Public Sector Intrapreneurship

A special report by Spark Global Business
Welcome

“Over the past decade, we have seen a huge change in the way in which public sector organizations operate and one of these big changes has been the mindset shift between a dependence on funded services, to now councils beginning to trade and generate external income.”

During this transition, we have met with a variety of public sector authorities and individuals who are leading this change in local government. In doing so, we have come across a variety of best practice examples and found that these examples have never been properly shared for others to incorporate, this is what sparked us to produce this report.

We started this process by designing a question-set that would give us a benchmark and then followed it up with interviews with key respondents (leaders in entrepreneurship and academics).

Concurrent to this, we made contact with business professionals through our LinkedIn Groups asking that they get involved.

In this report you will find case studies, research statistics and an holistic approach to developing entrepreneurial thinking and activity within public sector organizations around the world.

We know that a report is only the starting point in terms of how you can access information – the next step is to meet with us and we can work with you to see how to develop and embed entrepreneurship.

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Business Writer & Speaker
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Introduction

_Spark Global Business is an international platform that builds ‘complete entrepreneur eco-systems’ – we provide the resources, knowledge, mentors, networks and finance necessary to develop commercial enterprises._

Established in 2001, we support the entrepreneurial spirit within public and private sectors, and aid the development from the classroom to the boardroom.

_If you are an entrepreneur or an intrapreneur (entrepreneur within an employer-business), Spark provides you with a complete and single point of reference for resources and development._

Every year, councils spend millions in providing public sector services to people within their communities. The public expects that every pound of that money should be spent economically, efficiently and effectively.

The 2010 Comprehensive spending review conducted by UK’s HM Treasury made unprecedented cuts to the money that travelled from central Government to local Government. With these cuts in place, Councils had to make difficult decisions towards the sustainability of some of their services and with this, came the decisions around which services to continue and which services to cut or undergo cost saving exercises.

In effect, Councils were being tasked to think and act more ‘entrepreneurially’ whether they were currently able to or not.

Councils across the UK were expected to deliver the same services, but on smaller budgets and so difficult decisions around services had to be made based upon some key factors:

- Priorities
- Budgets
- Value for money
- Service levels
- Service decommissioning
- Innovative ways of involving service providers and the end user

“When working with public sector organizations, we have three major objectives: to support and help them as they build their profit centres; to provide access to networks that allow any new ‘business’ to reach its full potential; and to enable the public sector ‘investor’ to achieve an appropriate return.”
These factors meant that a focus upon measuring current performance became a high priority and so key questions were raised internally:

- How well is our organization performing?
- How well are staff/systems performing?
- Where should we spend our money?
- How can we motivate staff, other managers, collaborators and stakeholders to improve performance?
- How can we convince stakeholders that we are doing a good job?
- What achievements should we celebrate?
- What is working and not working?
- What should we do to improve performance?
- What innovative approaches can we do that nobody else is doing?
- How can we continue to deliver key services on a smaller budget?
- Can we trade some of existing services to a private market?
- Where can we develop new income opportunities?

Within each of these questions, entrepreneurial mindset, attitude and experience add value to the solutions.

With councils launching commercial policies (e.g. North Lincolnshire Council in the UK set out such a policy with an aim to generate additional income for the authority), we will see a rise in the sale of services to public and private sector organizations.

Councils are recognizing that they need to operate more efficiently and more like a ‘Business’ or ‘Enterprise’ but the difficulty here is that Councils aren’t used to operating in this way and so this kick-starts a change within the current public sector market.

Councils need to operate more like a business and have been tasked to generate new sources of income in order to sustain some of their existing services, but they now also have the freedom to introduce new services that they haven’t traditionally delivered.

Current assets that a public sector organization owns and maintains are a huge resource when it comes to operating in new ways that bring in new revenue.

“Located in public sector buildings, an outsourced incubator helps local councils to support the start-up and growth of businesses in their area in a revenue-sharing model – we use redundant premises to boost local economies and deliver a revenue stream in the process”
Intrapreneurs

At the beginning of the report, we want to be clear as to what we believe an ‘entrepreneur’ and an ‘intrapreneur’ to be:

The term entrepreneur is commonly used to describe an individual who organizes and operates a business or businesses, taking on financial risk to do so.

In the sixties, Peter Drucker said that an entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.

In the seventies, Albert Shapero stated that entrepreneurs take initiative, accept risk of failure and have an internal locus of control.

In the eighties, W.B. Gartner’s view was that an entrepreneur is a person who started a new business where there was none before.

Over the last thirty years, the entrepreneur has been lionized with the advent of such programs as Dragon’s Den and the increasing prominence of such people as Martha Lane-Fox (lastminute.com), Sir Richard Branson (Virgin), and Mike Lazaridis (Research In Motion) with their global brands are only helping to develop the concept further.

**DEFINITION:** an entrepreneur is someone who has the capacity and willingness to develop, organize and manage a business venture along with its risks in order to make a profit.

**DEFINITION:** an intrapreneur acts like an entrepreneur within a larger organization. The Intrapreneur tends to be highly self-motivated, proactive and action-oriented – comfortable with taking the initiative, even within the boundaries of an organization, in pursuit of an innovative product or service.

“The success and prosperity of the U.S. (or any country for that matter) is directly tied to the performance of its private, social, and public sectors, separately and in combination. The quality of performance, in turn, is influenced by organizational culture and worker education and training. Government is looking increasingly at business methods and goals for approaches to innovation to achieve greater efficiency and improved performance.”

(Source: Entrepreneurship and the Public Sector – Robert J. Tosterud, Beacom School of Business, University of South Dakota)
Public Sector

After four years of austerity measures in an effort to re-balance global economy, we see that the weight of responsibility rests greatly with the public sector.

The obvious way to work on this is through efficiency (of which there are consultancies willing to sell their services in this field).

Whether this efficiency is derived through process improvement, removal of services (front-line), shared services (back-office) or reduction of employee headcount (reduced reliance on ‘agency’ temporary workers, interim managers, and external consultancies or through redundancy programs), the focus has been on ‘stopping doing things’ as opposed to ‘starting to do things’.

What has become obvious through the building of the report is that the public sector’s focus is shifting from retraction (services, headcount) and into growth.

Our role is to work with public sector intrapreneurs at different stages of the SparkWave℠ and to give them the opportunity to excel.

For this success to be realized, a public sector organization must have a clear vision, strong leadership, see the potential for growth and sufficient mental and physical capital to execute on the plan (‘Entrepreneur DNA’).

During the course of our discussions with UK and Middle Eastern public sector organizations, we noted that there was a common desire to develop an intrapreneurial culture.

Strategies for Success

1. Align activities and investments with overall objectives
2. Get more value from non-core services and assets through shared services and privatization
3. Introduce competition into government service delivery through innovative partnerships
4. Identify innovative ways to reward government employees for performance
5. Aggressively market new services.
6. Strive to be a source of best practices

(Source: Deloitte)

“We believe that at a time when government funding has to be limited, a mix of public and other income is the best way for many organizations to deliver their benefits to individuals and societies.”

(Source: An entrepreneurial Public Service - British Council)
By exploring this aspect further we are able to propose these points as part of our report:

- Entrepreneurship cannot be learnt in solely an academic manner – it needs ‘real-world’ experience to support it
- Identifying savings in itself is not evidence of intrapreneurship
  - The way that a cost saving is achieved can be evidence of entrepreneurial thinking
- Developing an intrapreneurial culture calls for:
  - Identification of intrapreneurs
  - Development of a specific performance management model that aligns intrapreneurship with corporate (and citizen) objectives
  - Intrapreneurship management

- Successful intrapreneurship comprises
  - **Vision** – developing a motivating vision that aligns to corporate objectives (outcomes and values) – and having the right kind of message to motivate all parties involved
  - **SMART Goals** – helping to strike the balance between innovation and structure – setting clear and consistent deliverables
  - **Process** – making intrapreneurship understandable, replicable and measurable
  - **Engagement** – using the strength of the Vision, coupled with the clarity of Goals and consistency of Process in order to engage stakeholders (partners, customers, citizens, staff)

"Implementing creative and innovative solutions within government not only help to improve the way in which we serve citizens and businesses; it is also an important driver for innovation in the wider economy."

(Source: Leong Keng Thai, Deputy Chief of IDA, Singapore)
A World View

“Over the next two decades, the Middle East and North Africa (MENA) region faces an unprecedented challenge. In 2000, the labor forces of the region totalled some 104 million workers, a figure expected to reach 146 million by 2010 and 185 million by 2020. Given this expansion, the economies of the region will need to create some 80 million new jobs in the next two decades.”

(‘Unlocking the Employment Potential in the Middle East and North Africa’, World Bank)

A record 202 million people could be unemployed across the world in 2013, the International Labour Organization (ILO) said in January 2013.

The global economy is expected to show a modest gain in 2013, with output up 3.6% compared to 3.3% in 2012, according to the International Monetary Fund (IMF) but this recovery is threatened by political uncertainty on both sides of the Atlantic that threatens recovery worldwide, said the ILO.

Five years on from the start of the recession, unemployment is on the rise again as economies around the world lose jobs and any recovery is threatened by “incoherent monetary policy” in the US and Europe. In Europe, a modest recovery is dependent on the ability of political leaders to establish credible policies regarding how to get the economies of various Eurozone states to work together.

In February 2012, the UK’s trade union body TUC reported that the true state of British unemployment was not 2.6 million but 6.3 million people when you take into the six measures of unemployment as used in the USA (yet even the USA do not include long-term unemployed adults in their figures).

In January 2013, UK unemployment was reported to be 7.7% (2.49m) but wages stagnated as employers kept a tight control of salaries – leading to a fifth year in falling living standards.

This news was compounded by the collapse of three major UK retailers (HMV, Comet, Jessops) as well as large job losses which edges the UK closer to a third recession in five years.

Since the start of the recession in 2008, the rise in unemployment levels in the UK has been driven by a 9% rise in the number of self-employed workers.

Since early 2010, 40% of the new jobs created in the UK have been self-employed roles.

(Source: UK TUC)
In Germany, the government faced criticism over its extensive youth training and apprenticeship schemes for providing low levels of support to young people with poor school qualifications.

As one of the major engines of the world economy, the US recovery is being challenged by negotiations over the debt ceiling, and spending cuts associated with the fiscal cliff. The USA reported in January 2013 a strong bounce-back with 8% unemployment even though the G20 nations are still fighting the latest slowdown. After the huge losses in the USA in 2008 (twice the total of those lost in the Great Depression and almost double what it should be in a normal labour market), the private sector has been steadily recruiting.

In fact, the private sector in the USA is fuelling demand for skills but this is at a time when the workforce’s education and training has stalled.

On a world level, we see that public sector demand has contracted with many parts of the sector facing massive budget deficits. As a result, public employment (a common driver of employment) has stalled and, rather than be a contributor to employment is now instead the cause of high unemployment.

With many of the developed nations reporting unemployment at about 15 per cent, the goal of absorbing unemployed and underemployed workers in addition to new entrants implies the need to create over 200 million jobs by 2020 (the World Bank reports the need to create 100 million jobs in the Middle East: a doubling of the current level of employment in the first two decades of the 21st century).

In no small measure, global economy is determined by the fate of labour markets.

If current trends continue, economic performance and the well-being of workers will be undermined by rising unemployment and low productivity.

There is a need to motivate a generation to start their own enterprises; add a social value; train and employ staff of their own; invest into local communities.

“With many of the developed nations reporting unemployment at about 15%, the goal of absorbing unemployed and underemployed workers in addition to new entrants implies the need to create over 200 million jobs by 2020”
Initiatives

Every council is an enterprising council in one way or another.

Councils have led the way in the public sector, demonstrating a willingness to not just think about doing things differently but to actually take action.

In the UK, the Localism Act 2011 introduced a new General Power of Competence which explicitly gave councils the power to do anything that an individual can do which is not expressly prohibited by other legislation.

This activity can include charging or it can be undertaken for a commercial purpose, and could be aimed at benefiting the authority, the area or its local communities. Trading within the public sector is an established model but the initiatives that we touch on here are about trading beyond the public sector.

As these local authorities were allowed to expand their trading activities into areas not related to their existing functions (and not restricted by geography), they set up trading companies wholly owned by a council with any profits generated going back to the council through dividends or service charges.

Local authorities were also allowed to participate in someone else’s trading venture through a company, such as a social enterprise, as long as that entity is a company within the relevant definitions.

But the law continues to prevent councils trading with individuals where they have a statutory duty to provide that service to them already.

As this is a sample report, we have outlined below a few of the current UK initiatives that have either been spearheaded by a Council, gained Council support, or been created by the Council and have led to new income streams for the Council.

“The important changes taking place in North Africa and the Middle East have brought to light a number of socio-economic challenges—such as youth unemployment, regional inequalities, corruption, weak institutions, limited entrepreneurship, and the need to advance the role of women in the economy — that must be addressed if the aspirations of the region’s citizens are to be met”

(Source: Arab World Competitiveness Report – World Economic Forum & OECD)
ELY CATHEDRAL

There has been a great initiative that has taken place in Ely Cathedral that has seen the traditional building transformed into a Conference Centre that provides meeting rooms, boardrooms, event space, catering and also a chargeable Wi-Fi resource.

This has generated a brand new stream of income for the Cathedral, but also supplied residents of the local community affordable, top of the range facilities.

The wider outputs of this initiative has also meant that it has led to an influx of businesses using the area for conferences, events and meeting rooms resulting in growth of GDP, job creation and skills development for young people of the region.

http://www.centre.elycathedral.org/

PROJECT EV

ProjectEV began as an initiative started by a group of entrepreneurs but has since become a project that has gained full Council and LEP support.

The initiative will result in a variety of outputs for Liverpool Council including, business start-up rates of the region increasing, development of unused property, private investment into the region and the UK’s first 2-year business incubator programme.

This project has been supported by the LEP and City Council and is currently in the final stages of receiving funding from ERDF and DCLG with approvals being expected in June.

This concept is a very innovative one for a council to support but it is clear to see that it will make sustainable positive contributions to the growth of the region both financially, but also socially economically.

http://www.projectev.co.uk/

“Many millions of people proudly claim the title ‘entrepreneur.’ On the other hand, a title that hasn’t gotten nearly the amount of attention it deserves is entrepreneur’s little brother, ‘intrapreneur’: an employee who is given freedom and financial support to create new products, services and systems, who does not have to follow the company’s usual routines or protocols.’

(Source: Sir Richard Branson – CEO, Virgin Group)
TELFORD ENTERPRISE HUB

Telford Enterprise Hub is a once empty building that has been transformed into a 3-floor resource for entrepreneurs, start-ups and local community to start, develop and grow their businesses.

The hub was started by a local entrepreneur who managed to raise private investment and then successfully used this finance to gain match funding from ERDF.

The hub has been running for a full year and has been supported financially and publicly by Telford & Wrekin Council but has resulted in job creation, economic development, transformation of unused buildings and the start of over 150 businesses in Telford to date.

http://www.enterprisehubnetwork.com

INTELLIGENT CITY – AMSTERDAM

Amsterdam is turning the challenge of resource-dependency into an opportunity for strategic change and economic growth, through its ground-breaking Intelligent City programme.

The programme has ambitious goals, exceeding EU targets by aiming for a 40% reduction in CO2 emissions by 2025 by aligning the goals of sustainable living, smarter working and more efficient transport and infrastructure.

Several initiatives have been launched, such as 'smart schools', a 'climate street' initiative in the city centre and intelligent domestic energy management systems.

A smart grid infrastructure enables collaboration across key public services and departments. The infrastructure brings together diverse providers and utilities from transport, waste management, housing and telecoms, creating new opportunities for local government to generate efficiency gains and deliver better outcomes for citizens.

www.amsterdamsmartcity.com

SERVICIO MADRILEÑO DE SALUD

Most Spanish hospitals and primary care facilities have an electronic medical record (EMR) in place, and these investments have already enhanced patient experiences, improved access and generated cost savings.

One example is Madrid’s Health Portal, Servicio Madrileño de Salud, which is deploying EMR, social networking and electronic prescription technology to connect the region’s hospitals, specialist care and primary health facilities.

Professionals have access to a scientific social network and the Salud collaborative workspace; and the technology allows citizens to choose their primary and specialist healthcare professionals regardless of their location.

**Participle**

Launched in 2007, Participle is a social enterprise based in London, UK and designs, develops and scales innovative solutions to social challenges.

Their partners have included local councils (LB Croydon, LB Lambeth, LB Southwark, City of Westminster, Swindon Borough Council, Brighton & Hove City Council), the private sector (BUPA, JP Morgan, Sky), central government (Department for Work & Pensions), and foundations (Guy & St Thomas’ Charitable Trust, Macmillan, The Aldridge Foundation).

In the first 12 months, they focused on the challenges and opportunities of an Ageing population, developing a social enterprise that helps its older members stay on top of household chores, learn new things, find trusted trades-people and use and develop their skills.

This enterprise was called *Southward Circle* and now many more Circles have been launched.

Circles is becoming one of the best examples of innovative services in its field, and is currently scaling nationally.

Throughout 2009, Participle started working in the area of ‘Families in Chronic Crisis’ in conjunction with Swindon Borough Council and its partners.

Apart from Circles and the Life Programme, Participle has launched two projects around employability and Social Health.

www.participle.net

Other, UK examples include:

- **West Lindsey** – transformation into an ‘Entrepreneurial Council’ through training and consultancy sustained frontline services, delivering savings of £2.13m.
- **Tayside** – sharing services across boundaries through a local authority contracting organization has led to £14.5m surpluses.
- **Wrexham** – implemented a renewable energy scheme, which will reduce CO2 emissions by 3,000 tonnes P/A and generate up to £1m P/A for 25 years.
- **Shropshire** – Shire Services delivers catering and cleaning across the county and beyond, generating an annual turnover of £10.2m across Shropshire and £3m in external contracts.
- **Hertsmere** – , Elstree Studios generates £1.1m P/A rental income for the council, which is reinvested back into local services.
- **Hull** – Kingstown Works Limited delivers building maintenance and repairs services across Hull and East Riding and has returned over £3m in surpluses.
- **Swansea** – redesign of council parks and open spaces service has saved £155k P/A.
A Nordic View

Nordic governments recognise the need to encourage entrepreneurs in recognition of the fact that they can no longer rely on large companies to generate business ecosystems on their own. They are creating government agencies to promote start-ups; encouraging universities to commercialise their ideas and generate start-ups; telling schools to sing the praises of entrepreneurship.

The centrepiece of their innovation system is a collection of business accelerators, partly funded by the government and partly by private enterprise, that operate in every significant area of business and provide potential high-growth companies with advice and support from experienced businesspeople and angel investors.

ALTINN ONLINE PORTAL

The Norwegian Government’s online portal has simplified the interaction between government, businesses and citizens through a single point of contact portal covering the whole range of government agencies. Today, almost all Norwegian businesses make use of the portal for aspects such as tax returns, VAT accounting and employment management. Altinn has also made it significantly faster and more efficient for new entrepreneurs to set up a business and the portal holds important information to help them manage vital aspects of their businesses.

https://www.altinn.no/en

ASUNTO OY HELSINGIN LOPPUKIRI

This Finnish private housing association built a housing community in the suburbs of Helsinki that is dedicated to the idea of helping people help themselves.

The residents took an active part in designing both the buildings’ common areas (which include saunas and exercise rooms) and their individual flats.

Most of them own shares in the company. It tries to offer a balance between independent living and community involvement. The members eat together once a week and tend a communal allotment whenever they feel like it.


“The Spark Public Enterprise Hub is an accelerator program for promising social ventures offering a dynamic space to accelerate social venture growth by bringing together university resources, access to new networks, peer learning, and improved investment readiness. The Hub is defined by its passionate community and collaborative environment.”
FAQ

During the course of compiling this report, we were asked a number of questions – here are some of them.

**How can I creatively deploy public funds and develop new funding models to drive change?**

Public entrepreneurs think strategically about how they leverage limited funds to find different ways of delivering public services and driving growth.

Through strategic outcome-based commissioning, for example, the public entrepreneur can use the significant procurement budgets at their disposal to inspire innovation.

Similarly, payment-by-results contracts, new forms of public-private partnerships and social impact bonds can help generate the levels of up-front investment necessary to drive long-term improvements without putting additional pressure on public budgets.

**How can I maximize value-serving citizens more effectively and helping catalyse innovation and growth?**

Public entrepreneurs are driven by a clear vision of how to improve social and economic outcomes.

Their ambition goes far beyond meeting often narrowly defined performance targets; they constantly seek synergies between their objective of creating more efficient, effective services and supporting wider social and economic goals.

**What kind of services can we take to different markets?**

Many types of council have departments or services they run that could be floated off and trade with private sector clients.

One example that we have seen of this is in Harrow Council where they own a Social Printing organization that supplies promotional goods to public and private sector customer bases.

Taking services that you are already good at and taking them to new markets is a great way of developing new income streams and having positive impacts on the local community through creating new employment.

**How can we market our services and ourselves internationally?**

Supplying services to the UK market is great, but the potential markets you can trade in are greater than just the UK.

Communities are made up of a mix of ethnicity, backgrounds, skills and heritage, utilizing these factors as strengths are a great way to develop and leverage international relationships and develop new revenue streams.

In Harrow for example, the Council is currently doing lots of work with India as a large proportion of their population descend from Indian heritage.

“The Macintosh team was what is commonly known as intrapreneurship; only a few years before the term was coined—a group of people going, in essence, back to the garage, but in a large company”

(Source: Steve Jobs – CEO, Apple Inc.)
If we are putting ‘intrapreneurship’ on our corporate agenda, how do we kick-start it?
Spark runs a two-day transformational workshop designed to inspire public sector professionals to become more entrepreneurial in their thinking.

We introduce them to the entrepreneurial mindset and train them in the art of high-impact entrepreneurship. Participants build creative capacity, entrepreneurial confidence, and find inspiration for future ventures.

The weekend is a proven program that has been developed in collaboration with educators from leading universities and experienced entrepreneurs.

Previous weekend events have created solutions to such issues as youth unemployment (Jordan), immigration (USA), quality of life for senior citizens (Nordics) and rural farming (India).

Are our people ready for this?
Following on from the transformational workshop, Spark delivers a public sector entrepreneurship program that not only prepares the mindset for entrepreneurship but is also accredited in personal leadership development.

This one year program is University accredited and comprises both face-to-face and cloud-based development which includes video interaction, audio lectures, workbooks, forums & communities, mentorship, weekly training calls.

We know that the creation of an entrepreneurial culture within the public sector can be a challenge – and that managing entrepreneurs can bring its own problems! Spark’s program is designed to introduce, encourage and guide the development of an intrapreneurial culture within the public sector.

www.sparkglobalbusiness.com

“There are examples of horrible leadership in the business sector – we should look at stakeholders as much as shareholders and call for public sector intrapreneurs to push the boundaries and redefine the way we work in order to accomplish great things together.”

(Source: William S Lightfoot, Dean, College of Business & Mass Communication, Brenau University, USA)