

Are you match-fit for commercialisation?

Andy Mudd, Head of APSE Solutions

Key factors in developing a service based approach to income generation

- Corporate commitment
- Business case framework
- Culture

Culture

Traditional public service

- Paternalistic
- Social policy driven
- Societal focus
- Top down
- Rules based
- Departmental
- Bureaucratic
- Cautious

Entrepreneurial organisation

- Self interested?
- Narrow objectives
- Customer focussed
- Facilitative
- Empowering
- Corporate
- Agile
- Risk management

Who needs to do what?

- Culture and strategy
- Identification of opportunities
- Development of business cases
- Approvals and permissions

Do you know your real costs?

- Budgets and trading accounts
- Apportionment or actual cost
- Importance of marginal cost

Budgets and trading accounts



Budget week 1



Trading account week 1



Budget week 52



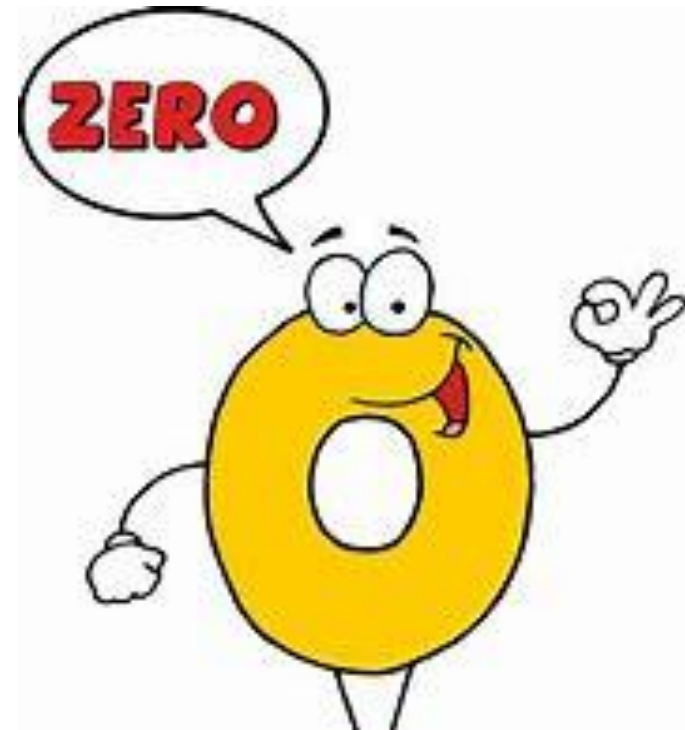
Trading account week 52

Types of cost

- Fixed cost
 - Committed expenditure within a defined period
- Variable cost
 - Over the same time period (all costs variable over long run)
- Total cost and Full Cost
 - The two added together
- Average cost
 - Total cost divided by total output
- Marginal cost
 - Change to total cost of producing one more unit of output
- Sunk cost
 - Irrecoverable if the business fails

What is your capacity to deliver income generating new services or expand existing service offerings?

Surplus or excess capacity suggests inefficiency



Carrying out a robust appraisal; Cost, productivity, price, profit?

Need to
calculate

- Fixed cost
- Variable cost
- Average cost
- Marginal cost

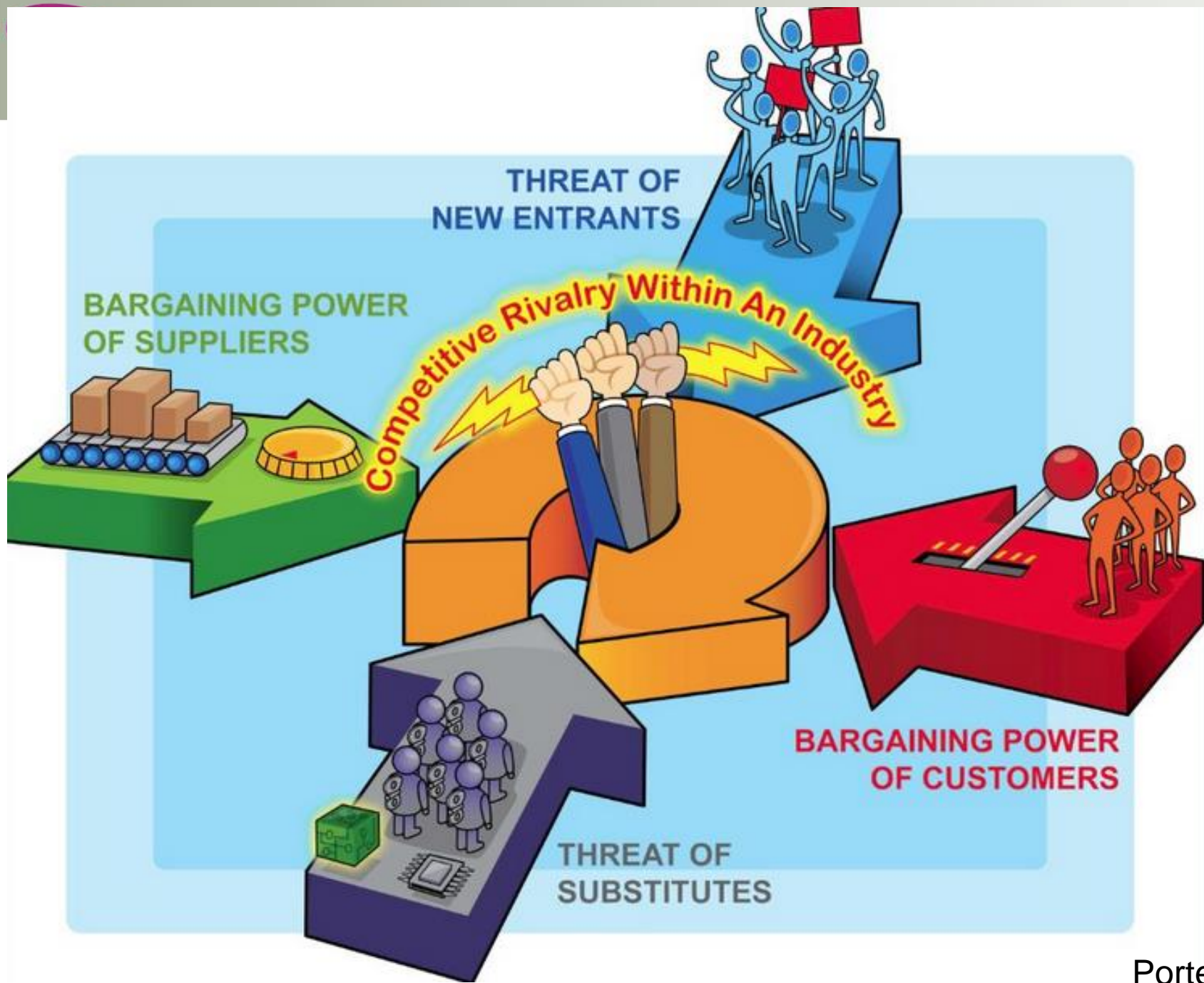
From which you
can work out

- Break even point at various price points
- Margin at various price points
- Market share requirement

Knowing your markets

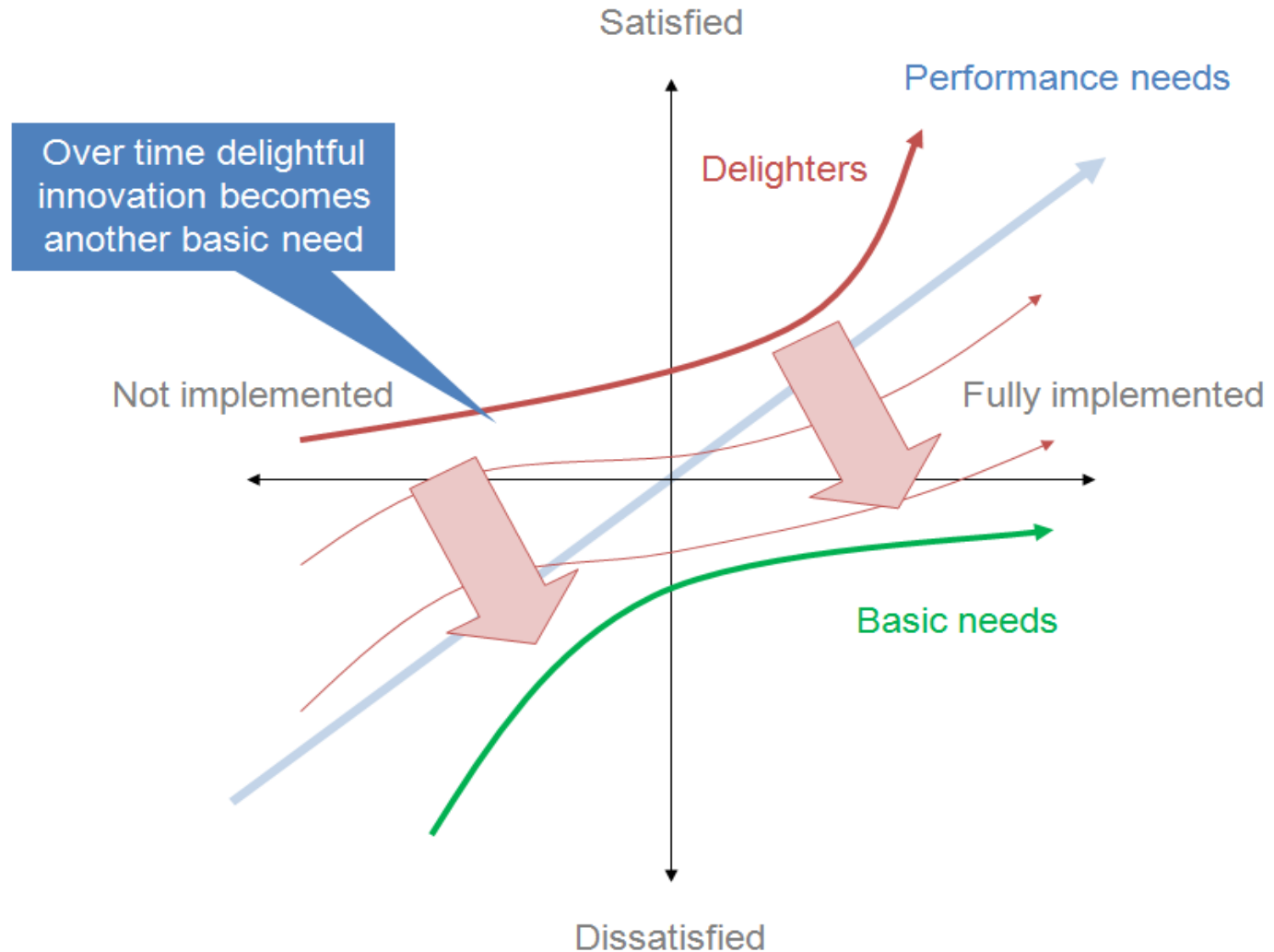
- Product - Vrio model
- Market
- Customer – Kano analysis
- Competition – Porters 5 forces but....
- Customer
- Customer
- Customer ... get it?

<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	Below Normal
Yes	No	----		Competitive Parity	Normal
Yes	Yes	No		Temporary Competitive Advantage	Above Normal
Yes	Yes	Yes		Sustained Competitive Advantage	Above Normal



Porters 5 Forces, 1979

What do Customers value? Kano analysis



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