

**WIDER MARKETS / COMMERCIALISATION  
ASSESSMENT OF POTENTIAL - A GUIDANCE NOTE**

*Produced by PUK on behalf of HM Treasury*

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## WIDER MARKETS / COMMERCIALISATION

### ASSESSMENT OF POTENTIAL - A GUIDANCE NOTE

The NAO (1) have recommended that departments should conduct a regular assessment of the potential for Wider Markets Activity (also referred to as commercialisation). HM Treasury (HMT) have asked Departments (2) to demonstrate in their Asset Management Strategies to be submitted as part of the CSR process that they have rigorously examined their asset stocks to identify Wider Markets opportunities. This note has been prepared by Partnerships UK (3) to provide guidance on how to conduct such an assessment.

#### **What is Wider Markets / Commercialisation**

The Wider Markets Initiative (WMI) – sometimes referred to as Commercialisation - encourages the public sector to adopt a more entrepreneurial approach to making the most effective and efficient use of public assets by exploiting their commercial potential.

The policy applies to all asset types, both physical and non-physical and includes, for example:

**Non-physical assets:** Software, Databases, Information, Expertise, Skills, Brands, Intellectual property

**Physical assets:** Equipment , Land, Premises

The incentive for bodies to undertake these activities is that they can keep the income generated within certain rules; but they must ensure that undertaking the activity does not adversely affect their statutory duties, they must fund the projects from within their existing spending limits, or identify a private partner, and must take responsibility for ensuring that proper procedures are followed in staying within the policy framework.

The policy framework and good practice guidance is set out in the HMT document titled “Selling into Wider Markets : A Policy Note for Public Bodies” (4) and on the HMT GSI website (5).

(1) NAO report “The Wider Markets Initiative: [http://www.nao.org.uk/publications/nao\\_reports/05-06/0506799.pdf](http://www.nao.org.uk/publications/nao_reports/05-06/0506799.pdf)

(2) Departments must judge what is the appropriate level to conduct this review.

(3) Partnerships UK (PUK) is a Public Private Partnership which has a unique public sector mission: to support and accelerate the delivery of infrastructure renewal, high quality public services and the efficient use of public assets through better and stronger partnerships between the public and private sectors. PUK have an established team providing a single point of focus and support for commercialisation issues across the public sector.

(4) HM Treasury : [http://www.hm-treasury.gov.uk/media/ED8AB/New\\_WM\\_guidance.pdf](http://www.hm-treasury.gov.uk/media/ED8AB/New_WM_guidance.pdf)

(5) [http://www.hm-treasury.gsi.gov.uk/wider\\_markets/index.htm](http://www.hm-treasury.gsi.gov.uk/wider_markets/index.htm)

#### **Some examples of Wider Markets Projects**

##### **Facilities**

- Hire of sport facilities.
- Hire of spare office, conference facilities.
- TV / Film opportunities.
- Cafes and Gift Shops

##### **Services**

- Advertising / sponsorship.
- e-Services
- Merchandising
- Consultancy

##### **Products**

- Licensing value added data sets.

*(This is not an exhaustive list)*

## **Conducting an assessment of potential for Wider Markets activity**

Public bodies are encouraged to fully explore the potential for realising greater value from their existing asset base through disposal of surplus assets no longer required for public service delivery and through selling into wider markets. The first step of such a process is to identify existing assets and their surplus capacity. Once an opportunity is identified departments should pull together a business case addressing key questions such as (a) is the proposed WM activity appropriate and legal (b) is there a market for the goods and / or services (c) is it commercially worthwhile.

This guidance does not seek to explain this process but rather to suggest tools and techniques which may assist public bodies conduct an assessment of potential for wider markets activity including:

### ***Reviewing the effectiveness of current arrangements***

### ***Creating a long list of potential opportunities***

### ***Narrowing down the long list to a potential short list***

The exercise is not prescriptive and public bodies may wish to follow any other appropriate process or technique.

Additionally, the exercise should not be considered a one-off, but rather should be repeated on a regular, probably annual basis.

A well executed review will produce a short-list of the commercialisation projects with the best potential in the department (including its constituent agencies and NDPB's).

## **1. Reviewing the effectiveness of current arrangements**

The NAO Study on Wider Markets suggests that senior level commitment, commercially competent Wider Market Officers and a "businesslike" approach are pre-requisites of successful commercial initiatives.

A review of existing arrangements is therefore an important first step. Possible questions to consider are :

*Does the public body have a nominated champion at or close to Management Board Level?*

*Does the Public Body have a full-time Wider Markets Officer, with access to top management and resources, with requisite commercial / business skills and who spends sufficient time in post for effective performance of their duties?*

*Is Wider Markets an integral part of the asset management strategy and business planning process?*

*Does the Public Body have an effective arrangement for collecting and rewarding staff ideas for income generation?*

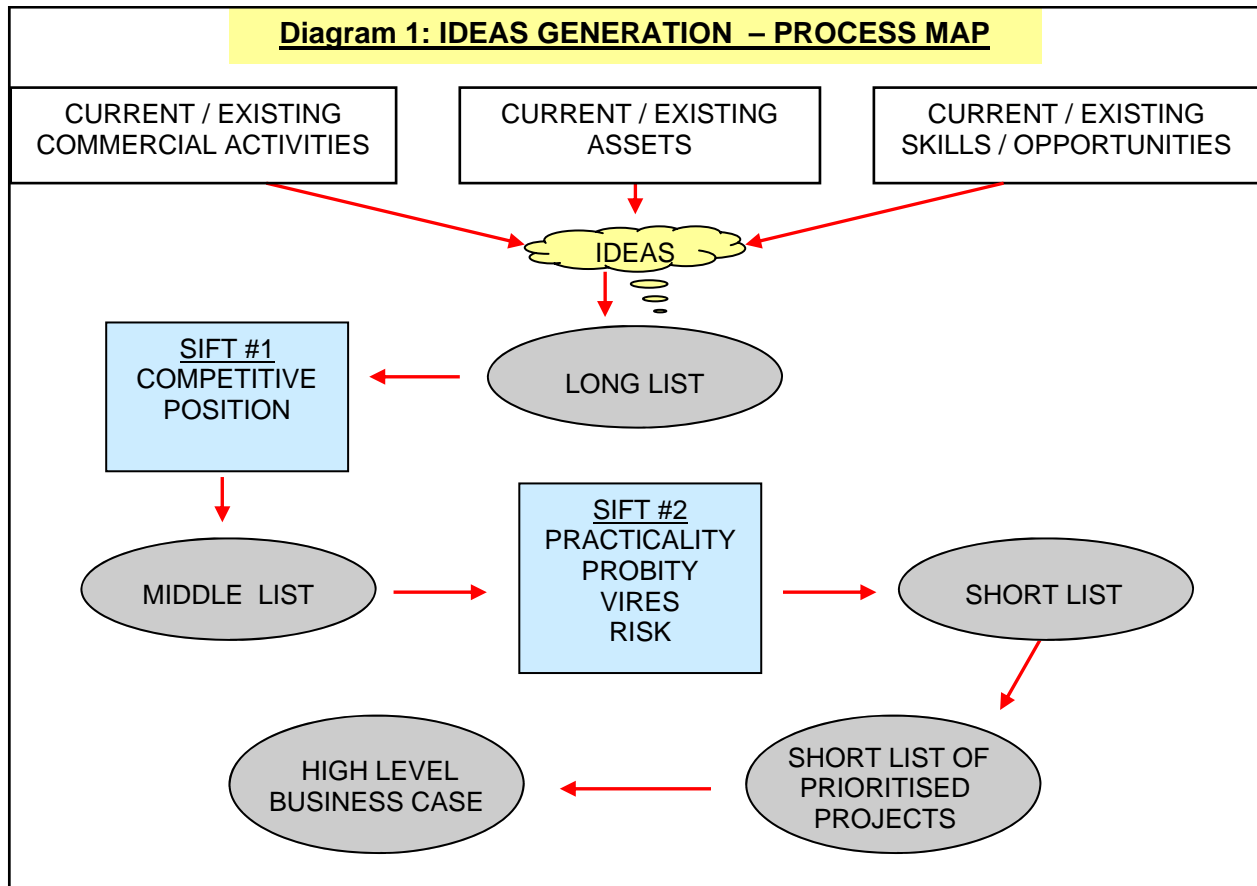
## 2. Creating the long list of potential opportunities

A well executed review will produce a short-list of the commercialisation projects with the best potential in the public sector body.

We suggest three approaches :

- building on existing commercial activities
- building on existing assets
- building on existing skills / opportunities.

An overview of the method can be found in Diagram 1 below.



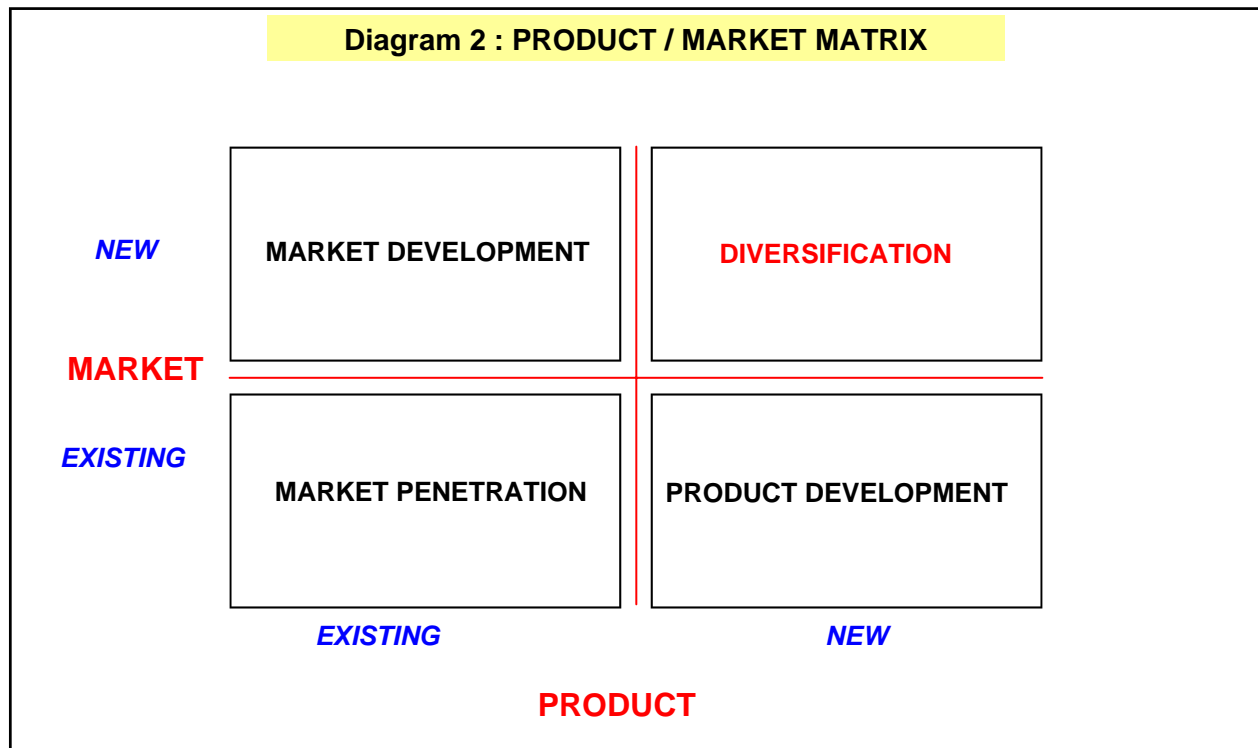
2.1 Building on existing commercial activities

Existing commercial activities can be grown, with the main options for growth being:

- market penetration – sell more to existing markets with existing products or services
- market development – developing new markets for existing offerings
- product development – selling a new/ changed product or service to the existing market

A final strategic growth option exists here, that of diversification – new products in new markets. This is an unlikely scenario and is not covered in the Guidance.

This approach is based on the Ansoff Matrix (See Diagram 2)



## 2.2 Building on existing assets

This approach attempts to identify underutilised assets and find a commercial outlet for them.

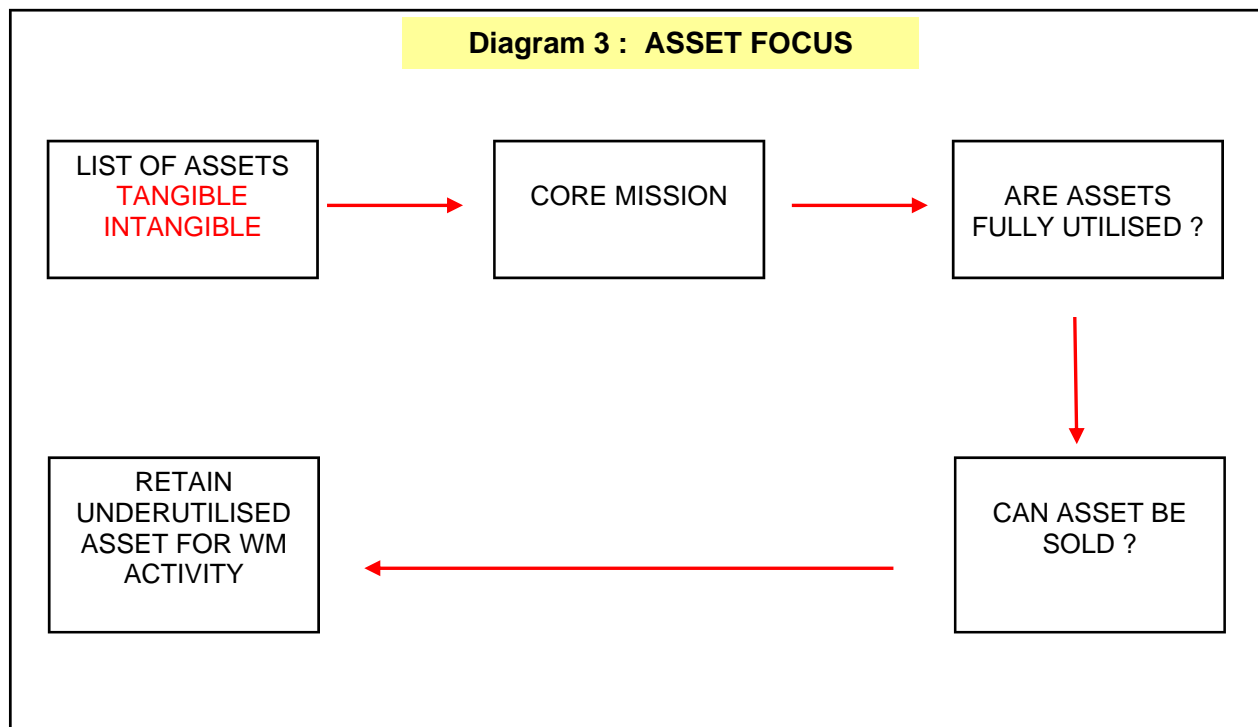
We recommend the following steps (See Diagram 3):.

Carry out a thorough asset review of both tangible and intangible assets.

Assess unique/ rare abilities assets, skills the departments may have including intangible assets e.g. human resources, intellectual property etc.

Determine if there is surplus capacity. For example, are there periods the asset is not used?

Determine whether surplus asset can be disposed or commercialised (6).



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(6) Departments intending to undertake a commercial activity which involves selling goods or services derived from public sector assets (other than in cases which involve carrying out a statutory function) should consider thoroughly whether the asset is needed at all to meet core public sector objectives. If not, the best option will usually be disposal subject to necessary authority.

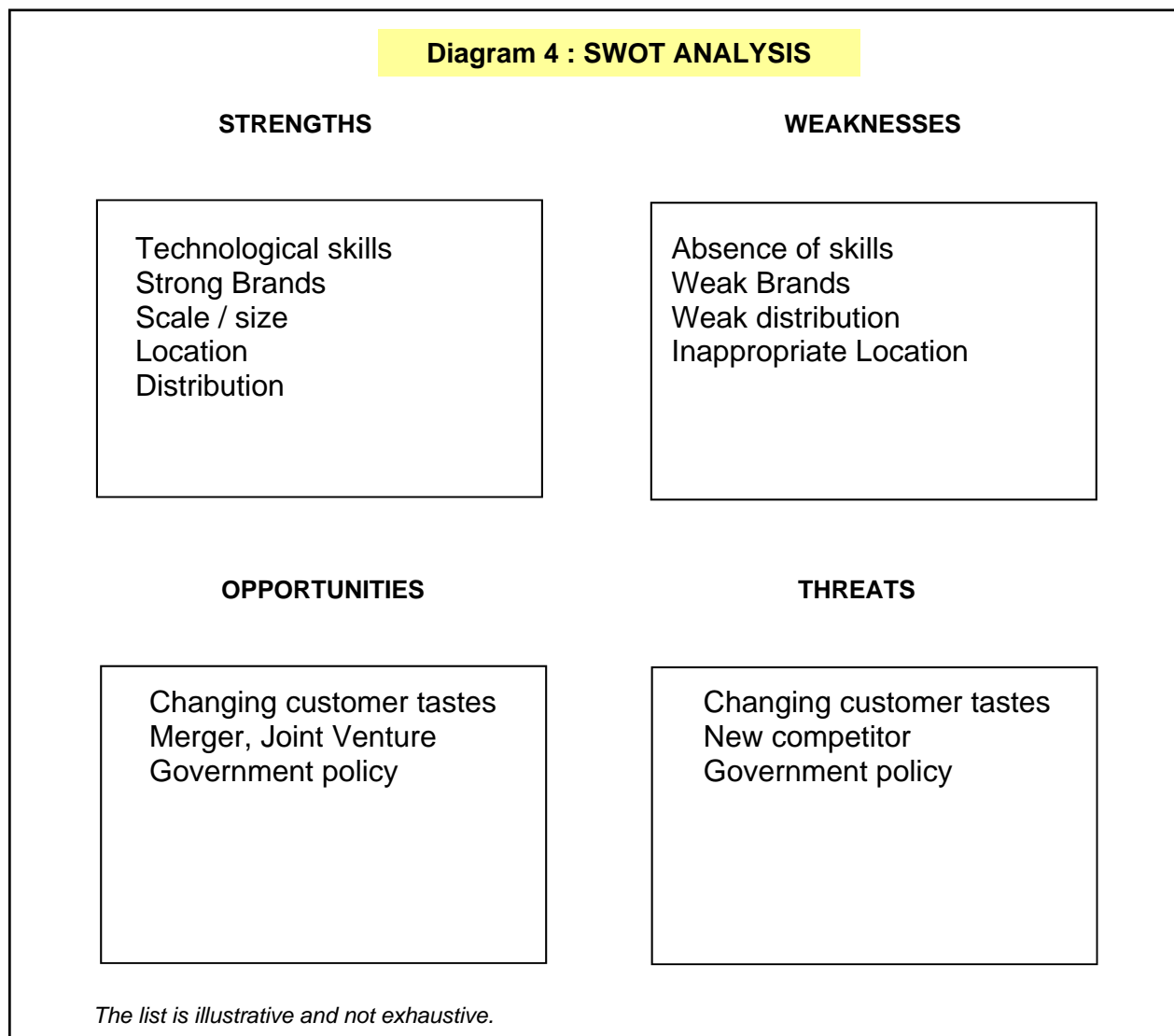
### 2.3 Building on existing skills / opportunities.

SWOT (Strength, Weakness, Opportunity, Threat) analysis is a powerful technique for scanning the internal and external environment for a new potential commercial opportunity.

Factors internal to the organisation are classified as Strengths or Weaknesses and those external to the firm can be classified as Opportunities or Threat.

An organisation's strengths or weakness are its assets, skills or resources it has at its disposal to develop a competitive advantage e.g. brand name, IP, distribution networks etc.

Opportunities or threats are typically factors an organisation cannot control but emerge from either the dynamics of the market or from demographic, economic, political, social, legal or cultural factors. e.g. new technology, new regulations, substitute products or services etc. (See Diagram 4)



The outputs from the above three exercises form the Long List.

### 3. Generating the Short List

The “Long List” now requires to be sifted for market attractiveness and practicality, vires, risk and probity.

#### Sift #1 : Market attractiveness

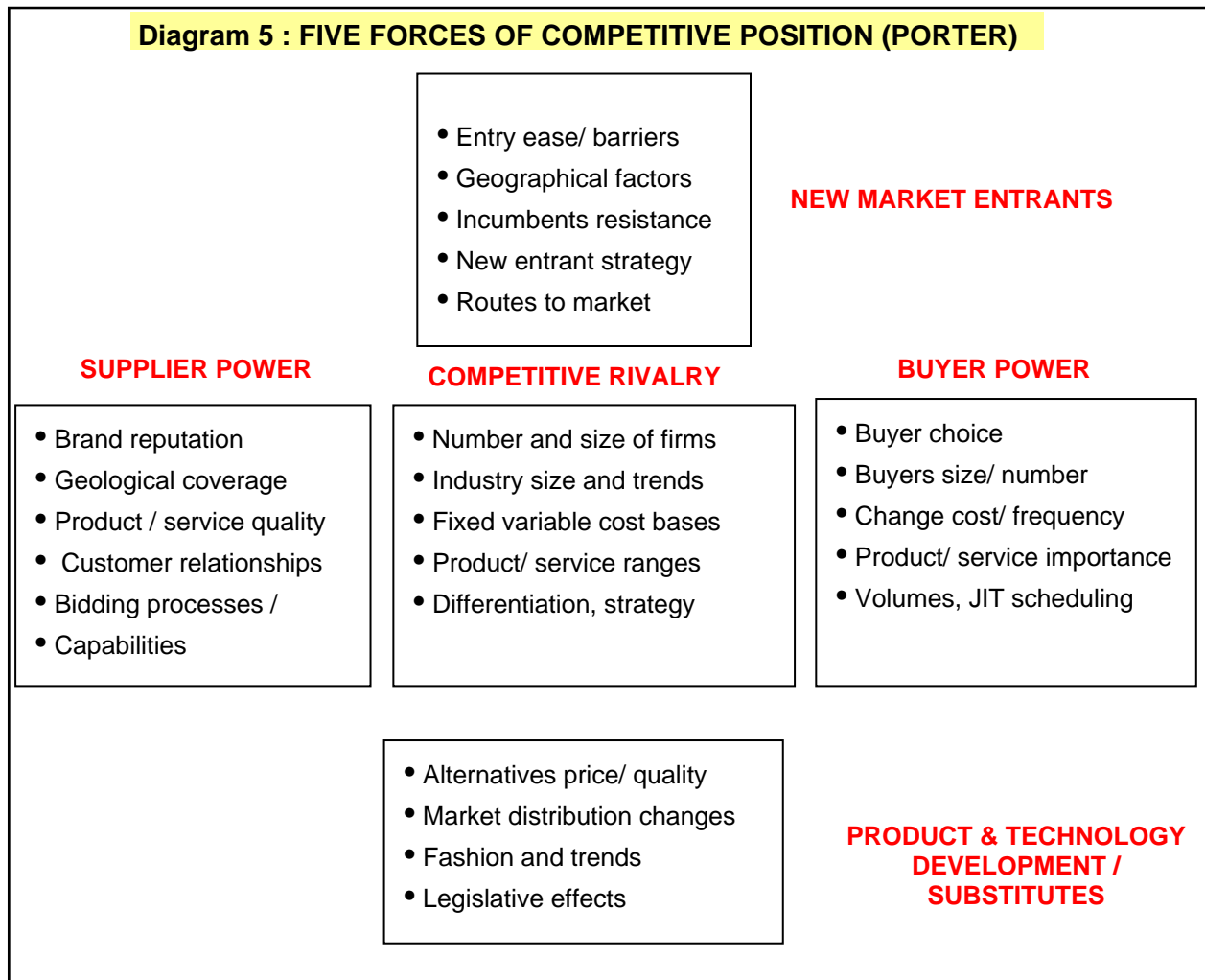
This first filter assesses the market attractiveness of the prospective project. Diagram 5 offers a useful technique to do this.

Assess each project and reject those that perform badly against this test. This is a qualitative test but it is possible to quantify by assessing each box on a particular project as scoring:

For instance,

- 10 : Good
- 5 : Average
- 1 : Poor

Projects scoring less than, say 15 in total, could be considered for rejection, but this is a judgement call for the review team.





Sift # 2 Practicality, Vires and Probity

The second Sift assess the list against the following challenges:

Can the project be delivered within vires?

If not, can a similar project that preserves the essence of the idea and competitive position be delivered within vires?

Ensure that the project does not undermine probity and public sector mission.

Ensure the resources exist, or can be obtained within budgets to make the project happen.

Are there any practical difficulties to delivering the project? How can they be overcome?

If a project fails any of these is there a way to correct the failure – if not the project should be rejected.

*The Short List*

Projects that have survived from the Long List through both Sift # 1 and Sift # 2 will form the Short List.

The Short List can be appraised and prioritised through drawing up for each surviving project a (very brief) High Level Business Case:

**High Level Business Case (one or two pages in length)**

What will the business do and what public assets will be used?

A statement explaining that practicality, vires, risk and probity have been satisfied and/ or where there are issues and how they are being addressed.

What is the market that the business will serve?

Why it will have a competitive advantage in serving that market

A rough estimate of the revenue and contribution/ profit the business could earn in years 1-2 and 4-5

Any external resources required: i.e. investment, advisers, personnel, assets etc

Key personnel available for project. Any personnel unavailable but required for success

Major risks envisaged (including any doubts over practicality, vires and probity)

USEFUL LINKS :

The Wider Markets Initiative (NAO)

[http://www.nao.org.uk/publications/nao\\_reports/05-06/0506799.pdf](http://www.nao.org.uk/publications/nao_reports/05-06/0506799.pdf)

HM Treasury Wider Markets Website (GSI)

[http://www.hm-treasury.gsi.gov.uk/wider\\_markets/index.htm](http://www.hm-treasury.gsi.gov.uk/wider_markets/index.htm)

Partnerships (UK) Commercialisation Website

<http://www.partnershipsuk.org.uk/commercialisation/index.asp>

For further details of tools / techniques suggested in this guidance see :

[www.mindtools.com](http://www.mindtools.com)

[www.quickmba.com](http://www.quickmba.com)

[www.mbatoolbox.org](http://www.mbatoolbox.org)

Please send a copy of your final short-lists / assessments to PUK (or a summary thereof) who are managing this process on behalf of HM Treasury.

For any further guidance on conducting your wider markets/ commercialisation assessment please contact PUK:

**Contacts:**

[Graham Cook](#)                    020 7273 8381

[Sunil Shahaney](#)                020 7273 8389

**Partnerships UK**  
**10 Great George Street**  
**London SW1P 3AE**