Contrary to concerns about “mission drift,” participants generally reported an alignment between commercial growth and social purpose:

- For some organisations the growth of commercial activities was seen to be explicitly beneficial to social mission. An expansion of trading was an expansion of reach to vulnerable people. This was especially the case for work integration social enterprises.
- Tensions were acknowledged between commercialisation and social mission, especially where users might be charged a fee. Leaders described how they addressed these tensions through careful management and prioritisation of social mission.
- Leaders reported that professionalisation of organisational systems strengthened operational and governance capacity.

The Balance of Grants and Earned Income

Many participants described the advantage of an enhanced earned income stream over grant funding. It protected against the arbitrariness of grants, and provided organisations control over obtaining resources. Yet all participants affirmed the ongoing value of grant funding:

- Services to disadvantaged groups require subsidy to remain viable and accessible.
- Grants enable moments of innovation and expansion beyond that allowed by the margins on earned income.
- Grant funding permits organisations to go the extra mile in the depth, quality or responsiveness of the service.

Implications for Policy and Practice

For Enterprise Grant Programmes:

- Combining training with grants conditional on increased commercial turnover creates diverse incentives to use and embed enterprise skills.
- It enables a powerful experiential learning context. The application of learning takes place within leaders' own organisations, making it situated and salient.
- The change in mindset within the programme is not an ethical one (in other words, coming to terms with the acceptability of commercial activities in the social setting). Instead, for this group of social leaders, it was a process of acculturation to a different style of processing and thinking - moving to a way of seeing the world, at least in part, through the eyes of a commercial actor.
- The Match Trading programme's positive incentive structure (rewarding financial achievement) may carry especial power in incentivising creativity, risk-taking and the embedding of entrepreneurial commercial skills.

For Social Enterprise Development:

- For this group of leaders, tensions between the commercial and the social were typically not held to be a significant concern as commercial activities grew.
- The appropriate ratio of earned to grant income is likely to depend on multiple factors including field of work, user group, and local context.
- Earned income and grants should not be viewed as competing alternatives but as complementary resources within a complex funding ecosystem.
- Professionalisation of systems may enhance rather than compromise social mission.

For Further Research:

- Longitudinal studies to assess whether changes in commercial behaviours remain embedded over time.
- Comparisons of the effectiveness of different enterprise grant mechanisms.
- Investigation of optimal funding balances between grants and earned income across different fields and contexts.

For Policy Consideration:

- Expansion of the Match Trading programme to wider categories of community businesses that do not have a defined social objective, but nonetheless contribute to local economic regeneration, including cooperatives.

Conclusion:

By accessing the subjective experiences and perceptions of organisational leaders the study has built a detailed picture of how one type of enterprise grant, the Match Trading programme, works in practice. It provides evidence of why the programme's integrated approach - combining incentivised grants, training, and flexible resources - has some power in embedding enterprise capacity in social enterprises and community businesses.

The study also offers insight into the broader experience of the leaders of social enterprises and community businesses as they push forward with commercial strategies to support their social objectives. According to the leaders' accounts, social enterprises and community businesses can successfully develop commercial capacity without compromising social mission. However, from the leaders' perspectives, commercial income should be viewed as complementary to, not a replacement for, grant funding in creating the conditions for sustainable local social enterprises and community businesses.

Introduction

In the context of persistent social problems and increasing constraints on state spending, policymakers in the UK, as in other countries, have embraced social enterprises and community businesses as innovative, effective and financially resilient organisational alternatives both to state provision and to traditional charity forms and behaviours.¹ There is increasing interest in such organisations across multiple policy fields in the UK: from work integration activities to social care, from community-owned shops and cafes to parent-owned childcare. Objectives include improved public services, local economic development, and community cohesion and empowerment.

Policy and practice has sought to encourage and strengthen the commercial income of such organisations in order to improve their financial sustainability and to reduce dependence on grants from philanthropy and from government. A dual win is perceived – both strengthened financial resilience and also a movement towards community or organisational agency. But the transition to increased commercial revenue is not necessarily

straightforward for several reasons. First, simply, there is the problem of financing. Local community businesses and social enterprises are small – often too small to be funded through emerging social finance and impact investing strategies. Grants typically finance social activity, not commercial activity. Where then does enterprise finance come from? Second, there is the challenge of capacity and skills. To run a successful commercial organisation or activity is challenging – it requires a specific set of skills and knowledge that may not be immediately available to the local social venture. Finally, social enterprises and community businesses are typically ‘hybrids’ – organisations that use novel combinations of processes, behaviours and objectives from different economic sectors in order to create increased social impact or public benefit.² Such hybrid combinations can have a powerful impact. But they are challenging to manage. Numerous commentators describe tensions between commercial and social objectives. There are suggestions that the processes, values and cultures of commerce and social purpose are in some sense contradictory, and that a heightened emphasis on the former may drive out the latter.³

¹ For instance, Cabinet Office (2006); Cabinet Office (2011).

² Le Grand and Roberts (2021).

³ For instance, Battilana et al. (2015); Besharov (2014).

A recent development has been the emergence of enterprise grants that explicitly seek to support the commercial development of social organisations. The Match Trading scheme, created by the School for Social Entrepreneurs (SSE), is an incentivised grant-making mechanism that precisely aims to encourage such organisational change. It seeks to:

*help community businesses generate a greater proportion of their income from their own trading activities, enabling them to become more self-reliant and operate with the flexibility and confidence that comes with a reduced dependence on grant funding.*⁴

This report presents findings from a research study which has explored the experiences of 14 organisational leaders as their social enterprises or community businesses have moved through the Match Trading scheme. The study has two purposes. First, it uses qualitative methodologies to explore the effect upon organisations' behaviours of the Match Trading scheme as a specific innovative instrument that seeks to support organisations' commercial capacities. Match Trading is a complex mix of incentive, training and funding, as described below. Early evaluations suggest a beneficial effect of the scheme on organisations' commercial revenue activities, but do not unpick how it specifically works.

Second, the Match Trading scheme is a rich empirical setting to explore broader knowledge gaps around the effects of a move to earned revenue strategies for social organisations. A further focus of the study is therefore to explore the development of commercial capacity in UK community organisations, the behaviours and processes of these hybrid organisational forms, and the connections to and implications for policy. Areas of investigation are perceived tensions between commercial and social outcomes and processes, and the interplay between philanthropy (grant) and earned income.

The report is structured as follows. It begins with an overview of the policy context and the emergence of enterprise grants, followed by a detailed description of the Match Trading programme, its three interconnected components, and the focus of the research study. The research methods section explains the study's qualitative approach and the characteristics of the 14 participating organisations. Findings are presented in two main sections: first, exploring participants' experiences of the Match Trading programme's dimensions and their combined effect; and second, examining broader insights into developing commercial capacity, including the relationship between commercialisation and social mission, and the balance between earned income and grants. The report concludes with considerations for policy and practice.

⁴ Power to Change et al. (2020: p.13).

Social Enterprise and Community Business: Policy and Practice

Social Enterprise and Community Business

Social enterprises are organisations that have a primary social purpose and that use commercial trading or market mechanisms to pursue that purpose.⁵ This simple definition conceals a diverse range of models and objectives within both policy and practice.⁶

A particular emphasis for the UK government and within practice has been improving the resilience and stability of non-profit organisations by encouraging a move away from state and philanthropic grants towards earned income models and a commercial mindset. The generation of commercial income can diversify organisations' resource base, thus easing dependency on philanthropy or government support.⁷ The focus here is on the creation of 'entrepreneurial non-profits' that can overcome the lack of financial sustainability of social (and

especially charitable) organisations.⁸ The social enterprise ideal, as historically described by the UK government, is "generating social value in a way that is financially self-sustaining".⁹

In such accounts the advantage of the social enterprise may lie not only in increased revenue and financial sustainability. There are suggestions that commercial behaviours, approaches and discipline, if applied to social problems, can improve effectiveness and enable social innovation. Entrepreneurial characteristics borrowed from the commercial sector, such as risk-taking, business acumen and responsiveness to customers, are predicted to support not only financial viability but also improved effectiveness and creativity in solving social problems.¹⁰

⁵ Gidron and Hasenfeld (2012).

⁶ Defourny and Nyssens (2017).

⁷ Dees (1998); Alter (2006).

⁸ Defourny and Nyssens (2017: p.2480).

⁹ Cabinet Office (2011: p.11).

¹⁰ Department of Trade and Industry (2002); Dees (2012).

Other approaches emphasise more strongly the development of an alternative paradigm to conventional economic models, moving away from investor-ownership towards a focus upon mutual aid, community solidarity, and democratic organisational governance.¹¹ The term community business is used to capture this idea of mutuality and community – ‘businesses led by local people that bring benefits to a local area’.¹² Here there is a tangible sense of ownership by the local community, sometimes enacted through cooperative organisational forms. Community businesses are valued for their contribution to economic development and social innovation in a specific place¹³, as well as for the role they play in building community resilience – whether by bringing stability during times of instability, building social and cultural capital, or fostering active

citizenship and local agency.¹⁴ There is a resonance with the idea of a ‘social and solidarity economy’ in which economic organisations are often owned by the community, social needs are prioritised before profit maximisation, and relations are of mutuality rather than of individual self-interest. Such approaches embrace not simply change within the resourcing models of single social enterprises, but a wider shift in the structure, resource flows and objectives of the local economy.¹⁵

¹¹ Borzaga et al. (2019); Eynaud et al. (2019); Laville (2023).

¹² Hitchin (2018: p.4); Stott et al. (2019).

¹³ Stott et al. (2019).

¹⁴ Calvo & Morales Pachón (2017).

¹⁵ Calvo & Morales Pachón (2017).

Earned Income: The Promise of Financial Sustainability and Organisational Agency

The terms 'earned income' and 'commercial income' are used interchangeably in this report to describe income generated through the selling of products or services in markets. We include within this notion of 'earned income' contracts with government, as long as these are competitively won in a government quasi-market or commissioning process. Such income can have multiple potential benefits. Most obviously it may raise the amount of resources flowing into a social organisation, thus supporting financial sustainability. It can also diversify the organisation's resource mix. Over-reliance on a single funding source or type both risks excessive external control of the organisation by a funder and exacerbates the impact of any arbitrary termination of funds.¹⁶ Multiple and diversified funding streams, including earned income, reduce these risks of resource dependency.

There are also arguments that earned income, as a type of revenue source, strengthens the agency and autonomy of organisations.¹⁷ Part of this argument is derived from how earned income (or more accurately any surplus or profit derived from earned income once costs are met) can be used. In theory the use of such surplus is unrestricted: decisions on how the income is spent are made by the organisation, allowing strategic independence. This stands in contrast to

philanthropic or government grants, often characterised by restrictions upon how resources are used. Such flexible funding is valuable both in terms of supporting an organisation's autonomy and in terms of granting freedom to use funds as effectively as possible. Much will depend, however, on the nature of the earned income transaction: highly specified market contracts (for instance, those characteristic of government contracts) may compromise the autonomy of social enterprises by dictating a specific process or beneficiary group.¹⁸

A more normative argument around agency and earned income focuses upon the mindset that earned income strategies imply. In the arguments used for a greater use of earned income as a source of funding, there is frequent reference to self-reliance, self-sustainability and moving away from dependence on philanthropic grants or public funding.¹⁹ This movement away from grant dependency, measured by change in the income ratio of earned revenue to philanthropy, is indeed a key performance indicator of the Match Trading scheme. There is an implication that through earned income the organisation (and by extension the individuals working within it and its wider community) derive a sense of control, agency, and proactivity. It is argued that they are no longer passive recipients of

¹⁶ Collavo (2022).

¹⁷ Collavo (2022).

¹⁸ Smith and Lipsky (1993).

¹⁹ For instance, HM Treasury (1999); Cabinet Office (2006, 2010).

external grant funding, and are instead actively providing goods and services that consumers wish to buy – the traditional grant mechanism, by contrast, being a mechanism that encourages a display of need rather than of active agency. Grant dependency, in this discourse, is at odds with the desired social goal of empowerment: it begins to be seen as a harmful culture akin to benefits dependency at an individual level.²⁰

These accounts of the benefits of economic self-reliance and organisational or community autonomy have traction across the ideological spectrum. Local empowerment and decreased reliance on philanthropic support has appeal for progressive actors, who are uncomfortable at the power imbalance and paternalism of the gift relationship; for the critic of capitalism, communal or cooperative ownership of organisations is a desirable redistribution of economic power; and for the liberal market advocate, there is attractive emphasis on market solutions that avoid state provision or subsidy.²¹

Yet the likelihood and extent of self-sufficiency through trading income is contested. Social enterprises may face extra costs because of privileging social needs, thus compromising market viability. Here the increased labour costs of work integration social

enterprises is often referenced: because such organisations exist to employ marginalised and vulnerable people, their ability to be fully sustainable in a competitive commercial market is fundamentally compromised.²²

Further, given that social enterprises are typically working within disadvantaged conditions or in locations where markets seem broken, full viability in a commercial market may be improbable. Persistent barriers are identified as inadequate access to finance and grant funding, skills shortages and challenging economic conditions that reduce commercial custom.²³ Compounding these difficulties are competing philosophies which dominate the discourse. There is the North American view, which emphasises market-based strategies as a replacement for dwindling state grants and private giving, which contrasts with a European focus on earned income as just one aspect within a hybrid mix of resources.²⁴ Such observations raise the complex question of what combination of earned income and grant-funding is required by social enterprises and community businesses to be financially sustainable and to flourish.

²⁰ Macmillan (2007).

²¹ For a similar discussion of community economic development, see Stott et al. (2019).

²² Woodside (2018).

²³ Social Enterprise UK (2023).

²⁴ Defourny and Nyssens (2008).



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The Financing Gap and Enterprise Grants

There has been long-standing interest among UK policymakers, stretching back over two decades, in improving the social investment market for social enterprises and community businesses. Existing structures of funding do not always fit with the aspiration of moving small social ventures towards self-reliance and increased earned income. On the one hand, philanthropic grants provide little incentive, and indeed may be a disincentive, to moving towards earned income strategies. On the other, the organisational profile of local social enterprises and community businesses inhibits access to emerging mechanisms of impact investing. These organisations are typically small-scale, may have relatively undeveloped administrative systems, and are often unlikely to be fully sustainable in a competitive commercial market. Earned revenue, furthermore, can be unpredictable because of the

conditions in which they operate. These attributes are not a good fit for equity investment or debt financing. Such social enterprises and community businesses, therefore, face barriers to capital. Mechanisms such as Community Right to Buy, tax reliefs for community investment, and institutions such as Better Society Capital and the Access Foundation have attempted to enable easier access to financing arrangements.²⁵

‘Enterprise grants’ have emerged both as a remedy for this funding gap and as a way to address the incentive problem in traditional grants. They are designed for organisations that are not the right profile to receive significant investment finance; they seek to support organisations that are perceived to lie between full market sustainability and complete grant dependency.²⁶ Unlike traditional grants which are targeted

²⁵ For instance, Cabinet Office (2006), Cabinet Office (2011).

²⁶ Spider CIC (2023).



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toward the achievement of social impact, enterprise grants are intentionally designed to support organisations to improve their commercial earned income strategies, with a view to strengthening organisations' 'financial resilience'.²⁷ Some enterprise grants seek to support established social enterprises to a point of investment readiness, so that organisations are able to access the wider impact investing system.²⁸ Others focus on the development of a new commercial initiative or enterprise model, or the scaling of an existing model.²⁹ Many grant packages offer concurrent training or capacity-building.³⁰

A central question is how to design enterprise grant mechanisms so that they most rigorously motivate successful earned income strategies. A common technique is to attach funding conditions that seek to incentivise commercial

behaviours.³¹ The Rank Foundation for example, has tested repayable grants – essentially zero interest loans, repaid within one to three years, to encourage “a move away from grants to a more focused approach on earned income generation”.³² Grants are awarded on the basis of an earned income model submitted by organisations. The structure of the funding mechanism is intended to catalyse commercial behaviours – in this case the requirement to repay creates a commercial discipline.³³ It is to another such innovative enterprise grant mechanism that this report now turns – Match Trading.

²⁷ Access (2025a).

²⁸ For instance, the Reach Fund from the Access Foundation (Access 2025b).

²⁹ For instance, the Enterprise Development Programme from the Access Foundation (2025c).

³⁰ Spider CIC (2023).

³¹ Spider CIC (2023).

³² The Rank Foundation (2024: p.15).

³³ Ronicle and Monk (2025).

Match Trading

The Match Trading programme was launched in 2017 by UK charity The School for Social Entrepreneurs. Founded in 1997, the School for Social Entrepreneurs exists to help “people develop the skills, strengths and networks needed to tackle society’s biggest problems”.³⁴ The Match Trading programme is part of a wider portfolio of training and support for social entrepreneurs offered by the organisation.

Match Trading is an innovative incentive mechanism that seeks to:

*“help community businesses generate a greater proportion of their income from their own trading activities, enabling them to become more self-reliant and operate with the flexibility and confidence that comes with a reduced dependence on grant funding”.*³⁵

The Match Trading programme has three connected but separate dimensions:

- **Resources:** an initial grant (approximately 20% of the overall grant) is followed by payments linked to increases in traded income. These resources are flexible, and can be used to support strategic development activity.
- **Incentive to grow commercial behaviours:** organisations are incentivised to improve their traded income through a match funding scheme.
- **Training:** leaders of participating organisations attend a training programme to develop capacity in commercial and organisational skills.

The amount of grant received is contingent upon increases in the recipient business’s trading turnover. Grants are matched to the increase in organisations’ income from trading from the previous year: for every extra pound that the business generates in revenue, it will receive a matching grant of one pound. The amount an organisation can receive is capped. There have been different levels of cap across iterations of the Match Trading programme:

- The Trade Up programme was open to organisations with a turnover of between £15,000 and £75,000. Match Trading grants were capped between £4,000 and £7,000
- The Scale Up programme was for organisations looking to grow their impact with a turnover of £75,000 and above. Match Trading grants were capped between £7,000 and £10,000.

³⁴ School for Social Entrepreneurs (n.d).

³⁵ Power to Change et al. (2020: p.13).

More recent Match Trading programmes have extended the cap to £35,000.

The contingent grant structure of Match Trading has noteworthy features that distinguish it both from typical enterprise grants and traditional charitable grants. First, the intention of the grant is to increase organisations' earned income; it deliberately pushes organisations towards a particular hybrid model that emphasises commercial resourcing, operations and behaviours. Second, in contrast to typical philanthropic grants contingent on performance, the performance indicators that trigger the grant award are based on earned revenue, not social impact. Social impact is essential to the Match Trading grant process at the organisational selection stage: only organisations whose objective is primarily social are eligible. But grant-giving itself is contingent on increased short-term income. It is predicted that increased income will strengthen organisational sustainability, which in turn will increase social impact: the proposition is that "Match Trading supports community businesses to develop more sustainable business models and create

greater impact in the longer term".³⁶ More fundamentally, the development of earned income strategies, by reducing reliance on grant-funding, may also foster a sense of agency and empowerment within individuals, organisations and communities.

In addition to the grant, leaders of community businesses and social enterprises take part in a year-long learning programme to develop their capacity in commercial skills, finance, leadership, impact measurement and resilience.

Organisations are selected to take part in the Match Trading programme on the basis of:

- 1. Social purpose:** a social purpose defined within their legal structure.
- 2. Trading:** a view or orientation towards trading (even if not yet actioned).
- 3. Asset lock:** a community asset-lock of some kind
- 4. Restrictions on profit use:** normally legally organised as a charity, a community interest company, or a community benefit society.

³⁶ Power to Change et al. (2020: p.13).

Early evaluations suggest that the Match Trading programme has been successful in enabling organisations to build earned income streams, to reduce reliance on government and philanthropic grants, and to develop an 'entrepreneurial culture'.³⁷ Community business advocate Power to Change undertook a quasi-experimental comparison between, on the one hand, a group of organisations moving through the Match Trading programme (in this instance a grant matched to turnover growth to a maximum of £10,000, with training;), and, on the other hand, a control group of organisations that received training and a traditional unrestricted grant of £10,000. The results indicate the benefits of an incentivised grant mechanism: while trading income increased on average in both groups, there was a much greater increase in trading income within the Match Trading cohort. Those organisations that went

through the Match Trading programme also showed an increasing proportion of revenue derived from earned income rather than grants.³⁸

Simple before and after evaluations have also shown substantial change in the proportion of earned income. A survey of 19 organisations within the Lloyds Bank-funded phase 1 Match Trading programme found that the amount of earned income (as a proportion of overall organisational income) grew from a baseline of 21% to 55% at the end of the Match Trading programme, and then to 74% one year after the programme.³⁹ Further baseline and end-of-programme surveys undertaken by the School for Social Entrepreneurs have recorded increases in the number of beneficiaries reached and in the number of staff employed at participating social enterprises and community businesses.⁴⁰



³⁷ Power to Change et al. (2020: p.4).

³⁸ Power to Change et al. (2020).

³⁹ Centre for Local Economic Strategies (2018).

⁴⁰ See, for example, Akou (2023) and The Social Investment Consultancy (2024).

Research Focus

Enterprise grants have received little research attention. There remain significant knowledge gaps around such grants in general, and specifically around the combination of trading incentive, funding and learning support that is offered by the Match Trading programme. While quantitative surveys to date suggest a positive impact on organisations' earned income activity, they do not explain how and why the programme works. As described above, participants are exposed to three connected but separate interventions, each of which may have its own effect. Any single component might be responsible for an increase in trading; alternatively, it may be the interaction of the three components that creates an impact beyond the sum of the parts.

The Match Trading programme also enables us to explore broader knowledge gaps around the effects of a move to earned revenue strategies for social organisations.

A first focus of the study is therefore to:

1. Investigate the precise effect upon organisations' behaviours of the Match Trading scheme as a specific innovative instrument that seeks to support organisations' resilience through enhanced commercial training.

Specifically, the study explores the following research areas:

- What are the effects upon organisational and participant behaviour of the Match Trading scheme?
- Does a grant conditional on achieving earned income milestones support the development of commercial behaviour in social organisations? If so, how?
- How do the three parts of the programme (conditions attached to the grant; training and capacity-building; grant funding if conditions are met) create positive impact – separately or together?

A second focus of the study is therefore to:

2. Explore the development of commercial capacity in community organisations, the consequent behaviours and processes of these hybrid organisational forms, and the connections to and implications for policy.

Specific questions in this context are:

- Is a focus on increased organisational sustainability through commercial trading perceived to be consistent with fulfilling the organisation's social purpose?
- How is this increased focus on commercial revenue experienced by actors?
- What is the interplay between philanthropy (grant) and earned income?

Research Methods

The focus of this project is detailed exploration of the process of the Match Trading programme. It seeks to understand the experiences and perspectives of the leaders of participating social enterprises and community businesses, both relating to the Match Trading programme and more broadly to the phenomenon of commercial growth in a social purpose organisation. In consequence the study pursued an in-depth qualitative approach. Qualitative approaches are well-suited for enquiry into experiences and perspectives, processes and chronologies; they enable in-depth exploration of context and a rounded view of a social situation. They also enable identification and exploration of aspects of a phenomenon that might be hidden or non-obvious.⁴¹ Through qualitative approaches we can begin to disentangle the complexity of the three-part Match Trading intervention, as well as explore the broader tensions and ambiguities around commercial activities and social purpose.

⁴¹ For instance, Gabriel (2015); Gephart (2004); Meunier (2013).

Selection

Organisations were selected from a School for Social Entrepreneurs database of 116 participants of either the Trade Up or Scale Up programmes in the years 2018–2019, or 2019–2020 (a year impacted by Covid-19). A purposive selection strategy was used to maximise the diversity of organisations within the study. Consideration was given to the UK region, field of work, organisational size and organisational legal form. 14 organisational leaders took part in the study, of whom ten had attended the Trade Up programme, three had attended the Scale Up programme, and one had attended both.

Characteristics of the organisations are presented in table 1. Organisations were a mix of community interest companies (CIC) and charities, with one organisation a private company limited by guarantee and one a charitable community benefit society. At the time of participation in the Match Trading programme, seven organisations were five years old or more, and the remaining seven were between two and five years old. One organisation – Organisation I in the health field – was closing at the time of interview. Organisations exhibited a diverse range of annual income at the time of taking

part in the Match Trading scheme, from under £20,000 to over £500,000. Most organisations were small or micro in size (fewer than 10 employees).

Of the 14, eight of the interviewees were founders, and six had been appointed to lead the organisation. All had completed the Match Trading learning programme, which included at least one monthly in-person meeting over 12 months.⁴² These were hosted across the UK and were adapted to be relevant to the geographical region, as well as to the different growth needs of the Trade Up / Scale Up cohorts. Training focused on developing practical skills, peer networks and providing mentoring support. Delegates met subject experts and other practising social entrepreneurs, sharing insights on topics from marketing to business planning, strategy and finance. Participants also met in smaller, facilitated groups (called Action Learning Sets) to find ways of overcoming the dilemmas and problems they and their organisation faced. Of the sample, 10 organisations participated in 2018–2019, and four in the 2019–2020 year, which was impacted by the Covid pandemic, with some sessions held online.

⁴² Adapted as necessary during Covid-19.

Table 1: characteristics of organisations in the study

	Field / social purpose	Annual revenue / organisational size at time of participation in programme micro <£20k small <£100K medium <£500K large >£500K	Participant role at time of Match Trading programme	Region
Organisation A	Creative media for social purpose	Small	Co-founder	Scotland
Organisation B	Supported housing for women	Small	Co-founder	West Midlands
Organisation C	Work integration social enterprise for refugees and young people seeking asylum	Small	CEO	London
Organisation D	Creating intergenerational connections between young people and older neighbours.	Small	Co-founder (no longer with organisation)	London
Organisation E	Community hub and space	Small	CEO	London
Organisation F	Youth services	Large	CEO (no longer with organisation)	North-West
Organisation G	Education for functional skills development	Small	Co-founder	London

	Year founded	Legal form	Match Trading Year	Match Trading programme
Organisation A	2014	CIC (limited by guarantee)	2018-2019	Trade Up
Organisation B	2015	CIC (limited by guarantee)	2018-2019	Scale Up
Organisation C	2016	Charitable incorporated organisation	2018-2019	Trade Up
Organisation D	2017	Charitable company	2018-2019	Trade Up
Organisation E	2009	Charitable company	2018-2019	Trade Up
Organisation F	2009	Charitable company	2019-2020	Scale Up
Organisation G	2006	Private company limited by guarantee	2018-2019	Scale Up

Table 1: characteristics of organisations in the study (Continued)

	Field / social purpose	Annual revenue / organisational size at time of participation in programme micro <£20k small <£100K medium <£500K large >£500K	Participant role at time of Match Trading programme	Region
Organisation H	Mental health recovery and mutual support	Micro	Co-founder	South-West
Organisation I	Supporting people who have chronic health conditions	Large	CEO	London
Organisation J	Community hub and crisis support service	Micro	CEO	London
Organisation K	Community hub and space	Micro	Co-founder	East England
Organisation L	Work integration social enterprise for ex-offenders and those who have experienced homelessness, mental health challenges or addiction.	Small	Co-founder	East England
Organisation M	Early education and play	Small	CEO	London
Organisation N	Education provider focused on conservation and nature-based learning	Micro	Co-founder	East England

	Year founded	Legal form	Match Trading Year	Match Trading programme
Organisation H	2017	CIC (limited by guarantee)	2018-2019	Trade Up
Organisation I	2012	Charitable company	2019-2020	Trade Up
Organisation J	2017	Charitable incorporated organisation	2019-2020	Trade Up
Organisation K	2013	Charitable community benefit society	2018-2019	Trade up
Organisation L	2015	CIC (limited by guarantee)	2018-2019	Trade Up
Organisation M	1975	Charitable incorporated organisation	2019-2020	Trade up Scale Up
Organisation N	2016	CIC (limited by guarantee)	2018-2019	Trade Up



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Data Collection

Interviews took place from May 2023 to May 2024. A semi-structured interview was used, adapted to each organisation's characteristics and experience. Interviews took place both in-person and online, and were between one and two hours in duration.

All interviews had the following focus areas:

- The organisation's founding story and its contribution to social impact.
- Trading sources of income, financing strategies and strengths and weaknesses of these in resourcing organisations' work.
- Participants' engagement with the Match Trading programme across its resourcing, incentivising and training mechanisms.
- Perceived impact of the three dimensions of the Match Trading programme on participants and the organisation, both in the short and long term.
- Changes to the organisation as a result of engagement with the Match Trading programme.
- The relationship of commercial and social logics and any tensions between them.
- Perspectives on the relative benefits of different forms of funding and the desirable balance between these.



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Limitations of the Study

The study has limitations. Interviewees were selected and approached through the School for Social Entrepreneurs, the organisation that administers the Match Trading programme. The existence of an ongoing relationship between the participants and the School of Social Entrepreneurs may imply a bias towards those who had a good experience of Match Trading. We note that the participants were in general supportive of the vision of the Match Trading programme.

They were also, as we describe below, generally at ease with the idea of commercial activities in a social purpose setting. This does not invalidate the findings: the study shows in detail how the Match Trading programme is experienced by a specific group of organisational leaders, whose organisations are diverse across field, geography, size and earned revenue strategy. But not all leaders of social ventures may be so comfortable with commercial practices in the social setting.

Our understanding of the operation of the Match Trading programme, the social impact of the organisations and the coherence between commercial activities and mission relies on self-report by participants. Further, it is only the perspectives of the leaders (and often founders) of the organisations that are reported. The study does not access the experiences of wider stakeholders. It cannot comment on broader impact beyond the organisation.

With regard to data collection, there is a challenge of recall for participants. In most cases participation in the Match Trading programme had taken place three to five years before. Finally, some participants engaged with the programme during Covid-19, a period of intense uncertainty. The financial grants for the 2019-20 cohort were provided based on anticipated trading activity, irrespective of actual trading – the incentive effect was therefore muted. The learning programme was also periodically hosted online.

Findings

Findings are presented in two sections, addressing the two research focuses in turn. The first section explores the effects upon organisations' behaviours of the Match Trading programme as a specific innovative instrument. It explores in detail organisational leaders' experience and perspectives of the programme across its three dimensions (incentive, grant capital and training) and as a whole.

The second section presents findings relating to the development of earned revenue strategies and commercial capacity in community organisations. It provides commentaries on participants' insights into the relationship of commercialisation with social mission, and the balance of grants and earned (commercial) revenue for the social enterprise or community business.

We preface our findings about the Match Trading programme with a short comment on the participants

themselves and how they regard the use of commercial processes in their work for social impact. All of the organisations were already actively embracing the idea of earned income when they joined the programme. This is not surprising. An application to the Match Trading programme is motivated by some interest in expanding organisational capacity around commercial revenue, and the selection process includes an assessment of organisations' potential to earn income.

For some, an earned income stream had been integral since the organisation's foundation. Organisation H, a mental health organisation, had a founding principle that income should come from a diversity of sources: one third from unrestricted grants, one third from projects, and one-third earned:

"Our founding principles were about trading. It is very key to what we do." (organisation H)

Other organisations were changing direction to develop an earned income revenue stream. They had joined the Match Trading programme because they wanted to initiate their commercial activities. The newly appointed CEO of organisation J, a community hub, recognised that the organisation could not sustain its service delivery from its current donation base:

"I knew to be sustainable that we needed to rely on more than funding... And so it really mattered to us to look for a system that would support what we do to ensure that we are around to support people who need us." (organisation J)

Organisation G was seeking to refine and develop a fee-based model for its delivery of functional skills training. This was a challenging task given the vulnerable groups that it served:

"...we were going through a lot of challenges financially as an organisation. And to be honest, it was a nightmare. At the time [of doing the Match Trading programme] we were thinking about three different ways of scaling fees." (organisation G)

Organisation K, another community hub, had relied on philanthropic grants to support the restoration of its community space, a disused railway station house; it was now transitioning from grants to an earned income model as it developed its services.

In sum there was an obvious openness among the participant group to the possibility of commercial trading. There were no objections on the basis of values. Commercial income was not seen to be innately controversial or contrary to social mission or care. From an ethical perspective, the participants were at ease with trading.

Perceived Effects of Match Trading on Organisations and Leaders

We consider participants' perspectives upon each of the three core dimensions that make up the Match Trading package: the conditions and incentives attached to the award of the grant, the training programme, and the monetary resource itself. A concluding part explores the interactive effect of the three dimensions, and whether the particular benefit of Match Trading lies within the combination of interventions.

Match Trading as an Incentive or Stimulus

The experimental evaluation by Power to Change, as noted above, suggests that the Match Trading grant has a clear effect above and beyond a simple unconditional grant that is combined with training.⁴³ The present analysis explored whether and how the conditionality of the grant motivated commercial behaviours. Most obviously it created a motivational effect to achieve earned revenue goals:

"... nobody was giving us ten grand and saying, "There we go." It was for every pound we made up to four grand, then they'd match it. So that was a really good motivator." (organisation H)

"I could see that it was doable... I was like, right, we've got to really put in so much effort now to sell, you know, to sell things to people." (organisation M)

"It was an incentive. You know, just knowing that actually we've got to match this ... and, you know, letting the team know as well." (organisation M)

For the leader of organisation L, it created a useful focus:

"When I applied, I felt we, we could do it.... I thought this is going to be something that's going to channel the mind... . It meant I kept a close eye on our income." (organisation L)

"[The grant was an incentive] to focus on how we increase commercial or trade income. So. I couldn't forget about that... I had to think like, let's keep pushing for the commercial side." (organisation L)

This motivational effect and pressure interacted with organisations and their leaders in different ways. There were specific organisational situations or functions in which the incentive-based grant had particular purchase, as we outline below: push to next stage; innovation and risk-taking; spotting the possibility of earned income; and change in mindset.

⁴³ Power to Change (2020: p. 15).

Push to next stage: some participants reported that their organisation's commercial activities and revenue had stagnated. The incentive offered by Match Trading pushed organisations to interrogate their strategic and operational options – for example growing existing commercial activities or introducing new earned income strategies. The leader of organisation M described how the growth of the organisation had “very much plateaued.”

The Match Trading incentive together with the training package acted as a catalyst for action:

“I thought, yes, we can do this... actually it's a real incentive to do it. And I guess, yeah, maybe the idea of having some training as well... the training sounded really interesting.” (organisation M)

Organisation M had taken part in two Match Trading programmes. The response to the first programme had focused on growing existing operations. Subsequently the organisation also developed a range of new earned income activities, opening up a sensory playroom, running pop up services, and introducing and expanding charges for services.

Not all these developments occurred during a Match Trading programme. But the Match Trading programme created an initial stimulus to push on towards more earned income strategies.

Innovation and risk-taking: for a number of organisations the incentivised Match Trading grant provided a stimulus and space not for the growth of existing activities, but for the deliberate testing of an innovation that might increase earned income. Innovation was varied – a new market, a new business model, a new activity, or a new fee-raising mechanism.

In the case of organisation C, a work integration social enterprise working with refugees, the matched grant mechanism explicitly enabled the organisation to take risks in entering a new market when otherwise the risks would have been too high:

“Okay, we need to open a new market and we need to see if it works or not. And Match Trading encouraged me to go open a new market, and give employment to people and see, can we do this? Because I knew. That every time I was opening a new market, I will add more trading income. And that would be topped up with the grant” (organisation C)

For these organisations the incentive grant, attached to an increase in turnover, effectively doubled the initial return from a new activity (up to the Match Trading grant cap), thus changing the risk/reward calculation.

The leader of organisation L, also a work integration social enterprise, perceived that further growth of its existing commercial business model was not plausible. The organisation employed ex-offenders and people who had experienced homelessness, mental health challenges or addiction in order to support their integration into the labour market. Its commercial focus was horticultural services. In its initial business model it grew produce for sale to restaurants, but this had provided only a limited income stream. The Match Trading grant offered a 'push' to experiment with a different business model, whilst building their commercial expertise:

"We weren't trying to grow... because [to] expand that side of the business ... we could see that that was an uphill struggle. So we were trying to get more commercial customers. And learn about things like pricing and all that side of things that neither of us had ever done before." (organisation L)

The new business model saw a switch to gardening services for commercial businesses. The organisation's innovation was successful, and it achieved a more consistent and larger earned income flow by this change in the focus and customer base of its earned income strategies. There was also important organisational learning about how to extract value from its links to the community, and how its social mission could support the development of a loyal customer base.

Organisation G, a provider of functional skills training, used the Match Trading programme as a stimulus to test and

compare different revenue models – either scaling and diversifying its current provision, or moving to a new business model based on contracts with a local authority:

"It allowed us to do the initial contract with [local authority]...and also the piloting of [training in] other languages. And then we made a decision – we don't want that [the extra language programmes]. Let's rather focus on this [the contract] because we are essentially going to a whole new business model." (organisation G)

This opportunity to test new income strategies led to meaningful and long-term change for the organisation, which continues to bid for local authority contracts.

Other organisations experimented with new fee-raising activities. Organisation F, a large youth-focused non-profit, introduced a diverse set of new revenue-raising activities, some differentiated from the mission (such as leadership training for corporate executives) and some integrated (such as a space for young people). These activities were distinct from anything that the organisation had attempted before.

For organisation M, newly committed to an expanded earned income strategy across a portfolio of play services, the grant allowed them to test the push and pull effects of charging for services. The pilot was successful – a discounted fee protected disadvantaged families, while the expansion of services saw revenue rise.

Spotting or exploring the possibility of earned income:

most of the organisations in the study already had a history of some kind of earned income activity before they began the Match Trading programme. But Organisation J, a small community organisation, did not, and the programme opened up the possibility. It operated as a food bank in a disadvantaged area of London. Its leader realised that they needed to do more to address issues across the community.

"I started to question whether there was anything more we could do for those who were coming to us because I saw the same people, who would collect food three times in six months. And then they can't. And then they come back again. And after two years? Nothing's changed. So I started thinking. What could be done to help the situation?" (organisation J)

Their leader saw the difficulties of families unable to afford food amplified by the stigma of immigration status, and as a response, started to build a network of partnerships. But it was through the Match Trading programme that the leader's strategy changed from grant-led to embracing the possibility and opportunity of earned income:

"I knew to be sustainable, we needed to do more than rely on [grant] funding, and that's how Match Trading instructed me." (organisation J)

As a first step the organisation began the small-scale selling of products made by the community; later it supplied catering for other local associations and holiday clubs; eventually the organisation

was taking on significant government catering contracts. The commercial opportunities were seen as strengthening local partnerships and creating a holistic system of support which appealed to the local authority. By selling services (such as local catering) that involved the community, and expanding this either directly to local associations or through government contracts, the organisation achieved a productive allocation of local resources. With these developments came improved financial security and a continuity to service delivery.

"It really mattered to us to look for a system that would support what we do, to ensure that we are around to support people who need us." (organisation J)

Organisation F and G had similarly not operated commercial activities. But in this case the leaders were aware of the potential opportunity, and were actively seeking ways to create an earned income stream.

"So for us to even think about charging them [students] for our services, and to attend a course? We just thought this is going to be a big barrier for them. And those that could afford it – it could change why we exist as an organisation and the students and participants that we want to support. So we did a lot of thinking. And we ditched that model. But still. We knew we wanted to scale." (organisation G)

Change in mindset: as noted above, all participants were already ethically comfortable about the use of commercial behaviours to further social purpose. Yet there was frequent reference to some kind of changed 'mindset'.

"It was like the lights were coming on for me..." (organisation F)

"And then suddenly. Suddenly! Something just clicked. I thought. Wow, this is coming at the right time." (organisation J)

"I had to think like, let's keep pushing for the commercial side." (organisation L)

"[a grant]...it doesn't encourage any innovation or greater efficiency or kind of development. It's just like you carry on doing what you're doing and we'll just pay for it. Great. With the match funding, I think it encourages you. You have to think very differently about what you're about to go into and how that's going to impact what you're going to do." (organisation I).

In this context 'mindset' is not an issue of values or ethics. It is not a determination of whether trading for social organisations is ethically right or wrong. Instead, it describes being tuned in to the thought processes, behaviours and analysis that underpins commercial action. It is the ability to take on, easily and in some sense habitually, the identity, narrative and activities of a commercial actor. Analytically it is not a moral judgement, but a changed cognitive approach. This changing mindset was exhibited in different aspects of individuals' and organisational behaviour. A number of participants reported being more tuned in to commercial opportunities:

"It channelled me into thinking about the commercial opportunities rather than

the grant-writing. You know, to... look out for the commercial opportunities." (organisation L)

"It was the questions I was being asked - and asked in a different way...how do we monetize what we've got? And that was what I was coming back to. How do we monetize it?" (organisation F)

Organisation M began to see its users (typically parents and children) not as beneficiaries, but as consumers. It interrogated the choices that parents were making from a consumer perspective:

"Why would you want to come to the [play session] and borrow a doll and a pushchair? Why? What is... the benefit to, you know, to the family for this?" (organisation M)

This interrogation of the situation and of consumer choice is reminiscent of the analysis of the 'customer journey' in consumer marketing. From this analysis the organisation developed a cohesive marketing message about the advantages of its services for children and parents across dimensions such as child development, community interaction, saving money, and environmental sustainability. The benefit of such a shift to a consumer focus was, arguably, not simply increased commercial opportunities, but also ensuring that the mission-driven activities provided were responsive to users' needs.

For some organisations the mindset shift led to a changed and diverse set of internal procedures and expectations. Examples included more delegation of responsibility amongst the team, building earning targets into job descriptions, drawing on trustees to

fundraise, and implementing better funding management and cash flow systems. Not all of these changes were about commercial trading, but they all implied a more efficient or business-like method. For organisation M, the pressure to meet commercial targets led to changes in internal mechanisms within the organisation that distributed activities and responsibility away from the CEO to the wider staff team.

"I set out KPIs [key performance indicators] for some of the teams. So the people who are on the front desk, we have KPIs that they've got to achieve a certain target in a very non-pressured way. But actually the expectation is that you've got to bring in this amount of income." (organisation M)

In this example the mindset shift is moving beyond the organisational leader to a broader cultural shift within the organisation. Shifts of this kind were not always easy, and might lead to tensions and challenges that required management.

"... whilst I think I was open to those ideas, the journey is quite a significant one." (organisation F)

"We have a formalized process for everything, not loose arrangements as we used to. And you know, this proved to be challenging in terms of our culture." (organisation G)

Coincidences and false positives. In the case of at least two organisations, the increase in earned income during the Match Trading programme seemed coincidental – it would almost certainly have happened anyway, irrespective of any incentive effects from the grant structure. In one case earned income was simply on an upward trajectory; in

the second case the organisation had already decided upon a major shift in its revenue model, and implementation simply coincided with the Match Trading programme. Such coincidences in Match Trading cohorts is unsurprising, given that the measure of success – increased turnover – is subject to multiple variables beyond the programme itself. It does not mean that the Match Trading grant itself was without impact; but it means that the incentive effect does not apply in every case.

There is a possibility, finally, that the impact or stimulus effect of the Match Trading programme has a connection with the life cycle of an organisation's commercial activities. Two life cycle situations recurred. First, there was the earliest stage of the earned income journey. Organisations J and F had not attempted to raise earned income before; Match Trading was the moment of seeding for such activities. Second, rather more organisations exhibited a mature or relatively mature earned income model that needed some kind of repair or revitalisation. Organisation M's commercial activities and organisational growth had plateaued; the business model of organisation L was not working well, and the leader was looking to explore alternatives; similarly organisation G was seeking to test new revenue models. Organisation C was pursuing not a new business model, but the growth of earned income through exploiting new market opportunities, whilst organisation E's earned income portfolio needed to be revitalised. It did not cover operational and capital expenditure costs, including a loan taken to modify the building to ensure disability access. In these cases there was a perceived need and readiness to attempt change and growth in earned income.



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Match Trading as Training

We move on to the second core dimension of Match Trading – the training programme. The training was reported positively by all participants and was identified by many as the most valuable element of the Match Trading programme. The opportunity to learn with and from other social entrepreneurs was empowering and reassuring.

“... what was as important, was a year-long programme of being around entrepreneurs, learning and developing...” (organisation B)

“...the sense of empowerment that came with it and I say the competence, the networking, the understanding that there are lots of other people, you know, trying to do similar things.” (organisation K)

“Obviously, the money was amazing, but just being with other peers and just learning from them and some of the speakers that we had in... it was just for me, it was just like, mind-blowing.” (organisation M)

“You turned up for a day in Islington. And it was it was good, really good. And like everything it was the people. The other people you met were really useful.” (organisation E)

The training programme had three distinct benefits which are explored in turn: the establishment of enduring peer networks; a process of skills development and professionalisation; increased confidence and self-validation.

The establishment of enduring

peer networks: all the participants spoke about isolation in their role as organisational leader. They described their work as being poorly understood, and the scope of tasks difficult to explain to people outside the social entrepreneurship or charity field. Establishing peer networks was important to address such isolation:

“It’s a very lonely thing to do... You feel that there’s a problem that no one else has managed to provide an answer to... And that was one of the most beautiful things. That you were sharing with others, or just in the same room as others. So that, that was exceedingly important.” (organisation K)

“So the fact we were all together – our organisations were all very diverse, but the journeys we were going on were very similar. And so we supported each other a lot.” (organisation L)

"I was very, very much on my own. So every decision I took, every new thing I tried, I really was just doing it on my own. And having those people to talk to was just an absolute godsend...because it's hard to keep going. Sometimes you just think, God, is it actually worth it? Is it worth this much effort for this much money?" (organisation N).

These peer networks helped address isolation, bolstered confidence and validated decision making, and the connections remained long after the programme ended.

"It's so lovely because we all just keep in touch. We let each other know how our community organisations are doing – how we're doing as well." (organisation M)

"One of the biggest things about the programme was the networking and making friends with other people. I've got at least two lifelong friends from this course." (organisation H)

"One of the guys that I met on this program – I volunteer for his organisation... So that's where the connection and the networks and the sharing of information and sharing of good practice – it still lives on" (organisation B).

Skills development and

professionalisation: the training programme taught participants how to build, manage and grow a social enterprise or community business. As a result participants described improvements in management structures, introducing policies and commercial processes – a process termed either formalisation or professionalisation. They reported that such professionalisation of systems and approaches was sustained after

organisations left the programme. Respondents described improved budgeting, more robust governance and staff management processes, and newly introduced performance indicators and metrics:

"What has changed? I guess professionalising things. [We now have a] a recruitment process with the trustees. I feel like we have really good staff retention and recruitment processes in place. We've got a really good volunteering program in place." (organisation M)

"... it set us on a path of expanding and having more staff and just professionalizing the organisation...We're a much more professional outfit than we were. And I do think that the Match Trading programme helped to get us to that point." (organisation N)

"Things were stabilised, normalised, and I think it had to do with everything we put in place, and that capacity-wise we could manage it...You look back [to pre-2020] and you go – Oh my God, that was spinning plates." (organisation A)

For the leader of organisation N, this was a transformative moment:

"It's like it's professional now. It's like we really have confidence in what we do and the quality of what we're doing has improved such a lot. So yeah, I'd say confidence, professionalism and just having a proper team. We're a proper organisation now, whereas before it was just me, really." (organisation N).

The leader of organisation N acutely identified a further important dynamic – the tension between the role of founder or leader and the development of a more distributed organisation in which decisions were delegated. Several participants identified the significance of an improved ability to spread responsibility around the organisation, and not regard performance or revenue generation as functions vested solely in the CEO:

“It helped me think in a different way about what is expected from the rest of the team, because I also feel like it shouldn’t just be on me as the CEO.” (organisation M)

“It helped them to see me as somebody that also learns as we go along, as opposed to ‘She’s got all the answers and she is going to make the decision for everything’. It meant that our team just came together a lot more.” (organisation B).

“I could come in later, and do more management roles, because I didn’t have to do so much of the physical part. And the system kind of started to fit, really. That’s what started to make the change.” (organisation J)

Leaders spoke of being overwhelmed with day-to-day tasks and responsibilities which made it difficult to think strategically.

“So one day, you’re the cleaner, the next day you’re the accountant. Like you’re doing everything. And so to be around other social entrepreneurs that are business-minded but also socially motivated, it’s just so important.” (organisation B)

A strength of the training was that it created a ‘breathing space’ by allowing leaders to step out of their everyday, leave the office and learn together. This created both a physical and temporal distance that allowed participants to focus on strategy rather than being trapped in a cycle of constantly ‘doing’ and being stretched too thin. The advantages of a grant-funded ‘breathing space’ are explored further below.

Increased confidence and self-

validation: leaders described how they had not been trained for their roles as social business leaders. Each had a different pathway to becoming a social entrepreneur, and they had learned through experience. Although this experience was valuable, they were conscious of gaps in their skills and lacked validation. ‘Imposter syndrome’ emerged in multiple discussions.

“I’ve never had to keep accounts. I’ve never had to do marketing... it requires all sorts of skills that in my 60’s – and 50’s – I’ve never managed to learn from scratch.” (organisation L)

“So, we open. But I realized I’d never run a cafe. I’d worked in a coffee shop selling beans, you know, when I was at university. But we hadn’t done any of this sort of thing, you know? ...But you have got to think to survive. You’ve got to work out how to make it work.” (organisation K)

“I was a teacher by training, you know, I just fell into this role...I’ve got no, you know, marketing or PR, you know, all this stuff that you do. I’ve just sort of learn on the job really.” (organisation M).

The training programme brought increased confidence and reassurance:

"You still have an obligation to manage the organisation as a business as well, because that's part of your duty. And if you don't...you can't support people... . It gave me more confidence in running an organisation." (organisation I)

"So much of running something like this is trying new things...and so it is talking to other people and finding out what works for others, that is so, so useful. Well, it made us a bit more confident that other people were making it work – well, so could we." (organisation E)

But it did something more. Through learning new skills, but also through interaction and discussion with peers, there was validation of the participants as leaders:

"I think I just I realised that I could be a good leader and be me, and that was really helpful" (organisation N).

"just meeting other people and just seeing actually look, you know, I suppose realising that actually I am a leader of a charity" (organisation M).

"...we were starting to manage around this time. It was useful to have opportunities to think about what are your leadership styles? What should you be thinking? That kind of input was valuable. And meeting the other people in the cohort was valuable and enjoyable." (organisation D)

"I think I could see like...Yeah! Like I feel like I've got the experience – the skillset – to do it [lead the organisation]."
(organisation A)



Match Trading: The Grant as a Resource

The third dimension of the Match Trading programme is the grant of between £4,000 and £10,000 (the maximum figure depended on the specific iteration of the programme). The grant, as discussed above, is conditional in that its extent depends upon organisations' growth of trading revenue. Unsurprisingly, as extra income to the organisation, the grant was regarded as a valuable resource that opened up diverse possibilities. In most cases the use of the grant was interwoven to different degrees with the training programme and the development of commercial opportunities. Two uses of the grant in particular interacted with other dimensions of the Match Trading programme: use of the grant to build trading capacity, and grant funding as a resource that enabled leaders to have a breathing space from work to pursue the training programme.

Building trading capacity: for several organisations, the grant supported the development of new commercial opportunities and trading. Organisation F used the funding to develop a marketing initiative and trial pilot projects, thus putting into practice some of the learning from the training programme. These initiatives enabled

the organisation to test its hypothesis that there was market demand among private corporations for leadership training infused with social benefit or purpose:

"In the private sector, there's actually an appetite for training and particularly leadership training. What a lot of the companies liked was, that... the profit [would] go into a social cause... and not go into a [forprofit] training company." (organisation F)

Organisation K also used the grant for marketing in order to improve 'its capacity to trade'. In this case the organisation used the funds to improve signage advertising its café and community hub.

One of the biggest risks in attempting to exploit a new commercial opportunity can be the purchase of physical capital, such as tools or equipment. The grant could support such risk-taking:

"[I] suppose the biggest risk is when you have to start buying tools and equipment and things like that... I wouldn't say it was a huge risk, but the Match Trading grant, it was definitely helpful." (organisation L).

For organisation B, the grant funding was essential in scaling their provision to support women experiencing domestic violence. It allowed them to manage the cash flow deficit that invariably occurs between fronting expenditure when setting up a new safe house, and recovering costs only once opened and receiving clients.

“To put it bluntly. Without that grant, we wouldn’t have been able to open up the next six-bedroom house.” (organisation B)

In these examples the grant takes the functional role of small-scale ‘catalytic’ or risk capital, enabling the pursuit of commercial opportunity (for social purpose) that might otherwise not be possible.

Grant and breathing space: as noted, the training programme provided a moment to step back from the intense pressure of leading a social venture and to reflect upon strategy, operations and leadership. For a significant number of leaders, this breathing space was enabled by the grant. The funding might cover the CEO’s salary while they participated in the training modules, or the costs of bringing in temporary staffing cover. This was

a rare opportunity to create space for reflection and planning in a small organisation:

“that’s what started to make the change when I didn’t have to work as much, had the help and so on. So that money made a huge difference.” (organisation J)

“It allowed me to take time out to do a little bit more networking and marketing strategy so that we can get the next level up.” (organisation A)

Connected to this, the grant also brought legitimacy or psychological justification to taking time out from frontline work:

“In the sense that if you know you’re getting £4,000 for doing this, it means you don’t feel guilty about going off and doing a course and even though you’re not actually working and generating an income at those particular moments, you’re doing a course. So I’d say it gives you breathing space too.” (organisation L)

Match Trading as a Combination of Interventions

So far we have considered in turn the three components of the Match Trading programme. An essential question is how these components work in combination, and whether the integrated structure of Match Trading has a power greater than the sum of its parts. This is the implication of the Power to Change evaluation described above, which finds that the combination of training with an incentivised grant produces stronger outcomes than the combination of training with an unconditional grant.⁴⁴ This section, drawing on insights from the participants, identifies a series of reinforcing interactions between the three components.

Conditional grant and training: many participants identified an interaction between the conditional grant and the training programme. In one case the grant was an entry point into training: a participant would not have taken up a place on the training programme without the incentive of the grant. On the other hand it was suggested that the conditional grant might be a barrier for leaders who were not confident that they could easily achieve an increased turnover. But in most cases the conditional grant was an incentive or 'push' to apply the learning from the programme into a real-world and significant project or activity:

"I couldn't separate them [the grant and the training], to be honest, because you were learning things in the classroom

that you could then use to improve the trading. So it was, yeah, the two sort of rolled along together for us." (organisation H))

"Match trading definitely gave us a push, but it also gave us the training that we needed to do it...!" (organisation L)

A frailty of training programmes can be the gap between learning and application of that learning. The Match Trading structure, as described by the participants, created a clear incentive to apply learning in real time, and in so doing overcome any inertia. There was in addition experiential learning of a particular and powerful kind. Newly learned skills were embedded in participants' own organisations and situations – the application of knowledge was situated, relevant and meaningful. For participants who achieved the targeted increase in earned income, there was also the fundamental learning that successful commercial activities were possible and plausible (although in cases where organisations did not achieve their Match Trading target, there is the possibility of an opposite and negative effect).

There may be a further benefit. A potential problem with leadership courses of this kind is that immediate benefits (such as confidence, validation, networks) accrue to the individual, and not to the organisation directly. The conditional grant makes a formal link

⁴⁴ Power to Change et al. (2020)

between the training and organisational outcomes, so that skills learned have to be applied immediately in the organisational setting.

These findings offer an obvious hypothesis of why, in the context of an enterprise training programme, a conditional grant has more traction in changing behaviour than an unrestricted grant. It forces immediate and energised application of skills in a meaningful and relevant context.

Training and grant as monetary resource: a second area of positive interaction lay between the training programme and the grant as a monetary resource. There were two distinct effects. First, as we have noted, the grant provided catalytic capital to support innovation in organisations' commercial activities; it provided funding to support the first steps in enacting learning from the training programme:

"Difficult to separate the two [training and grant]... the grant was important because it was risk-free. Therefore, almost I could do what I wanted. The

board weren't worried because I wasn't going to lose any money, but the training programme enabled me to articulate what we were doing and why we were doing it to the board. So I do think the two actually go hand in hand."
(organisation F)

Second, again as noted earlier, the grant bought breathing space for organisational leaders. It enabled them to bring in staffing cover for the periods when they were taking part in training; it provided a psychological justification to the leaders to alleviate their guilt at taking time away from their role. Without the promise of monetary compensation, it is not certain that several of the leaders would have taken part in the training programme.

This is not a simple picture. These interactions were resonant and relevant for some actors and not for others. But within this small selection of social enterprises we can see examples of positive interaction between the dimensions of the Match Trading programme: there are reasons to suggest that the sum is greater than the parts.



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Developing Commercial Capacity in Community Organisations

The Match Trading programme encourages organisations to develop and grow their commercial capacity and earned income. This section considers the second research focus – the broader implications for community organisations and social enterprises of this development of commercial capacity. It reports, first, on participants' insights into the interaction of commercialisation with social mission, and, second, on their perceptions of the respective contribution of – and balance between – grants and earned income as revenue sources for their organisation.

Commercialisation and Social Mission: Tension or Alignment?

Much commentary on social enterprise and community business highlights the dangers of commercialisation. In particular there are warnings of the tension between commercial and social objectives, processes and values. For this group of leaders of social organisations, however, tensions between the commercial and the social were typically not held to be a significant concern as commercial activities grew. The leader of organisation L captured this sense of equanimity:

“It feels the right fit for us and it's a good way forward because it does combine commercial and the altruistic.” (organisation L)

Two particular phenomena underpinned this equanimity: the alignment of social mission with commercial growth, and the effective management of any tensions that did arise.

Alignment of social mission and commercial growth: in some cases the growth of commercial activities was seen to be explicitly beneficial to social mission, over and beyond the advantage of additional income and financial sustainability. An expansion of trading was, simply, an expansion of reach to vulnerable people – a ‘virtuous circle’ of social mission and income. For organisation C, a work integration social enterprise, more commercial activities meant that it could employ and support more vulnerable young people. It was a win-win:

“The more markets we have and the more sales... the more people we can support... So if Match Trading is going to encourage me to open more sale points, okay.” (organisation C)

Organisation B made use of the grant from the Match Trading programme to support the opening of a new shelter for

vulnerable women, thus expanding its provision; organisation M expanded its children's services to more physical sites, extending their reach into disadvantaged areas. For organisation H income from commercial activities provided extra resources for their social mission:

Our trading underpins our other things. We are selling stuff, and using the profits from that to contribute to the organisation." (organisation H)

But alignment between growth in commercial activities and social purpose was not simply a question of increased scale or reach. Being part of a commercially successful business was important for the self-identity of service users in organisation L, a work integration social enterprise:

"We never even considered being a charity... for our workforce, a lot of them worry that they're not relevant in the jobs market, that they're not employable. So the fact that we are commercial gives them a relevance and that sort of sense that "we're not being helped by a charity, we're being helped by a commercial organisation." (organisation L)

This sense of self-worth and agency – of being a productive member of the community – was explicitly connected to the success of the organisation's market-based business model:

"... when they see us competing with other organisations and winning the work because they're good workers, that's really important." (organisation L)

Management of tensions: tensions between commercial growth and social mission were most visible in situations where users were charged fees for service. This was not the case for the work integration social enterprises (organisations L and C), where mainstream consumers paid fees for gardening services or bakery products; nor was it the case for organisation L, whose women's refuge services were funded by the local government as a third-party payer.

But in conditions where users were or might be charged a fee, tensions became apparent. The leader of organisation J was clear – even if it was possible, the organisation would not charge users, both because this could reduce access to support and because it was simply unethical. This was a red line:

"We can't bash people over the head and say we care about people. We can't be making money without thinking about the consequences of how we make the money." (organisation J)

Organisation M had three commercial income streams. One of these (venue hire) was unrelated to mission delivery. But the other two revenue streams incorporated charges to direct services users: there were fees and paid membership scheme for play sessions, and charges for the loan of toys through the organisation's library. Part of the organisation's increase in commercial turnover was the consequence of raising charges as well as expanding services:

“We provide tea and coffee for the parents and the kids get a snack. You know, it's really good value. We are not free. But we're not super expensive... so we did look at the kind of price points.” (organisation M)

There is evident danger here of perverse incentives and mission drift – in other words, growing an organisation's commercial turnover by raising user fees supports an organisation's financial sustainability, but may compromise inclusion of the most disadvantaged users. This is, of course, a potential hazard of the incentivised grant structure, which could encourage organisations in some circumstances to raise fees to increase turnover.

The leader of organisation M was sensitive to these challenges. Raising prices, for her, was not wrong, given that it supported organisational sustainability; and she perceived that users valued the service more when the price was higher. But it was imperative that there were protections for the most disadvantaged.

“... we don't ever want finance to be a barrier to people... people know that we have this tiered system. ... membership is free for low-income families...” (organisation M)

A cross-subsidy model of this kind, whereby higher-income users subsidise use of a service by lower-income users, was also used by community hub organisation K.

In these cases, and across the sample, participants did not identify harmful encroachment of commercial behaviours into the social space. Leaders' sense of social purpose (the 'passion of vision', as described by the leader of organisation J) was seen to provide a defence.

We note, though, that the leader of organisation I experienced a friction or conflict between their emerging commercial way of thinking and their emotional commitment to the mission. They suggested that this conflict was not adequately discussed within the training programme:

“You are genuinely passionate, and you believe in the cause and you have to try and balance the emotions of what you believe in to making business decisions. And I feel that the course never really kind of touched on that. And I think actually that's quite the fundamental challenge of running a socially orientated business, is that how do you marry those two?” (organisation I)

Overall, leaders anticipated tensions between commercial and social purposes and processes, but, by ensuring that the commercial logic always worked in favour of the primary social mission, they believed tensions were successfully mitigated.

Balancing Earned (Commercial) Income and Grants

Some organisations in the study showed significant change in the ratio of income derived from earned income to income derived from philanthropic grants following the Match Trading programme. Nonetheless participants expressed nuanced perspectives about the balance between earned and grant income. While an increase in earned income was welcomed, and while there was criticism of the process of philanthropic grant-making, there was unanimity that grants were essential as part of the resourcing for the social goods that their organisations were supplying.

Preferring earned income over grants: many participants described the advantage of an enhanced earned income stream over grant funding. This opinion is not surprising, given that this group of social leaders had committed to a training programme that seeks to strengthen commercial revenue. As a starting point, there was weariness at the process of seeking grants. Numerous problems were identified: the time required to complete funding applications, the lack of control or input into the awarding process, and the lack of flexibility once the grant was awarded, which limited organisations' ability to respond to communities' immediate needs:

"What I was, was grant application weary" (organisation F)

There was especial frustration at the unreliability and arbitrary withdrawal of grant funding:

"... the funder would be like, actually, no, funded you for five years... find somewhere else to get the money from. Um, it was, you know, I think it was really hard. And I know there were a couple of play sessions that they just stopped running because they couldn't afford to run them." (organisation M)

The abrupt cessation of funding could put at risk an organisation's achievements and embedded relationships. The leader of organisation L emphasised the importance of building trust with vulnerable users, such as those recovering from addiction or ex-offenders, who had low baseline levels of social trust. But such hard-earned trust could be lost in a moment if an organisation's grant funding was removed:

"We [the co-founders] have both worked for charities before where they have lost their funding and you lose your job. You spend a lot of time building up the trust of your service users. And then...you're gone." (organisation L).

Against this baseline of problems attributed to grants, earned income had advantages. Most obviously it offered insurance against the arbitrariness and insufficiency of philanthropic funding:

"[It] does feel safer to be able to raise it commercially if we can because you can't rely on grants... I don't think we would be here [without earned income] because I don't think we'd have managed to survive because the number of grants that were available last year was very few." (organisation L)

Earned income strategies gave the organisation control over raising resources:

"it's down to us. We can earn that. We've got more control if we can go out there and knock on doors. ... we can get the work and we can get the money.... And with grants you can fill in an application form and they can say no and there's nothing. It's out of your control..." (organisation L)

But earned income streams did not always bring organisational autonomy. For organisation I, providing support services to people with chronic health conditions, government contracts were limiting:

"the outcome is more important as an organisation...whereas the [earned income] environment we work in now is about delivering the outputs.... it's then very outwardly commercial. We're not innovating, we're not doing any research. Yeah, we're supporting people with diabetes, but it doesn't properly fulfil our role as a charity." (organisation I)

There is, in this case, a lack of full alignment between the earned income activities, specified in contract, and the organisational mission.

An ongoing role for grants: despite the general support for earned income and criticism of the grant-funding process, all participants accepted the need for grants. Often this was presented as a need for ongoing subsidy where services were provided to disadvantaged groups. This was explicit in the operation of work integration social enterprises (organisations C and L). These businesses had higher operating costs than mainstream firms because of the support and training they offered to their employees – the employees also being the beneficiaries. They could not compete on efficiency and productivity with mainstream firms in the same industry (selling bread or offering gardening services). Grant funding enabled these organisations to absorb additional mission costs and compete for business.

For organisation M, providing early education and play services, specific activities might appear to be more or less self-sustaining through earned income. But there was ongoing need for subsidy for core costs.

"I need to get in more grants, because the traded income is not going to be enough to subsidise the running of a new centre." (organisation M).

The organisation benefited from reduced rents at its London sites: this supported its play sessions and other work, and enabled user fees to remain at accessible levels.

Some participants identified a distinct functional role for grants. Grants allowed innovation or experimentation beyond

the earned revenue business model: *"Ideally, we would have a robust, self-sustaining income and use grant income to expand."* (organisation A).

This perspective has resonance with the use of the Match Trading grant to innovate or expand, as described earlier. Grant-funding was also identified as important for going the extra mile in the depth, quality or responsiveness of the service. Organisation B offered supported housing for women under contract with local government. Grant funding enabled the organisation to extend the depth of their support to victims of violence and abuse beyond the basic requirement to provide safe housing.

Toward an equilibrium: organisations generally reported an advantage in receiving both earned income and grants. At its most simple, combining grants and earned income raised the amount of resources available to organisations. This was central to maintaining services and to the sustainability of the organisation. Earned income was essential but not sufficient:

"... we can offer all the services we run because we have a trading income." (organisation J).

Achieving a diversity of funding types was seen to enable organisational resilience: *"The most resilient way to have a social enterprise is to not fully rely on one thing, and to have quite a few things going on and a few ways of trading, a few ways of*

applying for grants." (organisation A)

What then might be the optimal balance between grant funding and earned income? The answer is clearly contingent on the field, service, user group and location of a social venture. For some organisations, in fields such as youth services and or community work, earned income was useful extra income that improved organisational survivability – but the substantial revenue model remained grants. Supporting young people with significant special educational needs or disabilities, for instance, was viewed to be a public good that for the most part had to be funded by either state or philanthropy. Other organisations, and especially work integration social enterprises, drew a significant proportion of their revenue from earned income. But none of the organisations aspired to be sustainable solely through earned income:

"The dream would be to earn enough to survive without any grants, but I don't think that will ever happen..." (organisation L)



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Considerations for Policy and Practice

This study is not a statistical evaluation of the impact of the Match Trading programme or of social enterprise and community business more generally. Instead, by accessing the subjective experiences and perceptions of organisational leaders the study has built a picture of how one type of enterprise grant, the Match Trading programme, works in practice – its process, effects, the interactions between its different parts, and the causal factors involved in any change.

It also offers insight into the broader experience of the leaders of social enterprises and community businesses as they push forward with commercial

strategies to support their social objectives. While the generalisability of findings from an exploratory study of this kind is necessarily restricted, the study has nonetheless uncovered a range of perspectives and insights that carry implications for policy and practice around the encouragement of earned income strategies in community organisations.

This final section draws together the study findings across the two research areas in turn – first, the Match Trading Programme itself and, second, broader insights into the development of commercial capacity in community organisations.

Match Trading as an Enterprise Grant Programme

The desired function of enterprise grants is to push forward the commercial capacities of social enterprises and community businesses, so that these organisations develop robust earned income streams that enhance financial sustainability. At the same time such growth in commercial behaviours should support, or at least not detract or distract from, the social mission of the organisation.

The Match Trading programme has three core dimensions, each of which potentially carries a separate effect: the conditional grant based on organisational performance, defined as increase in the organisation's earned revenue; the training programme's effect on leaders' commercial skills and, in consequence, on organisational structures and behaviours; and the effect, simply, of extra resources through the grant. This approach contrasts with other enterprise grant mechanisms – for instance, repayable grants, capacity-building grants with no conditions, or the stand-alone offer of training programmes. The innovation of the programme lies within the introduction of a grant incentivised on commercial success, and its interaction with the other two more common interventions.

Match Trading carries costs beyond a simple grant. This is a complex way to give funds: conditionality demands significant transaction costs of due diligence, monitoring and reporting both for the grant-making body and for the participating organisations. Given these costs, is there a justification for the Match Trading approach?

The answer, drawing on the perspectives and experiences of the leaders in this study, is positive. We can identify distinct incentive effects around the conditional grant, and we can also note the constructive interaction of the conditionality of the grant with commercial skills training. These two effects are described below. More broadly, the study also provides emerging insights into the development of a commercial 'mindset' through training and experience – these insights apply to, but stretch beyond, the Match Trading programme.

The conditional grant as stimulus.

As described above, the conditional mechanism of the Match Trading grant is reported by social enterprise leaders to create incentive effects towards commercial activity. The study identifies four specific pathways through which the conditionality of the grant creates positive effects upon leaders' behaviours or strategies: a push to the next stage of earned income operation, where organisations' commercial activities have stagnated; an incentive to take risks and innovate in commercial activities, supported by the potential extra financial return created by the matching mechanism; an encouragement to embrace the possibility of earned income and actively spot opportunities; and, finally, a changed in mindset, so that leaders reported being increasingly tuned in to the thought processes, behaviours and analysis that enables robust commercial action.

Noteworthy across these four effects is a forward-looking dynamic and discipline. The incentive is a positive one. The conditionality of the grant mechanism encourages new behaviours or additional activities. The grant-maker monitors positive achievement (increased turnover); rewards are contingent on growth and development. There is a contrast with the provision of enterprise grants through a mechanism such as a repayable grant. Monitoring in the latter case is of compliance and of the commercial discipline of paying back a loan. This is an important discipline, of course; but it is in a sense a negative discipline (compliance) rather than a positive discipline (innovation and growth for reward). There is a plausible argument that the provision of positive incentives may be more powerful in enabling creativity, risk-taking and the embedding of more entrepreneurial commercial skills.

There is a small caution about the operation of the Match Trading programme. The conditional Match Trading grant is an outcomes-based contract. Organisations are rewarded for the achievement of key performance indicators - in this case the rewarded outcomes are not measures of social impact, but of increased commercial

revenue. A challenge of any outcomes-based contract is causal attribution - how can we know that the outcomes achieved are the result of an organisation's action, and would not have happened anyway? In the case of the Match Trading grant, there is no robust counterfactual on which to measure an organisation's performance. It is predictable, therefore, that there will be cases where growth of earned income is simply a coincidence, and we observed earlier the presence of false positives - situations in which growth in commercial income would have occurred irrespective of the Match Trading programme.

Is this a problem? That may depend on the perceived objective of the enterprise grant. If that objective is, narrowly, to extend the specific trading base of an organisation, then the lack of attribution could be problematic. If the desired goal of the programme is not so much the achievement of a specified revenue outcome as the embedding of commercial skills and mindset, the presence of false positives is not a significant problem, for the benefit is broader than the simple indicator of growth in revenue. The revenue target is an incentivising tool, not an endpoint in itself.

Combinations: Match Trading is more than a conditional grant. Training in commercial skills is in itself considered highly valuable by participants, as identified in other studies.⁴⁵ It provides skills and new capacities. It offers access to a network of peers who are facing similar challenges: the value of this mutual support can extend far beyond the duration of the programme itself. It also provides a vital breathing space for reflection. By providing new capabilities, by remedying the isolation that many leaders of social ventures experience, and by offering a moment for personal and strategic reflection, training programmes can in turn support the confidence and self-identity of the leader.

Core to the success of the Match Trading programme, as reported by the participants, is the combined effect of this training and the conditional grant. The pressure to increase turnover (the

conditionality of the grant) pushes leaders to put into practice learnings from their training; at the same time training in commercial skills and peer support helps make possible the growth in turnover required by the grant. As we observe above, this is powerful experiential learning – there was an immediate context in which to apply, with positive motivation, the skills obtained in the classroom; such learning was therefore situated, salient and, consequently, more likely to stick.

Important too is the role of the grant as an enabler of training. Several participants expressed concern at the opportunity costs of attending training and taking time off work. The grant provided either symbolic compensation (assuaging guilt) or material compensation (enabling employment of staff as cover. In other words, it buys time for leaders to reflect.

⁴⁵ Power to Change (2020).

The transition to commercial thinking: what is a mindset? The participants' narratives outline the development of a commercial mindset that was, for some leaders, new and alien. It is worth exploring this journey with some precision. A core explanatory tool is the sociological concept of the 'institution': the processes and values of an institution (sometimes called 'institutional logics') are the grammar that guides actors' behaviours in a given setting, so that we habitually or normatively understand the social behaviours and identities associated with roles such as shopper, teacher, nurse, father and so on.⁴⁶ There are many warnings about apparent tension and contradiction between behaviours and beliefs in the institution of the market and in the institution of social service, and such tensions are predicted to be heightened in the social enterprise, where the hybrid structure deliberately combines commerce and social mission.⁴⁷

Dimensions of institutions can be values (the currency being moral right and wrong) or cognitive-cultural routines – "taken-for-granted scripts, rules and classifications" in a given institutional setting that guide how we perform social roles.⁴⁸ In the present case it is

striking that the mindset shift was not around values. Organisational leaders were already acclimatised to the moral complexities of trading in a social context. They were instead seeking new commercial methods and opportunities. The mindset transition therefore centred upon cognitive elements of behaviour, language and habits of mind: for instance, cultivating a way of seeing the world that enabled recognition of a commercial opportunity; or, as in the case of one organisation, perceiving its users (typically parents and children) not as beneficiaries, but as consumers. This switch in cognitive labelling of users in turn revealed a different set of scripts and processes, such as marketing or a pricing strategy. There is resonance here with typical understanding of the 'entrepreneurial mindset' as a 'cognitive perspective' that enables actors to see and act upon opportunities, and by so doing create value.⁴⁹ In sum, the mindset change hinged not on moral persuasion and reassurance, but on acculturation to a new way of processing and thinking. Recognition of this process further explains the utility of the experiential learning inspired by the conditional grant: cognitive change of this kind is embedded through experience and repeated behaviours.

⁴⁶ Barley and Tolbert (1997); Thornton and Ocasio (2008).

⁴⁷ Garrow and Hasenfeld (2012); Smith et al. (2013).

⁴⁸ DiMaggio and Powell (1991: p.15); Scott (2001).

⁴⁹ Daspit et al. (2023: p. 17).

Do the changes last? This was not a longitudinal study – in other words, organisations were not observed at multiple points over a period. The amount of time that had passed since involvement in the Match Trading programme enabled some distance in tracing the development of commercial capacity and behaviours. But a cross-sectional study can only offer weak confirmation that changes of behaviour or culture become embedded. Training, for instance, was applied to individuals not to organisations, and many positive effects were individual-based, such as connection to networks or confidence-

building. Participants reported some structural change in organisations. But there remain core questions around how far benefit is distributed across the organisation, or whether it is encapsulated within individuals and at risk if the senior leader exits. A related question is the longevity of any changes in commercial activities incentivised by the grant. Is this genuinely catalytic, so that new activities or new systems are embedded and long-term? Or is the effect momentary or vulnerable, again, to leadership change? Longitudinal research that follows organisations over time would be insightful.



The Development of Commercial Capacity in Community Organisations

The study was able to explore the broader dynamics of a move to earned revenue strategies for social organisations. We discuss the two central research areas in this context – the tension between, or the alignment of, social mission and growing earned income; and the interaction and relative benefit of earned income and grant income.

Growing earned income and social mission: the intention of the Match Trading programme, and enterprise grants in general, is to push organisations towards a hybrid model of behaviour and financing that puts emphasis on commercial resourcing, operations and behaviours. There are many cautions in academic and practitioner commentary about the danger of ‘mission drift’ in such contexts. The focus on commercial objectives and activities may cause an organisation to drift away from its social goals – for instance, by introducing fees which create a barrier to accessing services. There are also suggestions of tensions between the different institutional values and processes of market and social mission – efficiency not care, competition not collaboration, formalisation not responsiveness, or self-interest not altruism. In sum, commercialisation can come with side effects.⁵⁰

It is striking that among this group of social venture leaders there was little report of mission drift or tensions between the commercial and the mission. We must be aware, of course, that this study relies on participants’ self-report – this is

not an objective evaluation of the nature and extent of social impact over time. The participants are also, as has been observed, a self-selected group who have expressed openness to the development of earned income strategies. Nonetheless the extent of reported complementarity between increased earned income strategies and social mission remains noteworthy and important.

Part of the explanation may lie in the intimate integration of commercial growth with mission growth. Earned income can be integrated into social mission delivery (such as charging fees for services) or entirely separate (a high street charity shop).⁵¹ In the current study many earned income strategies were integrated. More commercial revenue meant – immediately – more mission. Work integration social enterprises, by expanding their markets and customer base, could employ more vulnerable or disadvantaged users; by opening up another house under contract with local government, a women’s support organisation could increase the number of vulnerable women it reaches. There is alignment between earned income and mission.

⁵⁰ Weisbrod (1998).

⁵¹ Alter (2006).



A further explanation, and again a striking one, is that the professionalisation of systems within the organisation was experienced positively. The professionalisation of organisations describes the introduction of formal roles, systems, structures, policies and so on.⁵² The development of such formal organisational structures and management systems was a consequence of the training programme and the move to more structured earned income strategies. Such organisational transition can be painful within the community organisation; there are concerns that the community ethos and way of working can be lost as professionalised staff take over.⁵³ Participants in the study described a challenging process of cultural change. But several were clear that the organisation was beneficially transformed into a professional entity that could better serve the social mission. As part of that transition several participants identified the significance

of an improved ability to delegate responsibility around the organisation.⁵⁴ Other authors have similarly identified the benefit of an 'entrepreneurial culture' within community businesses - a culture in which innovation and an entrepreneurial mindset are the responsibility of all within and around an organisation. In sum, the growth of commercial activities, by strengthening the organisation's core systems and culture, in some cases was seen to enhance the pursuit of the mission beyond simply the objective of raising more funds.

This is not to say that a growth in earned income strategies did not bring tensions. As reported by the participants, much depended upon the careful mitigation of tensions by organisational leaders, such as ensuring a fee-charging strategy did not exclude the most disadvantaged. There remains the fundamental need for reflexive and sophisticated governance and management of social enterprises.⁵⁵

⁵² Hwang and Powell (2009).

⁵³ Powell and Friedkin (1987).

⁵⁴ Kleinhans et al. (2020: p. 22).

⁵⁵ For instance, Ebrahim et al. (2014).

Resourcing social enterprises and community business: the interplay of grants and earned income. The balance between earned income and income acquired through grants is a central debate within the field of enterprise grants and within policy around social enterprise more generally. Typically a movement away from grant income towards earned income is celebrated as a step towards organisational sustainability and resilience and away from 'dependency'. As we have observed, this movement, represented as a ratio of earned income to grant income, is an indicator of success used in evaluation of the Match Trading programme.

Participants in the study exhibited an ambivalent perspective. On the one hand they were weary at the endless and arbitrary cycle of grant application, welcomed the extra resources that earned income brought, and identified autonomy through raising income from commercial activities. On the other hand, participants firmly identified the importance of a continuing role for grant funding. Two significant arguments were made. First, there is a 'public goods' argument. None of the participants believed that their work could be entirely funded by trading activities. This is not a surprising finding. Because of the nature of the work and the user group, the services provided have the characteristic of a public good that cannot be fully delivered in a market. There are various reasons why. In some

cases a viable market is not possible: for instance, providing youth services in an area of high disadvantage. Even where a market might be viable, the fees charged might exclude the most disadvantaged (whether a play session or a room booking at a community space), or competitive pressures in the labour market might preclude a work integration social enterprise from offering support services to vulnerable employees or employing the hardest-to-help. In the absence of government subsidy, philanthropic grant funding remained essential to help these organisations absorb additional mission costs and provide depth and equity in their services, while at the same time competing for commercial business.

A second argument from the participants' accounts was a distinctive functional role for philanthropic grants to enable innovation or expansion in services. Grants in this case make a space for creativity that the small margins of earned income cannot make; sometimes they provide the initial capital to enable the development of commercial activities. The argument resembles long-standing propositions of the role of philanthropy in supporting innovation or as catalytic capital in situations where market actors are unlikely to invest and government is nervous about risks.⁵⁶

Given these arguments, grants and earned income should not be regarded as a zero-sum game, where one source

⁵⁶ Anheier and Leat (2006); Roberts (2021).

of funding is in some sense in opposition to the other. Instead there is a complex resourcing ecosystem around individual organisations in which earned income and grant-making interact to enable the delivery of social impact. The Match Trading programme and other enterprise grant mechanisms show that there is potential to push organisations towards more market-based funding – in other words, to derive more funds from the sale of private goods. But the appropriate ratio of grant-funding to earned income will be contingent on multiple conditions and contingences, some of which are apparent in this study: the field of action, the revenue model, the alignment of mission with earned income, the user

group, the local socio-economic context, the possibility of accessing the ethical consumer market, and so on. There is the potential for future research to unpick these patterns to inform future grant-making and future training programmes. We also note that ‘earned income’, as defined within the Match Trading programme and elsewhere⁵⁷, is a multidimensional concept. It includes not only action in a private market, but state contracts won in competitive commissioning arrangements. But private markets and government quasi-markets are very different contexts and endpoints, with distinct dynamics, risks and required behaviours. Again, this would benefit from further research and differentiation.



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⁵⁷ For instance, NCVO (2024).

Endpoints

At the core of the Match Trading programme and the wider enterprise grants movement is the technical proposal that social enterprises and community businesses, with appropriate support and incentives, can increase the amount of funding they receive from earned income. Also at the core is the normative proposition that such increased earned income is beneficial for those organisations, and hence for public benefit. The evidence from the leaders of social organisations within this study is supportive of both these propositions. The Match Trading programme, by associating training in commercial skills with real-world financial incentives, creates a powerful experiential learning environment. The leaders of social organisations are generally comfortable that the development of commercial capacity within themselves and their organisations is consistent with pushing forward social benefit.

Multiple areas of further research are indicated in order to understand more fully the action of enterprise grants in general and Match Trading specifically. As we have suggested, longitudinal studies will support understanding of whether enterprise grant mechanisms support the embedding of commercial practices over time, and even enable some organisations to access large-

scale investment mechanisms. There is also much to be understood around the balance of earned income and grant income in social enterprise and community businesses, and how philanthropic funding might be better tailored to the needs of organisations in different fields and contexts.⁵⁸

The Match Training programme has targeted a subset of the population of community businesses and social enterprises – those that, through their organisational structure, exhibit a constitutional limitation on profit-making (such as charities and community interest companies). This is an understandable limitation, since it provides some guarantee of social purpose. But it also limits the potential of the Match Trading programme. The requirement pushes towards organisations that can provide definable social impact, but away from a set of community businesses that are likely to be central to economic regeneration or to the creation of a more substantive social economy, such as worker and consumer cooperatives or small community-based businesses. There would be good grounds for expanding the Match Trading programme to such organisations, especially in geographies experiencing poor economic conditions and poorly functioning markets.

⁵⁸ Krige (2019).

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