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# Community Pubs: Factors and Issues

コミュニティパブ—成功要因と課題—

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## 1. Introduction

In rural areas in the UK there has been increasing pressure on both public and private sector services. In this context there has been growing interest in the role that community based social enterprises could play in filling the gaps as services are rationalized. This paper draws on research conducted in the UK in 2013, and focuses on the case of a community social enterprise that has taken over their local rural pub in the West of England. The paper is structured as follows. Firstly, the paper examines the problems of rural service delivery and the potential role of social enterprises in delivering rural services. Subsequently, this paper examines the importance of pubs as a rural service, and the current status of rural pubs in the UK. This paper then goes on to examine an example of a community run pub, and considers the impact that this pub has had in the local community. In doing so, this paper identifies some of the factors that have contributed to its apparent success, as well as some issues that it faces. Finally this paper concludes that there should be more research on how such organizations can be supported by outside actors, beyond grant funding.

## 2. Literature

### Rural Services

Within the UK, there has been a reduction in service provision in many remote and rural areas. This decline in services, including public transport, health care facilities, post-offices, shops and pubs can affect the viability and vitality of rural communities. Higgs & White (1994) point to four pressures on rural services; including: 1) changing demand for services coupled to shifts in rural demographics; 2) economic pressures on public and private services leading to cost cutting measures; 3) increasing service centralization linked to perceived impacts on quality; and, 4) changes in central government policies. These pressures are linked to, and further intensified by, the fact that many services in remoter areas necessarily need to cope with lower economies of scale and higher costs (for example delivery) (Wood & Brown, 2011). In parallel with the reduction in services, there has been an increased emphasis on “self-help” both within the UK and Japan (Steinerowski, undated; Love, 2013). In other words, communities developing their own revitalization strategies based around local cultural, material and human assets (Ray, 2001). Within this context, it is argued that community based social enterprises could play an important role in service provision and delivery (Brady, 2011). Part of the rationale for this is that such organizations are argued to have the ability to build capacity at the local level, strengthen civil society and tap into suitable solutions to the problems faced at the local level (Hodgson, 2004; Zeuli & Radel, 2005).

### Social Enterprises

The beginnings of social enterprises can perhaps be traced back to the formation of the pioneering Rochdale Co-operative in 1844 (Leadbeater, 2007). Today, the term ‘social enterprise’ has come to incorporate a whole host of different organizational formats – from community interest companies, to development trusts, co-operatives and the trading arms of charities

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(Bull, 2008). This variety of different organizational formats means that it is difficult to provide a concise definition of a social enterprise. However, social enterprises can be understood to exhibit general characteristics; including: 1) selling of goods and services; 2) an explicit aim to benefit the community; 3) limited profit distribution; 4) launched by a group of citizens; and, 5) a participatory nature, with decision making not based on capital ownership (EMES, 2013). In this regard, social enterprises “blur the traditional boundaries between the public, private and non-profit sector, and emphasize hybrid models of for-profit and non-profit activities” (Johnson, 2001: 1 in Peredo & McLean, 2006: 64; Certo & Miller, 2008). It is this hybridity that leads some to argue that social enterprises can provide a range of social goods in ways that are just, democratic, innovative, flexible and provide value for money (Leadbeater, 2007; Social Enterprise Alliance, undated). In regards to remote areas, Steinerowski, Jack & Farmer (2008: 25) suggest that “rural areas might be the ... perfect nurturing ground” for social enterprises. This is linked to the perceived traditional strengths of rural communities; notably: co-dependence, reciprocity, collective activity, a high propensity for social rather than commercial activity (Steinerowski, undated) and a “culture of ‘if we don’t do it, no one else will’” (Wood & Brown, 2011: 115). However, the characteristics which are understood to define rural areas may also, conversely, represent inhibitors to social enterprises (see Table One).

**Table 1: Promoters and Barriers to Social Enterprises in Rural Areas (adapted from: Steinerowski, Jack & Farmer, 2008)**

	Promoter	Barrier
‘Attitudes and Culture’	High levels of reciprocity, co-dependence, dense networks and ‘self-help culture’	Resistance to change
Human Resources	Number of volunteers, propensity to volunteer.	Lack of skills (business)
Geography: remote and sparsely populated	Fewer private businesses that create competition for social enterprise	1) Market for services is smaller in comparison to cities 2) Transport and travel costs

### Pubs

The rural public house, or village pub, has often been seen to hold an ‘important place’ in British society. Indeed, within remote communities, pubs are understood to function as important social and economic hubs. Pubs are places for people to socialize and hence sites which help foster community cohesion and social capital. The pub is also seen as an important locus for nurturing business opportunities and volunteer activities, as well as a vital source of jobs and economic vitality (Cabras & Reggiani, 2010; Maye, Ilbery & Kneafsey, 2005; Muir, 2012). Yet, the pub, and its associated social and economic benefits, are cast as under threat with the increasing level of pub closures, especially in rural areas. Recent figures suggest that twelve rural or sub-urban pubs are closing a week (Hall, 2012). These closures have been linked to a number of drivers; including: increasingly strict drink driving laws, high duties on beer sold in pubs coupled to increased competition from supermarkets, the UK smoking ban in public places as well as the business practices of large companies, so called PubCo’s, who own and lease many of the UK’s pubs.

A proposed solution to pub closure is community groups buying out or taking over the management of their local pub (Wright, 2013). However, there are currently only around eighteen pubs under community ownership in the UK, with a corresponding lack of research in the area (although see: Cabras, 2011). Hence, in a context where community ownership is seen as a solution to pub closure, it seems important to understand models of community ownership and management, the impact of community run pubs, the factors which can contribute to organizational success, and some of the issues that community pubs may face.

### **3. The Lamb and Flag<sup>1)</sup>: A Case Study**

#### Location

The following examines one particular example of a rural pub run by a community based social enterprise in the West of England. The examination of this pub, called the ‘*Lamb and Flag*’, was part of a broader research project which focused on endogenous rural development projects within the UK. The research consisted of a visit to the pub and an interview with John, one of the key actors involved in this initiative. Documents linked to this initiative were also collected and analyzed.

The *Lamb and Flag* is situated in a relatively rural area of England. The population of the area is approximately 1000, with a corresponding population density of 0.1 persons per hectare. The pub is situated in the village of Marpinwald, with the

nearest town being some 10 miles away. Marpinwald appears wealthy, an impression supported by the 2011 UK census data which shows that the percentage of those in the highest Socio-Economic Classification is almost twice that of the UK average. This coupled to the data on the median age of those living there (49 years old in comparison to the UK's average of 39) suggests many are comfortable and are in middle to later stages of life. Interestingly, the population of the area has increased over the last decade, but not dramatically.

### Lamb and Flag: The Story

Marpinwald is purported to have around 400 residents and still has a primary school which serves the local area. However, Marpinwald is associated with a common story of service decline, with poor public transport provision and no village shop or post-office since they both closed in 2009. Not long after the closure of the village shop, it was announced that the *Lamb and Flag*, one of the two pubs in the village, was to close. Following this announcement, there was a hastily convened meeting in the local church in which it was decided that the community would try and take over the lease of the pub<sup>9</sup>. A group called the 'Marpinwald Community Hub' (MCH) was subsequently formed which was able to raise enough money, predominantly from the community, to successfully buyout the lease of the pub. The pub, however, was in need of renovation which was partly carried out by volunteers from the local area. This work included replacing, upgrading and fixing equipment, painting and cleaning as well as an extensive overhaul of the outdoor area surrounding the pub. Within four weeks of the community taking over the lease of the pub, the pub reopened in 2010.

### The Marpinwald Community Hub: Social Enterprise Model

In order to take over the lease of the *Lamb and Flag*, MCH had to become a formal legal entity. It was for this reason that MCH was established as an 'Industrial and Provident Society (for Community Benefit)' (IPSCB). IPSCB's are one form of legal entity commonly classed as social enterprises. IPSCB's can issue shares in order to raise capital for community projects. However, unlike a private sector enterprise, IPSCB's are run for the benefit of a community, with the community's interests placed above the members of the organization and its shareholders. IPSCB's are able to pay interest on shareholder capital, but are unable to use any profits to pay shareholders a dividend (Cabras, 2011). Instead, any surplus profit has to be reinvested into the community. Furthermore, IPSCB's have a democratic control structure, with each shareholder having a single vote, regardless of the level of capital investment (Zeuli & Radel, 2005).

Following the establishment of MCH as an IPSCB, shares were issued in an attempt to raise the £70,000 that was needed to take over the lease of the *Lamb and Flag*. The minimum investment in MCH was set at £100 with the maximum allowable being £20,000. Within little over a week, MCH had managed to raise the money needed to secure the leasehold of the *Lamb and Flag*. The majority of the 220 investors were local, with almost half the shareholders investing £250 or less. The maximum invested by a single shareholder was £4,000. While it was acknowledged that the minimum investment of £100 may have presented a barrier to membership, it was argued that those who did not become shareholders could still enjoy the benefits of the pub reopening, and, moreover, it was possible for individuals to pool resources in order to meet the £100 minimum investment level.

Three and a half years after MCH reopened the pub, MCH now consists of around 200 investors, and is managed by a board of twelve elected members. The pub itself is purported to generate about £300,000 a year and is run by a number of paid staff (including a manager) as well as by a group of around twenty volunteers.

### The Lamb and Flag: Impact

The ability to aggregate and mobilize local resources for local benefit is one of the purported key benefits of Industrial and Provident Societies (Zeuli & Radel, 2005; Cabras, 2011). In this light, the raising of local funds in order to reopen a valuable local service in Marpinwald could be seen to be the most prominent achievement of MCH. However, it was argued that one of the greatest impacts of the pub reopening has been upon community cohesion. The leasing of the pub by MCH has allowed a valuable site of socialization to continue, but more than this, the establishment of MCH and the work put into reopening and running the pub by volunteers, as well as people buying into the ethos of community ownership, has reportedly brought

a real 'sense of community' to the village. One could draw parallels here with the argument that Industrial and Provident Societies are able to facilitate social cohesion as members identify with the mission of the society and work together to overcome problems – something which is suggested to be particularly true for small, rural Industrial and Provident Societies (see: Zeuli et al., 2004; Cabras, 2011). The reopening of the pub has also had an economic impact. While some of the day-to-day operations are looked after by volunteers, the pub has generated four full time equivalent positions as well as a number of part-time service jobs mainly taken by young people from the local area. The pub also has an arrangement with a local micro-brewery, which supplies beer to the pub. This arrangement, it was argued, has provided an important boost to the micro-brewery. Being involved in the establishment and running of MCH has also added to the human capital of its members. Indeed, John, before involvement in the MCH, noted that he had very little understanding of Industrial and Provident Societies. In this regard, Zeuli & Radel (2005) argue that perhaps the most important aspect of social enterprises, like MCH, is the ability to contribute to human capital in terms of education, skills and experience. This increase in capital can spill over into other organizations in the area, boosting the skill level more broadly (Zeuli et. al. 2004). The pub has also had a further impact through broadening the services it offers to the local area. One of the services that the pub has started is a village library. The pub also acts as a meeting place for community groups and provides teas, coffees, light snacks, meals and accommodation. In this regard the pub could be understood not solely as a site for alcohol consumption, but rather taking steps towards a "multi-service outlet" (Moseley, Parker & Wragg, 2004). This resonates with the service diversification approach promoted by the "Pub is the Hub" scheme. This scheme puts forward the idea that one solution to the loss of services in rural areas is to conglomerate vital amenities within village pubs (see: Countryside Agency, 2001).

#### 4. Discussion: Factors for Success and Issues

On the face of it, Marpinwald Community Hub is a successful example of both a social enterprise and community self-help. Through action at the local level, the community has been able to save an important local service, which in turn has had positive economic and social impacts. However, to more deeply understand the *Lamb and Flag*, this section explores some of the factors for its apparent success, and some of the issues that it faces (see: Table Two).

One of the keys to the successful mobilization of the community was put down to the use of information technology. During the initial process of raising the funds to secure the lease, the group used email to keep potential supporters regularly updated. It was argued that this regular updating generated real enthusiasm for the project and built momentum in the fund raising. MCH still uses email to send out a regular newsletter, and when business is slow, email is used to ask community members to come to the pub.

**Table 2: Positive Factors and Issues Identified in Relation to the *Lamb and Flag***

	Positive	Issues
Skills	Mobilized and built local skills and expertise	Inability to find person with requisite bar management skills
Financial Viability	1) Pub is situated on popular walking route 2) Grant funding 3) Volunteers 4) Ability to trade on community run aspect and image of 'traditional rural pub'	1) Off season custom not able to support pub 2) Potential competition with other village pub 3) Difficulty getting volunteers during winter months
Technology	Use of email to keep people updated	

Another element to the apparent success has been the fact that the pub is ideally situated on a popular walking route which attracts an estimated 20,000 walkers a year. During the peak season of April 1 to August 31 the pub is well utilized by walkers on the route for food, drink and accommodation. Moreover, it seems that during the peak season, the pub trades on the fact that it is run by the community and appears to have successfully constructed and commodified an image of a "traditional rural pub" (see: Maye, Ilbery & Kneafsey, 2005). However, during the off-season the lack of tourists means that the pub struggles financially, and has difficulty paying its staff. During the winter period the pub is mainly run by volunteers, with few paid staff. In this regards, the volunteers seem like another crucial factor to the financial viability of the pub, especially during winter months. However, recent reports suggest that it has been difficult to attract the number of volunteers needed in the winter months.

The pub has aimed to be financially self-sufficient through trading. However, it has yet to be profitable enough to pay interest on the initial shareholders' investment. Moreover, the MCH has needed a grant from a local funding body of some

£250,000 over a number of years to “ensure financial sustainability”. While it is difficult to know the future profitability of the pub, it has been noted that only a small number of rural social enterprises are able to achieve financial sustainability from trading only (Steinerowski, undated), and many require additional financial input to stay viable (Teasdale, 2012). Moreover, in the village of Marpinwald there are two pubs, one is the *Lamb and Flag* and the other is privately run. It appears that there is some competition between the two. In-fact it has been suggested that there is insufficient business in Marpinwald to support two pubs. How this potential competition will impact upon the long-term financial sustainability of either pub is difficult to know, but may well be a factor in the long term outcome of the *Lamb and Flag*. In this regard, it has been suggested that an important element in building a successful social enterprise is to ensure that the services provided fulfil a niche market and do not compete with other businesses (Steinerowski, Jack & Farmer, 2008).

Successful social enterprises are both able to draw on and mobilize local skills and expertise (Eversole, Barraket, & Luke, 2013). Indeed, part of the apparent success of MCH can perhaps be linked to the drive and skill set of those closely linked with the project. For example, the MCH board of directors has been described as being ‘highly skilled’ with a wealth of expertise and experience<sup>3)</sup>. This is perhaps not surprising in an area with a comparatively high proportion of those engaged in Higher Managerial, Administrative and Professional Occupations<sup>4)</sup>. Paradoxically, while it appears that MCH has been able to mobilize local skills, one of the reasons put forward for the pub not performing as well financially as envisaged is that it has been difficult to find a pub manager with the requisite management skills. In this sense skills have been both a contributor to success, and an issue.

## 6. Conclusion

In the context of increased interest around the role that social enterprises can play in service delivery in rural areas, this paper has examined an example of a pub run by a community based social enterprise situated in the West of England. This paper has shown that this community group has appeared to save a valued asset, and in doing so has had broad ranging positive impacts across the community. This paper has sought to highlight the organizational structure of the group, some of the factors that have helped this particular initiative, as well as some of the issues that it has faced. However, this is by no means a comprehensive study, and there needs to be further research carried out on how social enterprises function, and the role that they fulfil in rural areas. One fruitful area of exploration maybe a cross-cultural comparison between social enterprises in the UK and similar organizations in Japan, with emphasis on the supporting roles that outside actors, like universities, can and do play, beyond merely grant funding. This is particularly important in an era, certainly in the UK, where grant funding is becoming increasingly difficult to obtain.

## Notes

- 1) Names of places, people and the pub are fictional for the purposes of anonymity.
- 2) In the UK there are a number of ownership models of pubs. One common form of ownership is that the pub itself is owned by a large company (a PubCo) who then leases the pub.
- 3) John, for example, used to work in a management position for a public service in the South of England
- 4) One interesting aspect to emerge during the UK research, was that rural in-migrants seemed to play a crucial role in five out of the six rural development projects examined. While it is impossible to draw any solid conclusions from this, it has been noted that rural in-migrants could play a vital role in rural development, partly because they are often highly skilled and can access networks and businesses contacts outside the immediate area (Bosworth, 2010).

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