

IS THE COMMERCIALISM GENE IN THE PUBLIC SECTOR?



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The 2011 Localism Act granted councils the power of general competence. This along with other local authority powers to trade has meant councils pursuing commercialisation to a greater extent than ever before.

As austerity measures continue to bite and demand continues to increase, the need to find new sources of income within the public sector becomes increasingly urgent.

How is your commercial awareness?

To pursue commercialisation you need commercial awareness, and here lies the issue. This requires new skills, not only behavioural but also practical and professional, and it is here that many councils realise they need to improve.

A survey by Localis from their 2015 ‘Commercial Councils’ publication stated that *“Over half of respondents indicated that in-house skill sets were the biggest barrier to councils being entrepreneurial”*

So what is commercial awareness? The Cambridge Business English Dictionary defines commercial awareness as, *“the knowledge of how businesses make money, what customers want, and what problems there are in a particular area of business.”*

Traditionally the public sector has been seen as a service provider. A commercial mindset wasn’t essential and commercial skills were not widely practiced.

Now however this is a critical ingredient in the success of commercial and entrepreneurial ventures in the sector. A commercial mindset requires questioning the rationale and delivery that underlie a service. I

It is about not blindly accepting that ‘stuff happens’ but questioning why it happens and how can it be provided in a more cost effective way that improves customer satisfaction.

It is also about spotting opportunities that perhaps wouldn’t have been apparent in previous times.

The foundation is understanding how the organisation works, what its resources are, what these cost, and what the alternatives are.

Creating a commercial culture

The behavioural or cultural side of commercialisation is perhaps one of the most difficult challenges.

Shared services and local authority companies that have been created have seen some staff exhibit ‘active inertia’, a staunch commitment to maintaining the status quo and a lack of understanding as to why the changes have happened and what it means for them.

Conversely the success stories are where there is a more dynamic attitude, staff are encouraged to contribute ideas for improvement and change is more than superficial. In short this is an ‘enabling’ culture which leads to positive change.

Commercial skills are essential for any public sector organisation considering stepping into a more commercial and entrepreneurial world.

But are the staff on board?

Councils must recognise that there is an emotional cost in moving to new commercial models, therefore the benefits and risks of any new venture must be clearly communicated to staff, this is about winning hearts and minds.

If staff can see the why and the how, they are more likely to get on board rather than dismiss and push against the agenda.

The other critical ingredient is that of practical and professional competencies, this includes:

- the legalities of trading,
- risk analysis,
- contact negotiation,
- the management of projects,
- contracts and relationships
- financial awareness
- options analysis,
- investment decisions,
- costs,
- payback time
- taxation.

The lack of having someone qualified to undertake these roles has featured in some local authority trading partnerships that have dissolved recently.

The underpinning problems in those circumstance have been:

- complex contracts that staff did not fully understand,
- lack of an experienced project manager,
- lack of a project methodology,
- no additional resources, or financial investment, to create the venture and
- financial errors around tax, notably VAT
- limited exploration of whether the market wanted the product

These are all areas cited as being partly responsible for either the closure, or poor performance of public sector commercial ventures. The proof as they say is in the pudding!

Commercial skills are essential for any public sector organisation considering stepping into a more commercial and entrepreneurial world.

Whether this world involves the purchase of commercial property or the creation of a shared service, the principles are the same.

The right competencies, capacity and culture must be in place for success to be achieved.