

**“How do we encourage and develop more commercially based skills within our workforce with a focus on unfamiliar territories such as income generation and traded services”**

**Aspire Business Partnering Programme  
Cohort 3**

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## **1. Context and background**

### **1.1 Defining the question**

We were aware from the outset of this project that the definition of commercialism will vary from council to council and between sectors. This awareness was consolidated through our research as can be seen from our findings at 7.0.

For some, long-term viability of the services the council provides will be achieved by trading services, sharing services with another council or simply developing a commitment to 'creative entrepreneurialism' in the organisation so that staff are empowered and have the skills to maximise commercial opportunities.

For the purposes of this project, we have defined the notion of commercialism as making the most of existing contracts, identifying opportunities for new customers and exploring any new business opportunities (ranging from small to large scale) in the entire service areas beyond traditional boundaries in order to maximize income of local government.

### **1.2 Why be more commercially focused?**

Local government is required to manage increased demand on its services in a climate of ongoing austerity, as outlined in the Chancellor's 2015 Autumn Statement and again in his recent 2016 budget statement. The squeeze on spending set against an ageing population is the catalyst for councils to think and act commercially to generate revenue and achieve savings. In the context of traded services, the recently published white paper "educational excellence everywhere" has put an increased emphasis on being a commercially viable service provider.

"The challenges of the austerity decade are bringing forward council creativity as never before. There may be a number of ways in which local government might address ongoing financial challenges in the period 2015-2020. One dimension of this is 'commercialism' – councils unlocking a spirit of enterprise to achieve financial and other objectives" (Capita 2013, p3). More and more local authorities are now

embracing commercialism. The Capita 2013 survey found that commercialism is seen as an effective potential solution to the financial challenges facing local council/authority (61% respondents agreed).

“Council commerciality is on the rise. The pressure on public finance means that alternative sources of revenue – or profit – are increasingly being sought. More and more councils have trading companies, while some have recruited ‘Commercial Directors’. The rise of the ‘commissioning council’ demands business-like thinking. And as mutuals spin out their staff need to adjust to the commercial world in order to survive and succeed” (Capita 2013, p2).

## **2. Project Objectives**

The objective of this project report is to suggest an adaptable and flexible model of encouraging and developing commercially based skills within a local government workforce. This project focuses on suggesting a generic and high level model which can be adopted by different local government organisational setups of different contexts, sizes and work cultures.

## **3. Research methodology**

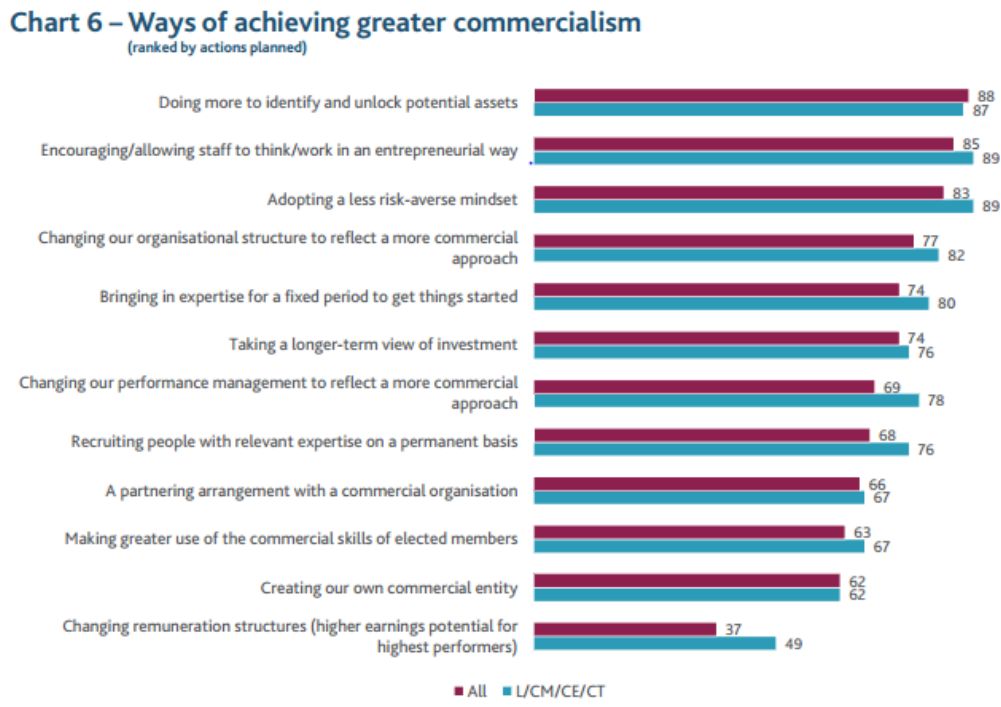
This research is based on primary as well as secondary research findings and the design of this research is based on mixed method approach. Qualitative research method of primary data collection, i.e. case studies of organisations through semi-structured interviews, was used to learn around the experiences of local authorities who have either already embraced commercialism or are on their way towards developing commercially focused workforce. An open-ended questionnaire (see appendix A) was used for interviewing professionals involved in the commercialism agenda at nine case study organisations to seek their input and insight in developing and encouraging commercially focused skills in the workforce. The research organisations varied in workforce size (ranging from 130 to 10,000 staff); context; nature of services and commercial working (outsourcing / commissioning / trading services / collaborative working); and location. The research organisations include Harrow Council London, Warwickshire County Council, Chiltern and South Bucks

District Councils, Acivico (owned by Birmingham City Council), Kent Commercial Services, Staffordshire County Council, Norfolk County Council, and Norse Group.

Secondary research sources included published research and reports by professional organisations, including Capita, Localis, CIPD, articles in HR professional journal such as People Management and other professional sources. These were used to explore around the topic.

#### 4. Project Scope

There may be many ways and a wide range of possible HR interventions for achieving greater commercialism in local government. This may be about taking a longer-term view of investments, bringing in expertise for a fixed period; recruiting people with relevant expertise; encouraging/allowing staff to think and work in entrepreneurial way, etc. (Capita survey, 2013, p10). The Capita report (2013) suggests twelve ways of becoming more commercial (see figure 1).

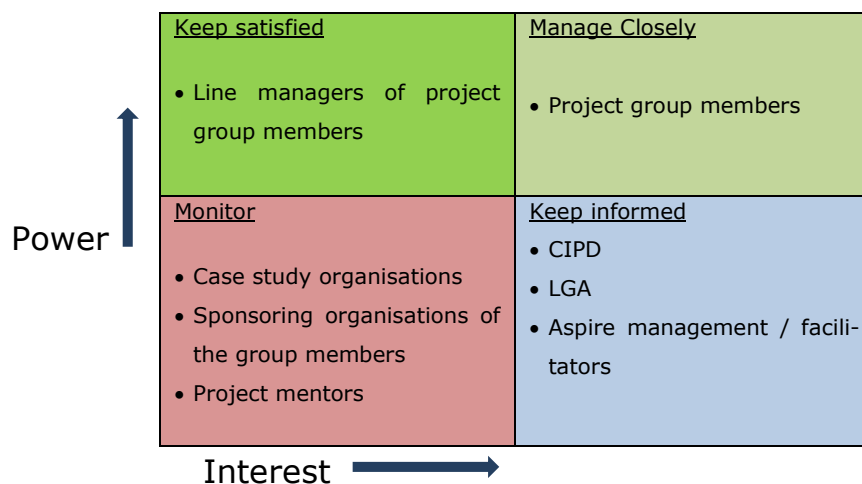


**(Figure 1 – possible ways of achieving greater commercialism – CAPITA 2013)**

Given the breadth of the subject, although we fully acknowledge that there are many ways in which HR can contribute to and support commercialism, we cannot cover the full range in detail here. In terms of scope, for the purposes of this report, we have chosen to focus this study on how to shift the workforce mind set to be more commercially-oriented and to engender a culture of being commercially focused in the arena of unfamiliar territories such as income generation and traded services.

## 5. Stakeholders Analysis

The stakeholders of this research project include project group members and their sponsoring organisations, project mentors, Aspire programme management, CIPD, case study research organisations, facilitators of the Aspire programme, and the LGA. Below is the stakeholder analysis of this project.



(Figure 2 - Stakeholders analysis)

The findings of primary research have been anonymised throughout the report, in acknowledgement of the contributors' request for confidentiality.

## 6. Constraints

There have been no significant constraints in conducting the research for this report other than time and the geographical distance between the project team members restricting the opportunity to meet regularly outside of the formal sessions of this course.

Factors such as lack of in-depth knowledge of nature and context of the research organisations can be considered as a constraint. However, the effect of this constraint was reduced by conducting semi-structured interviews (with specific but open-ended questions) to the case study organisations.

## **7. Findings**

It was evident from our research that the meaning of commercialism will likely vary from council to council, that there is not a 'one size fits all' right approach to commercialism, nor one definition. The Head of Commercial at one of our case study organisations said 'there's no silver bullet' in defining and developing commercialism.

A common thread in our primary research was that in order to engage an organisation in the notion of 'commercialism', it is vital to define at an early stage what being commercial means to that particular organisation and how that may apply to specific roles in the organisation. This in turn would start to develop the skills and competencies required to bring 'being commercial' to life.

One of the councils we interviewed has been developing commercially focused skills in their workforce over the last 3 years and emphasised the need to define commercialism from inception, 'at the outset we identified the need to define what being commercial looked like in our organisation, as there wasn't a shared definition or understanding'. Another contributor said 'It's easy to talk about 'commercial' but you need to understand what you mean by that'.

The importance of defining commercialism is evidenced in Capita's 2013 survey on commercialism in local government:

"Commercialism does not solely mean increasing the number of functions a council contracts out. Instead it represents a commitment to creative entrepreneurialism, from changing the culture of our councils to generating revenues from a wider array of sources, to looking at the very structures we have in place to work with partners.



Fundamental to this process of creative reinvention is reengineering the way local authorities commission services” (Capita 2013).

Capita 2013 – ‘Conversation on creating commercial council’ argues that when talking about the notion of commercialism, the subject seems to group itself into four different aspects to think about:

1. Making money – doing something that generates profits that can then be deployed for councillors’ priorities.
2. Behaving in a more business-like way – adopting some of the positive culture and behaviours that are sometimes associated with commercial organisations.
3. Commissioning councils – creating a separation between service commissioners who are super-intelligent ‘buyers’ of what’s needed, and super-efficient providers, who may also compete for others’ business.
4. Being business friendly – to promote local economic growth and prosperity.

One Chief Executive commented ‘I think we need to be clear at a local authority level what our definition of commercialism actually means. This is as important to debate with members as it is with officers because understanding if it is about profit, or being able to operate in a commercial market, are often confused’.

One organisation who had set up a commercial arm said ‘we developed a separate team of champions from existing staff. Those champions helped implement a 100 day plan and lead on commercial skills coaching (rather than classroom based training). We worked hard with the champions to embed a new customer focused approach, with cost effective methodologies in everything we do. Put the customer at the heart of all decision making’.

One of our respondents advocated the importance of analysing where the talent and commercial skills were before embarking on embedding a new commercial approach, ‘the right people in the senior management team can’t be underestimated, we needed to chip away at the old local authority mentality and look at what talent we had in the organisation’.

Research in the Localis report 'Commercial councils' demonstrates that whilst there's an undeniable shift towards a more commercial outlook the key challenge is changing the ethos of local government which is far from plain sailing. 'The need to ensure council staff have the skills necessary to enable them to maximise commercial opportunities and crucially raising commercialism as a positive development rather than a reluctant reaction to austerity.' Only half of the respondents to the Capita survey described their organisation as 'well-placed' to become more commercial in the future.

People Management's October 2015 edition included an article which suggested that 'Leaders need to role model behaviours in order for people to see and feel what good looks like, rather than relying on theoretical knowledge. Tap into genuine energy'.

In a joint MJ, LGN and Localis study a director at a unitary authority said "do not underestimate the culture change and mind set needed to be able to operate commercially. Local government is constrained and does not find it easy to do business in the same way as the private sector."

A common thread in our primary and secondary research was the importance of storytelling to develop the role model behaviours and a narrative of the positive news of commercial wins. "Telling stories can inspire people to make change happen in organisations. By co-writing the company's future story you can embrace current strengths to explore future opportunities" (Ben Linder, 'Using Story Telling in Organisational Change' 2015)

One of our respondents said 'seeing is believing', that in their organisation storytelling had been a highly effective tool to challenge the mind sets of people and ignite the action that is required to grow a commercial approach. "If people make your story their story, they will recall and re-tell the story to others. They become the missionaries of your story". (Ben Linder, 'Using Story Telling in Organisational Change' 2015).

When considering changing mind sets within local government, the Localis survey 'Commercial Councils' argues 'It is clear some internal reticence remains regarding unleashing the commercial power of local authorities. Given their successes in areas such as trading, the multi-million pound savings delivered through various joint ventures, and the wider positive externalities municipal enterprise has and is producing there is a pressing need to publicise such success stories'.

'Confidence' has been a word used by several respondents to the Localis survey, and it does seem to be the nub of the matter. As one roundtable participant noted, 'people don't want to own brave decisions. They see the risk of commercialism at odds with why they joined the public sector in the first place.' Some are getting around this conundrum through language shifts: 'the word profit would never be used. We're always *earning* £Xm extra.' Others are noting that 'over the past four years, we have become less risk averse. Yes, not everyone who joins local government is a commercial whizz, but they do have skills the previous benevolent financial situation perhaps kept buried.'

Within our primary research we saw examples of storytelling: '[using social media helps us] look like we are living, live and growing – retweet, and following'.

Localis Survey saw examples in four case study organisations the use of narratives and stories to enhance individuals' ability to translate change into meaningful actions for themselves. These were particularly popular techniques as part of mass communication events. For example, HMRC actively used storytelling techniques to communicate Building our Future. At Zurich UK Life, they advertised stories about PACE award winners. At BBC Worldwide, they held a big conversation which involved the capture of stories from individuals about their most inspirational moments at BBC Worldwide, which could then be shared. At News UK, in 'ways of working' workshops they used current events – real-life scenarios such as a helicopter crash in Vauxhall – to facilitate discussions as to how to tell that news story with the new technology'. (p. 13 CIPD report Landing Transformational Change)

One key theme in our research was the importance of the organisation trusting its workforce to get on with it, to ensure there is a no blame culture and people don't feel scared to share some stories of their 'fails' as well as their successes.

One of our case studies stated: 'don't do *to* people, do *with* people'. They also said 'we have a no blame culture, but sometimes people get it wrong and they learn from it. We use a risk taking model'. One case study recognises that when they start a joint venture they need to allow the new partners to make mistakes. They offer supportive networks to learn from each other. Another example was where it was recognised that although changes were accepted by political level and strategic leaders, middle to senior managers saw it as a threat that 'would challenge my empire. These concerns need to be addressed and we did that by the senior team getting conversations working again with politicians which changed the relationships across the organisation'.

Stephen Covey in his book "Speed of Trust" (2006) suggests that if trust is low, speed is low and cost is high (trust tax), whereas when trust is high, speed is high and cost is low (trust dividend).

## **8. Deliverables – Proposed Model**

We have seen from the findings of our research outlined at 7.0 the importance of defining what commercialism means, getting sign up from the workforce and trusting those in it so that they are enabled to take risks.

A topic regarding the development of skills may typically involve a Learning and Development intervention, such as mandatory classroom or online training for managers – we believe that to take this approach would be to miss a trick. Instead, we are taking as our mantra the words 'don't do to people, do with people' and suggest an alternative approach.

We suggest that in order to truly **encourage** the interest and application of such skills we must first mobilise the genuine interest and confidence at individual and team level. We propose that any L&D interventions must be appropriately placed within a wider consideration of the culture of the organisation and individuals must

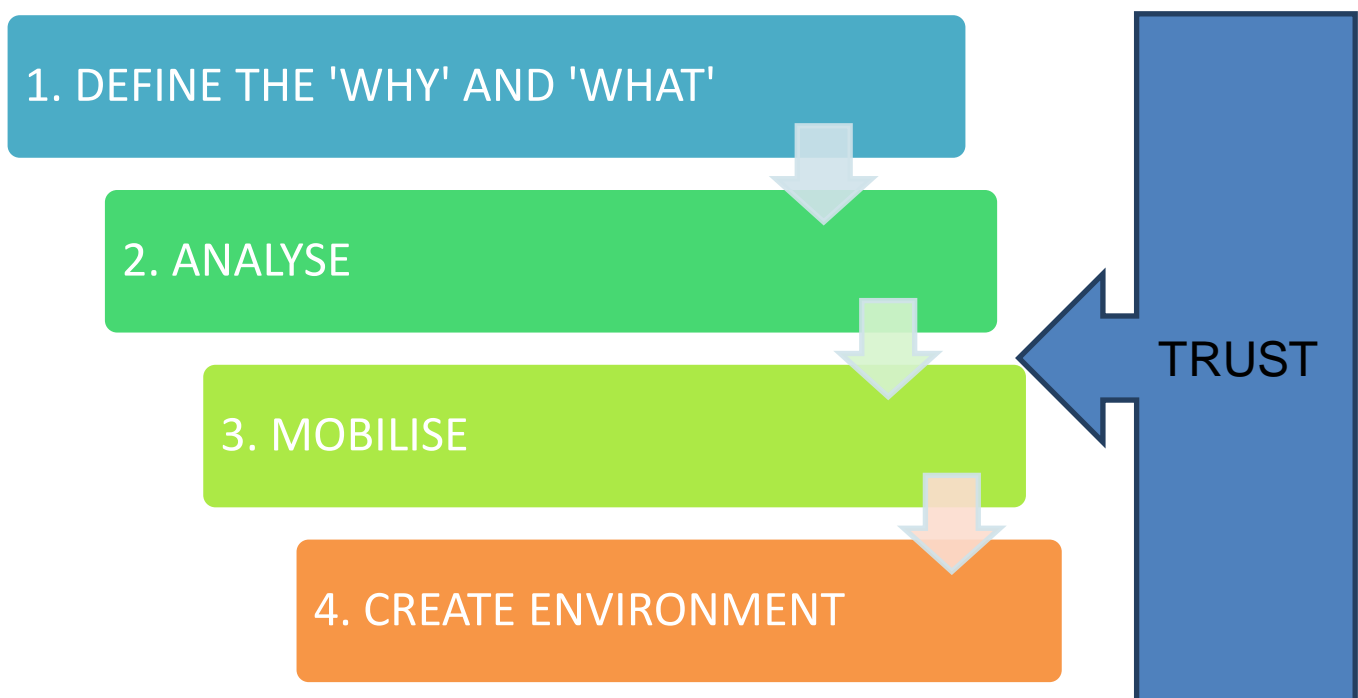
understand the *purpose* of what they are doing. They must understand and be signed up to the 'why' – see Simon Sinek's Ted Talk

<https://www.youtube.com/watch?v=sioZd3AxmnE>

It is recognised that there can be no one size fits all, quick fix, to this problem. Different organisations have different starting points, a different mix and level of skills already present in the organisation, but we start with the assumption that if an organisation is considering how they can encourage commercial skills, there must be a purpose behind that decision and therefore a will within the organisation that can be nurtured and brought to the fore.

The model we propose at Figure 3 can therefore be adapted to different context and different organisations but starts with the assumption that there is a purpose, a 'why', behind the decision to apply it and proposes a staged process as follows:

**Figure 3: The proposed Model**



### **Stage 1 – Define the 'Why' and the 'What'**

As we know from Sinek that in order for there to be buy in to a concept or idea, there needs to be a purpose which people can sign up to at an individual level. We also know from our findings that the term 'commercial' can mean different things to differ-

ent people in different contexts and it is important for there to be a common understanding.

As such, we suggest that the starting point for encouraging and developing commercial skills has to be to (i) start with 'the Why' by defining why it is important for the organisation and individuals working within it and (ii) define what commercial means for that particular organisation.

## **Stage 2 – Analyse**

Although organisations will have different levels of commercial skills, we suggest that all Local Government organisations have commerciality within them at some level, albeit perhaps in pockets which are not immediately recognisable as 'commercial'. This was certainly the strong evidence from our findings, particularly the Commercial Councils Localis survey which talked of 'unleashing the commercial power'. Our primary research discussions certainly supported this view as can be seen at 7.0.

For many years we have been familiar with bidding for funding and trading at some level. With the increase in collaborative partnerships, commissioning and, for those authorities delivering services to schools, the increase in delegated powers for schools, most authorities will have a certain level of commercialism already present. It is important to identify where this talent currently sits and what the starting point is, as advocated by one of our primary research participants.

## **Stage 3 – Mobilise**

Once the starting point and talent has been identified, the stage of mobilising the current talent and encouraging and developing talent elsewhere can start.

It is proposed that the Learning and Development interventions are targeted at the current talent first in order to mobilise this group to become internal 'commercial champions' and identify and work with those individuals who can potentially become commercial 'coaches' to develop their coaching skills.

The timescales involved in this stage may vary between organisations, depending on the level of current talent identified. Where possible, it is suggested that Stage 4 runs alongside Stage 3 or at least overlaps.

## Stage 4 – Create the environment

A strong feature of our findings outlined at 7.0 above was around the importance of the cultural aspects of commercialism.

One of the important features of the culture of an organisation is the stories (Johnson and Scholes cultural web) and we saw from our primary research how important these narratives are. Storytelling is an intrinsic part of our model because it not only helps to move the culture in the right direction but, as we have seen from the CIPD's report on Landing Transformational Change, it is a key mechanism to increase the confidence of the organisation to enter into new territories and take risks.

We also know from Sinek about 'the law of the diffusion of innovation' – figure 4. To cross what he describes as 'the chasm' from the innovators and early adopters to the early majority we must allow those in the early majority and beyond to SEE the success of the innovators and early adopters and understand what it means for THEM. Storytelling is a powerful means of getting that message to the early majority and communicating the 'Why' and what it means to them as individuals because "We follow those who lead not for them but for ourselves" (Sinek):

**Figure 4: The Law of the Diffusion of Innovation**



Stories can be communicated in a variety of formats including internal blogs, team briefings, key messages from senior leaders and they are a powerful tool to start the 'commercial narrative'. By selling the positive news stories of early commerciality we can start to create the right environment for an interest to be sparked in individuals.

Importantly, it is not the big success stories but also, if not especially, the small incremental successes which may be perceived as achievable.

Stories help people to see the links and to start to think about how it can be applied to their own work. By seeing that it's 'ok' and even celebrated, we can help to encourage people to have an interest. It is our view that only when people have been encouraged to have an interest will they genuinely be interested and signed up to developing these skills.

At this stage, Learning and Development interventions can come into play as supportive mechanisms alongside the coaching skills developed at Stage 3.

## **9. Limitations and Preconditions**

It is important to point out the limitations of this model in that it does not offer a 'quick win'. We argue that moving a very traditional local government culture with a community purpose, to an organisation which is commercially minded cannot be achieved overnight. For it to be done well and have the most significant impact in the longer term, it must be a marathon not a race.

Of course, alongside all of these stages, there is one precondition which will always exist; that of trust. Without trust, we suggest that the application of the model will never succeed as it is predisposed to encouraging and nurturing talent, as opposed to mandating and dictating it. It is a natural reaction for people to feel that entering into 'new' territory is a risk and we know that risks will only ever be taken by the majority of the workforce if those risks are recognised and supported. For this reason, trust features in our model as a precondition at every stage.

HR professionals will be pivotal in the implementation and success of this model. HR processes around talent management, succession planning and performance management need to reflect the importance of trust to the organisation. HR also needs to ask whether they themselves are trusted.

We can brew our own trust: Sally Bibb from Engaging Minds suggests: "if you could bottle and sell trust, organisations would buy it". But, until it's available by the litre, HR will have to settle for brewing its own!



## 10. References

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Simon Sinek – Start With the Why'

<https://www.youtube.com/watch?v=IPYeClXpxw>

Stephen Covey (2006) "Speed of Trust"

## Appendix A

### **Case study questionnaire – ABC Council**

**Q1. Some context of the organization, i.e. size of the organization, whether trading services / outsourcing / commissioning services / collaborative working with other local authorities, etc.**

**Q2. What has been the key driver for implementing commercialization and a more commercially focused competencies within ABC London? And how long has this been a key focus for the organization?**

**Q3. How has ABC Council encouraged and developed commercial skills within the organization?**

**Q4. Does the organization arrange formal trainings on commercial skills? Is it usually a one off or a rolling on programme? Also this targeted at a specific group?**

**Sub Question: How is the impact of such trainings measured? How is the momentum maintained?**

**Q5. Have commercial skills been incorporated into the organization's competency framework or any other mechanism?**

<b>Q6. Are there any key learning around developing and encouraging more commercially focused workforce? Please advise.</b>
<b>Q7. What was the involvement of Human Resources in setting in place any new working practices?</b>

Many thanks for your highly valuable time!