SOCIAL ECONOMY ROUNDTABLES

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How can the West Midlands social economy ecosystem support organisations to move from grant funding to trading?

A discussion paper to stimulate thinking about markets, procurement, collaboration and sustainable income

The challenge: from funding opportunities to market opportunities

The West Midlands has a substantial and diverse social economy. The region has thousands of social economy organisations, employing tens of thousands of people and contributing billions of pounds to the economy. The strategic opportunity is increasingly to ensure that this economic contribution is recognised and strengthened.

For many smaller social enterprises, charities, community businesses and CICs, however, development remains strongly shaped by grant funding. Grants are essential for innovation, community activity and services where beneficiaries cannot pay. But dependence on short-term grants can also make organisations vulnerable, consume capacity and make it difficult to invest in business development.

The central question is therefore not whether organisations should stop seeking grants. It is whether more organisations could use grant funding strategically to develop sustainable earned income, build markets and become more resilient.

This paper proposes a shift in emphasis: from an ecosystem primarily helping organisations find funding, towards an ecosystem helping them find customers, markets, procurement opportunities, supply-chain partners and investment.

A different question

Instead of asking only "Where can we find funding for what we do?", organisations could increasingly ask: **"Who needs what we can provide, who is willing and able to pay for it, and how can we create social impact through that transaction?"**

This is not about turning social enterprises into conventional businesses. It is about recognising trading as one of the mechanisms through which social purpose can become more sustainable and scalable.

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Trading, grants and the Match Trading opportunity

Moving from grant funding to trading should not be treated as a binary choice. Some organisations will always need a mixed income model, particularly where they work with people facing significant disadvantage. The issue is how the wider ecosystem can help organisations identify where trading is possible and appropriate.

A key distinction is between the beneficiary and the customer. A social enterprise may support an unemployed resident, a young person or someone experiencing homelessness, while the organisation paying for the outcome could be an employer, local authority, NHS body, housing provider or prime contractor. The market does not necessarily have to be where the social need is located.

Match Trading

The School for Social Entrepreneurs provides an important example through Match Trading. The approach links additional grant support to an increase in trading income, alongside learning, mentoring and peer support. It changes the purpose of grant funding: rather than simply sustaining activity, it can help an organisation build a new income stream.

This raises a practical West Midlands question: could some funding programmes reward increases in earned income? A regional Match Trading-style offer could help organisations test a product, develop a new customer relationship, improve pricing, build a sales pipeline or prepare for a contract.

The principle is simple: grant funding can become a bridge to trading rather than an alternative to trading.

A useful test

For funders, the question could become: "What will this grant enable the organisation to trade that it could not trade before?" For support organisations: "How can we help this organisation identify a paying customer?" And for social businesses: "What part of our social purpose could be sustained through earned income?"

Procurement and the West Midlands market opportunity

For many social economy organisations, procurement represents a far larger potential market than grant funding. The opportunity is not limited to winning very large public contracts. It includes the smaller opportunities within supply chains and the purchasing decisions of private-sector organisations delivering public services.

Social Enterprise UK's Buy Social Corporate Challenge demonstrates the potential of treating social enterprises as suppliers rather than simply recipients of corporate social responsibility. The lesson is particularly relevant to the West Midlands: businesses do not only need to support the social economy through sponsorship, donations or volunteering. They can create impact through what they buy.

Anchor institutions and regeneration

The West Midlands has a major advantage in its concentration of anchor institutions and regeneration activity. Local authorities, NHS organisations, universities, colleges, housing associations, major employers and infrastructure programmes all have substantial purchasing power.

The question should increasingly be: what do these institutions buy, and which purchases could realistically be supplied by social economy organisations? Barriers may include contract size, turnover thresholds, accreditation, insurance, working capital, procurement complexity or simply lack of awareness of local suppliers.

Regeneration provides an even broader opportunity. Instead of adding social value after a project has been designed, major developments could ask at the outset how investment can create sustainable markets for local social businesses — through supply chains, community engagement, environmental services, skills, employment, food, culture, digital inclusion and other activities.

The shift is from “How much social value can we attach to this project?” to “How can this project create new economic opportunities for social businesses?”

Social deprivation: finding the economic buyer

The challenge is especially important in areas of social deprivation. Social businesses often work with people who have the greatest need but the least ability to pay. Asking beneficiaries to become customers is therefore not always realistic or desirable.

Instead, the ecosystem can help organisations identify the economic buyer behind the social outcome. A service that helps people into employment may have an employer, public body or contractor as its customer. A service that reduces homelessness may create value for a housing provider or local authority. A health intervention may have a commissioner, NHS organisation or employer as the purchaser.

This means social economy organisations need support not only to demonstrate impact, but to translate impact into a proposition that a purchaser understands and values.

From social impact to a commercial proposition

A purchaser needs to know that the organisation can deliver the required service, at an appropriate price, to the required standard and at the necessary scale. The social enterprise then needs to demonstrate the additional value created through the transaction.

Social impact should therefore not be treated as a separate document attached to a tender. It should form part of the commercial proposition: "We can provide the service you need, at a competitive price, while delivering additional social, economic and environmental value."

This is where business support has an important role. Organisations may need help with pricing, customer research, sales, tendering, impact measurement, cash flow, contract management and communicating their value. The ecosystem needs to help organisations move from describing their social mission to articulating a compelling market proposition.

Collective impact: creating scale through collaboration

Scale is one of the biggest barriers to accessing new markets. A small organisation may have an excellent service but lack the turnover, geography, staffing or infrastructure required for a larger contract.

The answer does not always have to be organisational growth. It can be collaborative growth. Consortiums allow smaller organisations to combine expertise, capacity and geography and become credible suppliers for opportunities that would otherwise be beyond them.

This requires a shift from networking to commercial collaboration. A useful network is not simply one where organisations exchange contacts. It is one where organisations identify an opportunity, find complementary partners, agree responsibilities, understand procurement requirements and submit a viable bid.

Learning from Preston

Preston's Community Wealth Building work provides a useful example of procurement becoming part of a wider local economic strategy. Anchor institutions have worked to understand where procurement spending goes, identify opportunities to retain more value locally, improve supplier capacity and make purchasing more accessible.

The key lesson is that both sides of the market have to change. Training social businesses to bid for contracts will have limited effect if procurement remains inaccessible. Conversely, changing procurement policy will not deliver its full potential if social businesses are not procurement-ready.

International lessons

Social Traders in Australia and Buy Social Canada demonstrate another important principle: the market itself requires infrastructure. Buyers need credible suppliers and social enterprises need routes into buyers. Certification, brokerage, supplier development, buyer engagement, market intelligence and impact measurement can all help build confidence on both sides.

What could a West Midlands trading ecosystem look like?

The West Midlands does not necessarily need another standalone programme. It may need to connect existing expertise around a clearer commercial journey for social economy organisations.

That journey could be: Idea → Product → Customer → Trading → Contract → Growth → Investment → Impact.

The ecosystem could support this journey through five connected functions.

1. Market intelligence

Create accessible intelligence about procurement, commissioning, regeneration, anchor institution spending, corporate supply chains and emerging opportunities. The emphasis should be on translating technical procurement information into practical opportunities that smaller organisations can understand and act upon.

2. Trading readiness

Provide targeted support around customer research, pricing, sales, tendering, cash flow, quality systems, impact measurement and contract management. Match Trading-style funding could be used where a small amount of grant investment can unlock new earned income.

3. Buyer engagement

Develop relationships with anchor institutions, major contractors, private-sector businesses, housing associations, universities, NHS organisations and local authorities so that buyers understand what social economy organisations can supply and can identify opportunities before procurement is finalised.

4. Consortium development

Make collaboration a practical business-growth intervention. Support organisations to find partners, understand procurement rules, establish leadership and governance, share risk and develop credible joint offers.

5. A social economy marketplace

The regional social economy directory could evolve into a commercial marketplace, enabling buyers to search by product, service, geography, capacity, sector and social outcome. Organisations should be able to clearly communicate what they sell, who buys it, what capacity they have and what impact they create.

Together these measures would move the ecosystem from an “ecosystem of support” towards an “ecosystem of opportunity”.

A practical agenda for discussion

The following proposals are intended to stimulate discussion rather than prescribe a final model.

A West Midlands Social Economy Trading Challenge

A regional initiative could bring together social economy organisations, buyers, anchor institutions and business support partners around real market opportunities. It could focus on five stages: find the market; get ready; match suppliers and buyers; support trading and contracting; and measure new income and social impact.

The ambition would not be to move every organisation away from grants. It would be to give more organisations a genuine choice about how they generate sustainable income.

Questions for the roundtable

For social economy organisations: What could you sell more of? Who could be your customer? What is stopping you from trading more? Which opportunities would you pursue if you had better market intelligence or a consortium partner?

For local authorities and anchor institutions: Do you know what local social economy organisations can supply? Are contracts unnecessarily large or complex? Could more opportunities be broken into lots? Are social value commitments translating into real supply-chain opportunities?

For businesses and major contractors: What could social enterprises supply to you today? What prevents you buying from them? Could smaller supply-chain opportunities be created and promoted earlier?

For funders and investors: Could some grant programmes reward increases in trading income? Are we funding organisations to deliver projects without helping them develop sustainable income? What would a West Midlands Match Trading fund look like?

For the ecosystem: Do we have enough market intelligence? Are we sufficiently connecting social businesses to buyers? Could consortium development become mainstream business support? Should success be measured by organisations supported, or by new trading income and procurement unlocked?

Conclusion: changing the question

The West Midlands has invested significantly in building infrastructure to support the social economy. The next phase could be about using that infrastructure to open markets.

For social economy organisations, “What funding can we find?” needs to sit alongside “What market opportunity can we create or enter?” For buyers, “How can we support the social economy?” needs to become “What can we buy from the social economy?” And for the ecosystem, “How many organisations have we supported?” could increasingly become “How much new trading income, procurement and investment have we helped unlock?”

Grant funding will remain important. Its most powerful role, however, may increasingly be to help organisations reach the point where they can say: “We have developed something people are prepared to buy.” That is where social purpose, enterprise and economic sustainability begin to reinforce one another.

Selected examples to review further

School for Social Entrepreneurs — Match Trading; Social Enterprise UK — Buy Social Corporate Challenge; WMCA — regional social economy and impact economy strategy; Birmingham — anchor institution and social value approaches; Preston — Community Wealth Building and progressive procurement; Social Traders Australia — social procurement infrastructure; Buy Social Canada — social procurement and supplier development.

Many thanks to our speakers and all who attended. It was a great session!