



Practical steps to setting up employee led mutuals

March 2011

baxipartnership

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Public sector mutuals

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The future of strategic commissioning?

Mutuals in the public sector: The Government's ambition

“We must not be afraid to do things differently if we are to provide **better services for less money.**”

Francis Maude, Minister for the Cabinet Office, launching Mutuals Pathfinders Programme, August 12, 2010



CabinetOffice

“We will help **shift the balance of activities away from the state** and empower people and communities by ... expanding employee ownership of public services by increasing the number of new structures including co-operatives, mutuals, and spin-outs, and providing details of how to establish a right to mutualise throughout public services.”

Cabinet Office Departmental Business Plan, published November 8, 2010

Mutuals in the public sector: Can it succeed?

- **Fiscal imperative** – unavoidable need to deliver more with less
- **Political imperatives** – Coalition have pinned their colours to the mast. They afford to new mutual spin outs fail as they approach a 2015 election
- **Policy imperative** – Cabinet Office, BIS and CLG are all committed in Departmental Business Plans to Impact Indicators measuring increased numbers of newly established mutuals
- **Appetite** – anecdotal evidence suggests considerable appetite to explore the model

Mutuals in the public sector: Barriers to success

- **Lack of right advice** – spin outs need early access to options appraisal advice to guarantee right strategic choices; then the right specialist support services at the right points (e.g. legal, financial, HR, pensions);
- **Lack of right skills** – the in-house leadership team needs expertise and a skills set necessary to carry a group of staff through transition;
- **Lack of access to capital** – transition will almost certainly require access to capital to support the process which can be difficult to raise;
- **Need for commissioning reform** – addressing lack of risk taking, assessing value on broader basis than cost, dowry contracts, use of quotas, contract length, level the playing field for smaller organisations;
- **Lack of clarity on core transition issues** – including pensions, VAT, corporation tax, assets, and the right to generate a surplus;
- **Lack of sustained political backing** – it will be required throughout.

Mutuals in the public sector: What rewards would success bring?

A growing evidence base demonstrates that giving employees both a stake in their organisation, and a say in how that organisation is run, delivers:

- **increased productivity and performance** levels (by as much as 19% in comparison to traditionally structured enterprises in the same market);
- **increased levels of innovation** and a **more entrepreneurial approach**;
- an internal culture of **transparency, peer challenge** and **continual improvement**;
- **enhanced motivation, higher levels of employee engagement** and **improved staff satisfaction** ratings;
- **reduced absenteeism, greater staff retention** levels and find it **easier to recruit** high quality staff;
- **stronger relationships with customers and suppliers**, and **high level of commitment to communities** they operate in;
- **More sustainable long-term decision-making.**

How do you make it happen?: Getting started

There are a number of initial questions you need to identify answers to before you embark on this process:

- Do you have access to the **dedicated resource** necessary to undertake even the initial strategic thinking, appraisal and evaluation required?
- Do you have the **right individuals** to lead and champion this process?
- Do you have **clarity on the ultimate goals** you want to achieve from this process?
- Do all interested parties **understand the process from the outset** – both the assessment and the decision making processes?
- Do you have **a clear idea of what support you will need** and when you'll need it in the process?

How to make it happen?: The right support at the right time

It is vital to ensure you get the right kind of support at the right points in the exploration and implementation process:

IDENTIFY GOALS

Deliver savings

Protect service quality

PHASE 1: Initial strategic thinking

In-house cuts

Wholesale outsourcing

Strategic partnerships

Explore mutualisation

PHASE 2: Informed options appraisal

Employee led mutual

Co-operative

Social enterprise

Hybrid / joint venture

No change

PHASE 3: Specialist support services

Transition support & business planning

Finance & investment

Legal

HR

Communications & marketing

Employee culture

How do you make it happen?: Strategic thinking to green light

- 1) Strategic options appraisal:** Initial strategic assessment or options appraisal, undertaken to ascertain the purpose and ambition of the service, its commercial viability, dialogue to align key stakeholders, and agreeing achievable benefits from a changed approach
- 2) Outline Business Case:** Use intelligence gathered in phase 1) to recommend a delivery model that best fits particular needs and circumstances. Set out how new organisation will function (including proposed revenue model, legal entity, contract and HR arrangements, governance structures);
- 3) Full Business Case:** Complete description of how transition journey will be implemented, every detail addressed, tested with key stakeholders.

How do you make it happen?: Critical success factors

- **flawless transition strategy** – new spin outs must be equipped to succeed from Day 1 with excellent business planning to realistic timelines;
- **sound business structures** – to succeed new spin outs must have the organisational model best suited to their particular strategic goals;
- **airtight financials** – the new organisation stands or falls on the strength of its revenue model, and its ability to save taxpayers' money;
- **a highly skilled leadership team** – leading new spin outs will require a tough skills set, including an entrepreneurial approach, and the ability to unite management and employees in pursuit of a compelling vision;
- **a highly participative employee culture** – without it, the benefits of the employee owned approach will prove elusive;
- **strong governance** – in terms of people (non-exec directors with specialist experience who strengthen the organisation) and structures (ensuring high quality leadership and meaningful employee participation).

Future of strategic commissioning: The art of aligning interests

The Government is opening up the service delivery market in four ways:

1. By breaking up the monopoly position of large providers who dominate senile markets to reduce existing margins and strengthen competition;
2. By opening up new markets where external providers have not previously been encouraged to deliver services;
3. By encouraging more smaller and medium-sized providers, particularly those with a civil society focus;
4. By encouraging new commercial models, including mutuals and joint ventures, to sit alongside traditional outsourcers.

The real challenge to commissioning authorities is to identify delivery partners with the strongest possible alignment with your own interests, enabling you to deliver savings without sacrificing the quality and integrity of service delivery.

It is upto service providers to be more imaginative in who they partner with to demonstrate that alignment and meet local needs. Spin outs or employee-led mutuals have that alignment of interests locked in right from the start.

Who are Baxi Partnership?

Baxi Partnership (www.baxipartnership.co.uk) strives to be a beacon for mutual and employee ownership. We have a unique ten year track record in offering funding and specialist support tailored to private sector and public sector organisations. We offer support in four areas:



Our employees have worked with and for the best performing employee owned organisations in the UK, we have supported over 30 transitions, offer a full range of training and development to transform your employee-led culture, and are mentors to the Government's public sector mutuals programme. Baxi Partnership itself is an employee owned company.

For advice and support today: **0845 680 6702**, or support@baxipartnership.co.uk

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