



# **How will councils survive commercially in a post pandemic world?**

Andy Mudd  
Head of APSE Solutions

# New economic reality



- Inflationary pressures
- Brexit pressures
- Power and commodity prices
- Danger of recession
- Changing attitude to risk
- Shift to defensive sector investment and impact on competition for core service delivery



# Inflation



- What sort of inflation is it
  - Demand pull? – not necessarily a bad thing
  - Cost push? – policy nightmare
- Erodes wages
  - To create a desperate workforce
  - But also pushes wages up in some sectors
- Increases the cost of money
- Erodes demand for all but essential purchases





# Workforce related issues

- Skills shortages in key sectors
- Recruitment and retention problems
- Pay gap between public and private sector
- Overburdening
- Lack of capacity to manage commercial risk

# So why pursue commercial income?



- Strategic case
- Commercial case
- Financial case
- Operational case
- Legal case

# Strategic



- We need the income more than ever
  - Austerity +pandemic = further squeeze on spending
- So do our local economies
  - When recession kicks in businesses will fail
- Social value adding initiatives can also create income streams
  - And income streams maintain discretionary services

# Commercial

- Some sectors more viable than others
- Increased competition from sectoral shift
- Supply side competition
- Likely increase in commercial failure rate





# Financial

- Increasing cost of money
  - Trading v commercial investment
- Cost uncertainty
  - Supply side inflation
- Profits eroded by inflation
  - More cost
  - Less income





# Operational case

- Major recruitment and retention problem
- Competition with core services for resources
- Other supply side problems
  - Availability of plant and equipment
  - Cost of fuel



# Legal case

- No actual changes in law
  - Except Wales now has GPC in force
- But more caution in the advice
- Risk aversion
  
- New capital rules
  - Speculative borrowing
  - Yield v liquidity
  - Minimum Revenue Provision

# A difficult trading environment.....



- Creates massive opportunities
- Social, economic and environmental shifts
- New technologies
- Whole new industries opening up
- Potential for new market space never been better

# Reading the economy



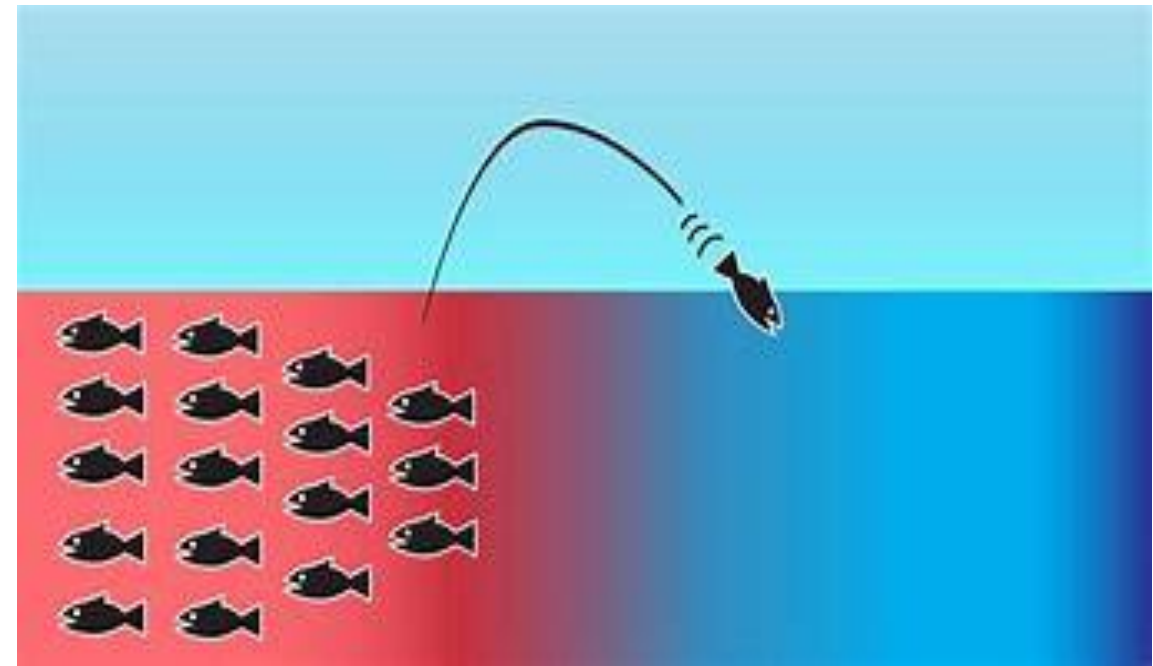
- Brutal times ahead for those squaring up in the Red Ocean



# Is it time for a Blue Ocean Strategy?



- Value innovation
- Thinking beyond competition strategy
- Creating new demand
- Finding uncontested market space
- Avoiding commoditisation of product



# How do you do it?

- Focus on demand side
  - What adds value to customers?
- Do what you know
  - Know what customers want better than they do
- Consciously seek out markets that play to your strengths
  - Multi-service packages?
- Spread risk
  - Lots of trading ventures rather than all eggs in one basket
- Find your USPs
  - Or better find new Blue Oceans to swim in



S. L. ROTHAPFEL

'Giving the people what they want is fundamentally and disastrously wrong. The people don't know what they want... (Give) them something better'



# What makes a good business?



- The idea
  - Playing to strengths
- The business case
  - Shift the odds
- The business plan
  - Clarity over what and how
- The business delivery
  - Sound commercial management with continual improvement

<u>Valuable?</u>	<u>Rare?</u>	<u>Difficult to Imitate?</u>	<u>Supported by Organization?</u>	<u>Competitive Implications</u>	<u>Performance</u>
No	----	----		Competitive Disadvantage	<b>Below Normal</b>
Yes	No	----		Competitive Parity	<b>Normal</b>
Yes	Yes	No		Temporary Competitive Advantage	<b>Above Normal</b>
Yes	Yes	Yes		Sustained Competitive Advantage	<b>Above Normal</b>



*It is not enough to do  
your best; you must  
know what to do,  
and then do your  
best.*

W Edwards Deming

Quote image: <http://everydaylean.info>





# Contact details

**Andy Mudd, Head of APSE Solutions**

**Email: [email@address.org.uk](mailto:email@address.org.uk)**

**[www.apse.org.uk](http://www.apse.org.uk)**



**GB 11409**



**GB 11132**



**GB 14074**

**Association for Public Service Excellence**

3rd floor, Trafford House, Chester Road,  
Old Trafford, Manchester M32 0RS.

**telephone: 0161 772 1810**

**web: [www.apse.org.uk](http://www.apse.org.uk)**