

THE FUTURE OF BUSINESS: THE CHANGING FACE OF BUSINESS IN 21ST CENTURY BRITAIN

EXECUTIVE SUMMARY



Commercial Banking

HSBC 
The world's local bank

INTRODUCTION



Noel Quinn,
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In the current climate it is easy to be consumed by the present without keeping one eye on the future. We firmly believe that, while we have an obligation to help our customers conquer the challenges they face today, we can also play a crucial role in helping them prepare for the successes of tomorrow.

In light of this, we commissioned this report to explore the future of the UK business landscape and investigate how and why UK business models will change in the future, under the influence of a generation of increasingly tech savvy businessmen and women.

In this report we acknowledge that many of the lessons learnt in the previous recession will have a critical role to play in ensuring businesses are able to rise, and ultimately prosper, out of the current downturn. Industry, skills and technology such as social media and social networking, created during economic hardship, are destined to become the tools of the trade for many of tomorrow's businesses.

As a result, we can expect to see more businesses improving their flexibility, operating within leaner working structures and exhibiting real dynamism.

It is our challenge to meet these ever changing needs with a service that supports them and helps foster a new generation of entrepreneurs.

We believe that we have already responded to these challenges. We remain committed to SMEs in the UK and are currently opening approximately 2,000 new business accounts every week and our relationship managers are spending up to 30 per cent more time with customers.

In addition, HSBC has become the first bank in Europe to create Business Internet Banking, which is supported on both BlackBerry and iPhone devices, improving our flexibility for customers and we are working closer than ever to help customers with their business needs both nationally and internationally.

It is evident that the UK business landscape is evolving. At HSBC, we will continue to ensure that, through partnering with our clients, we will provide a service to take them into the future.

OVERVIEW

This report, commissioned by HSBC, explores the future of the UK's business landscape and investigates why UK business models are set to change under the influence of a new generation of tech-savvy 'Transpreneurial' businessmen and women. These Transpreneurs will rewrite the rules of how we work and create companies, and redefine the consumer's experience of business practice for the 21st century.

To gather insights into and quantitative data on the future of business in the UK, a survey put 10 topical, future-focused questions to 500 entrepreneurs and business decision-makers in 17 UK cities. The survey asked about their attitudes and behaviours towards business and employment. This report also focuses on the likely impact of these entrepreneurial typologies and shifts in terms of where people choose to work and live, as the cartographic map of the UK changes to accommodate new business models and industries.

In order to create a framework for this report, we conducted additional desk research to investigate the impact of previous economic downturns on business models, innovation and entrepreneurialism. This research focused on a historical perspective of previous economic cycles, and the business models and industries that emerged as a consequence. The report explores Britain's present economic climate and allows for the prediction of new business models and industries in the UK business landscape of the future. It analyses the role of recession in slowing the economy down, but also notes the positive side of an economic situation that allows the time, space and impetus to reflect, rethink and rework our economy and businesses. The report suggests ways to overcome current challenges and even work with them, ideally improving and future-proofing businesses at the same time.



BUSINESS AS UNUSUAL

The business world is changing, and fast. According to futurologist and author Ian Pearson, 'it will become more difficult to describe what you do for a living in the future, as the nature of business changes, but also as the way we do business changes.'

In the past, he argues, business was cyclical, rhythmic and geographically specific. Now, however, it is increasingly rootless, borderless and weightless. It is defined as much by our ability to see opportunity in ideas, knowledge and intellectual resources, as it is to profit from trading in real products and tangible assets. In turn, these shifts are giving rise to new business and economic models and practices such as social enterprise, creative destruction and consumer-centric business models.



UK BUSINESS REGIONS: A CHANGING ATLAS

The recession will put an increased emphasis on interpersonal skills in business and the interpersonal economy. As we have explored, demand for healthcare and support services increases during a downturn, and consumers look to brands with the most human qualities: trustworthy, familiar and consumer-centric.

As new ways to market unfold, and new ways to do business are embraced, we will see a profound change in Britain's business regions and cities as the 21st century unfolds.

From our survey we can already predict, for example, that Belfast (and not London) is emerging as one of the most fearless and opportunistic cities. Here, 33% of entrepreneurs describe themselves as pro-risk and determined to change the UK and international business landscape over the next decade.

Meanwhile Brighton is becoming the deregulation capital of the UK. Here, 82% of entrepreneurs, many based in the so-called MDMA industries (marketing, design, media and advertising), believe that regulations and work-related legislation is a threat to their new entrepreneurial abilities.

Because of this, our sense of British regional geography will need to change as UK cities increasingly pitch with and against each other to attract business and entrepreneurial talent, as and when it is needed. As we shall see, this is already beginning to happen as cities focus on their core skills and to market them in new and more innovative ways.

In the last decade, the notion of the 'culture capital' became a buzzword, as cities such as Cardiff, Newcastle, Gateshead, London and Liverpool worked with so-called 'starchitects' such as Norman Foster, Richard Rogers and Wilkinson Ayre to create business opportunities and global profiles. We are about to see innovation, technology and wireless connectivity being used in the same way, according to our panel of experts.

They predict the rise of 'supercities' and cities such as Newcastle, Leeds, Liverpool and Brighton over the next 20 years. These supercities and regions will derive their status, income and prestige from new economy income streams such as biotech, stem cell, innovation, gaming and even alternative work practices and business models.

Regionally, we will be looking at a map of the UK that is radically different to that once familiar to schoolchildren, where the landscape is plotted by pictograms of factories, power stations, coal mines, and sheep and cattle to indicate agricultural land. Tomorrow's maps will contain symbols for wind farms, robotics, nanotech, biotech and gaming software parks, as broadband connectivity, regional diversification and a growing emphasis on the bio and tech sciences rewrite our notion of region-specific industries.

NEW ENTREPRENEURIAL LANDSCAPES

Over the coming decades, the UK's economic map will be redrawn as new tropics of knowledge, creativity and next-generation industry redefine the centres of gravity for human capital and business.

With traditional economics in a state of flux, new attitudes and behaviours towards business are reshaping the economic map. Our UK atlas highlights these emerging industry hubs and the regional differences in business practices, based on the sometimes surprising data gathered from our survey, as well as our research conducted into the shifting economic landscapes of key cities. From this combined overview, we have selected our top five super cities' – the economic hot spots that are set to surface in modern-day Britain.

Robotics :
 : Birmingham
 : Edinburgh
 : Essex
 : London
 : Manchester
 : Plymouth

Nanotech :
 : Bristol
 : Cambridge
 : Durham
 : London
 : Newcastle
 : Oxford

Biotech :
 : Dundee
 : York

Cybernetics :
 : Reading

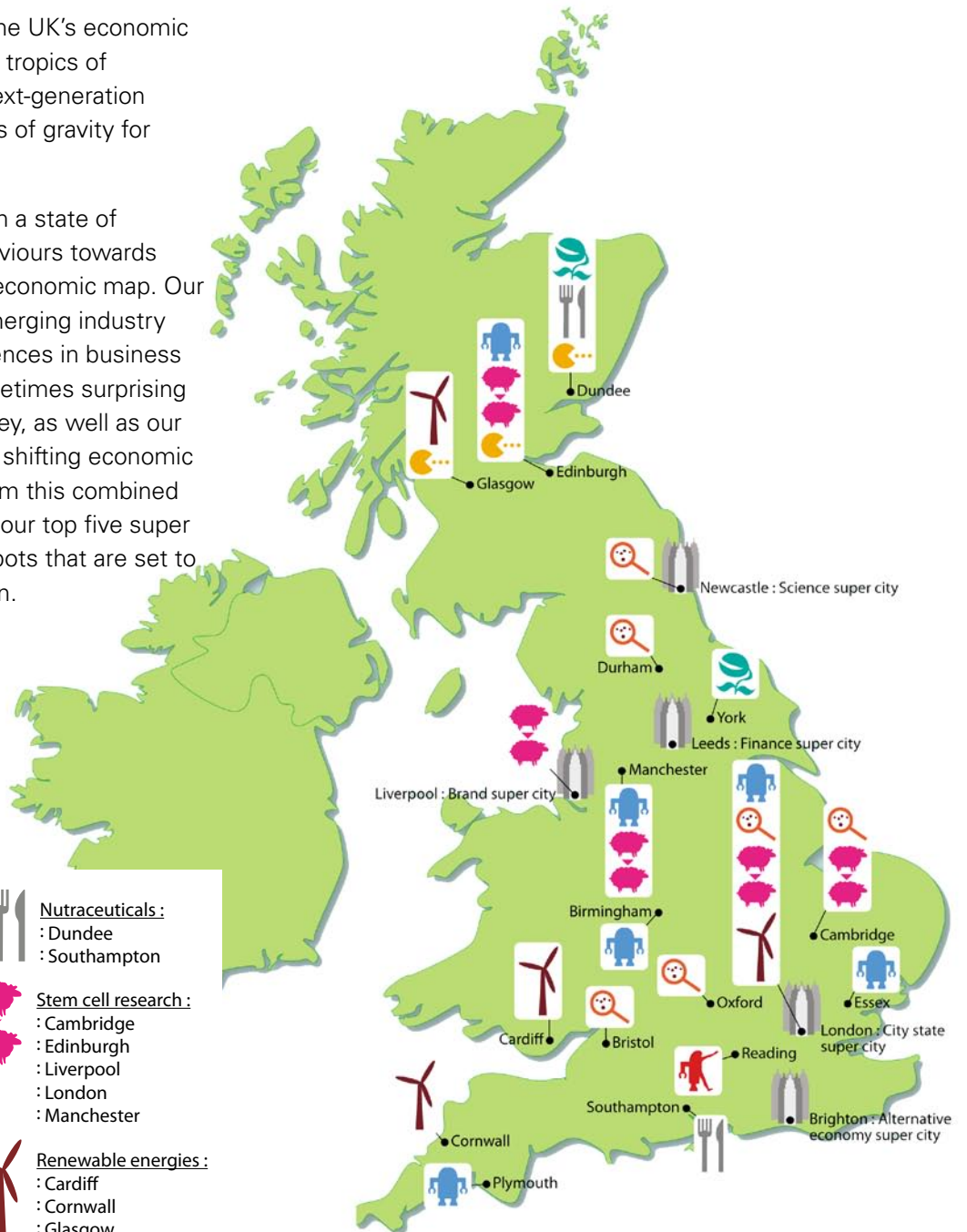
Nutraceuticals :
 : Dundee
 : Southampton

Stem cell research :
 : Cambridge
 : Edinburgh
 : Liverpool
 : London
 : Manchester

Renewable energies :
 : Cardiff
 : Cornwall
 : Glasgow
 : London

Gaming :
 : Dundee
 : Edinburgh
 : Glasgow

Super cities :
 : Brighton
 : Leeds
 : Liverpool
 : London
 : Newcastle



NEW ENTREPRENEURIAL LANDSCAPES

Robotics :

Hot spots

Birmingham – Edinburgh – Essex –
London – Manchester – Plymouth

As work becomes increasingly automated, the robotics industry is coming to the fore to provide the next generation of manual workers who offer 100% efficiency, 24/7 – and they don't even need loo breaks.

Nanotech :

Hot spots

Bristol – Cambridge – Durham –
London – Newcastle – Oxford

Nanotechnology applies to a very broad field of science that focuses on the design and control of things on a minuscule scale. It has huge potential and is in current use in industries such as beauty, medicine and textiles. Richard Feynman, considered the father of nanotech, postulated in 1959 that, because it involves work at a minute level, nanotechnology would eventually enable us to build any substance from scratch.

Biotech :

Hot spots

Dundee – York

The ageing population and the growing interpersonal economy are drawing attention to the health industry. Where the pharmaceutical industry has failed to deliver efficient, affordable and judicious medicine and treatment, biotech – which enables more drugs to be made cheaply and more speedily – offers an innovative and improved solution

Cybernetics :

Hot spot

Reading

Reading is home to a burgeoning cybernetics industry – one, that is, that explores the interface between humans and robots. Our increasing interest in robotics and artificial intelligence for business solutions, as well as the emergence of the interpersonal economy, mean that cybernetics will become key to society and business alike.

Nutraceuticals :

Hot spots

Dundee – Southampton

The UK has established itself as a forerunner in nutraceuticals (foods that have health and beauty benefits), thanks to strong research centres in this field. Nutraceuticals are worth US\$80 billion globally, according to strategic research organisation Compera, and will only become more important with an ageing population and increasing emphasis on our appearance. The food crisis and rising obesity levels in the UK are also driving nutraceuticals as we look for efficient alternatives to how we feed ourselves and maintain optimum health and wellness.

Stem cell research :

Hot spots

Cambridge – Edinburgh –
Liverpool – London – Manchester

The ageing population is driving the stem cell industry. Stem cells regenerate the skin and keep it looking youthful but diminish as we age.

NEW ENTREPRENEURIAL LANDSCAPES

Stem cell technology, traditionally used for burn patients, is seen as the holy grail of anti-ageing. One of the reasons the UK has become an international hotbed for the stem cell sector is the lack of industry legislation. Universities and researchers are effectively operating in a legal vacuum.

Renewable energies :

Hot spots

Cardiff – Cornwall – Glasgow – London

Whilst the UK has not established itself as a frontrunner in renewable energies, it has established itself as an ethical industry leader – and this is driving the business of renewable energies. Geopolitical factors, such as the UK's over-reliance on Middle Eastern oil, are also driving the industry forward, as is the recession, as consumers and businesses search for alternative and more sustainable methods of fuel: note that we are witnessing a mini-boom in log fires and chimney sweeps, for example.

Eco-conscious Brits and the Government's commitment to the Kyoto Protocol will mean that renewables will have to be as commonplace and affordable as electric and gas in the future.

Gaming :

Hot spots

Dundee – Edinburgh – Glasgow

Scotland boasts a world-class gaming industry. Best-selling titles such as Lemmings and the Grand Theft Auto franchises were developed by Scottish studios. The Scottish digital media and creative industries are worth £5 billion annually, according to official figures, providing more than



100,000 jobs in television, games, animation, film and publishing. Companies within the sector range from micro-multinationals to one-man armies, bolstered by active networks and forums that freelance operators tap into for work opportunities.

Super cities :

Brighton – Leeds – Liverpool – London – Newcastle

Our super cities promise to change the traditional national and regional power bases in the UK because of their proximity to the one thing that does not depend on natural resources: knowledge.

But this is knowledge in the 21st century – a notion driven by science, technology, culture, creativity, behavioural economics and, more importantly, an open-source approach to innovation that is turning creative towns, such as Brighton, into alternative economic and innovation powerhouses.

NEW ECONOMIC MODELS

We are familiar with terms such as the 'global economy'. But what about, for example, the 'referral economy'; a collaborative, connected, people-focused equivalent where individuals make money by referring brands, products and services to others within their social or business networks?

We are already witnessing the emergence of sector and economic changes set to have a profound effect on how we need to do business over the coming decade. These shifts include the rise of the following:

- *The fourth sector*, where companies increasingly derive their profits from ethical and sustainable engagements as well as philanthropic efforts and business models
- *The interpersonal economy* - the growth of an economic model requiring human, emotional and high-human touch skills that cannot be automated
- *Emo-economics* - an economic model, process and business approach that increasingly favours women and female-centric skills. These are increasingly needed in the lateral, collaborate and creative market-places currently on the rise

We talk of business and its need to embed more positive work/life practices at its heart, yet, as we shall see, there is a generation of mid-to-late-20something entrepreneurs that

now speaks (and positively so) of the 'Bleisure economy'. This economic and business model deliberately blurs leisure and business attributes and activities in a way that refuses to accept old-style separations between work, rest and play.



According to Daniel Pink, the author of *A Whole New Mind*, there is no longer necessarily a trade-off between business and leisure. 'We thought of work as something you do to get money to buy leisure. But that is a false way to look at it now. If you are doing something that you enjoy and are getting paid for it, it becomes a profitable hobby rather than drudgery.' We are also seeing the emergence of new business and economic models that are turning accepted notions of how we do business, and indeed how we define business, on its head.

CHANGING SKILL SETS

With new business and economic models, however, come new ways to do business. These in turn require us to develop, deploy and use a new set of tools and skills.

How many of us for instance, see social networking sites as a tool for personal, rather than professional, gain? Yet, for many entrepreneurial groups, social networks are now regarded as one of the best ways to develop and maintain new business contacts, test and market new products, organise and manage new business initiatives.

Others use them as conference tools, while international organisations such as IBM even use them as a way to keep managers in touch with each other. This is the new business landscape of people working across borders in an increasingly connected world. As the Transpreneur typology reveals, people are creating models where they can be locally based, but engaged in business outside the UK.

Tools such as Twitter (a social messaging tool that allows people to keep in touch in real-time) and the iPhone, once deemed consumer-orientated, are now vital to the new entrepreneur's business arsenal, as he deliberately dispenses with notions of B2B and B2C. As one of our experts notes, 'you can buy and sell, talk and trade online – there are no employees and entrepreneurs, only levels of professionalism.'



All of the above are giving rise to new business models that are explored in some depth in this report. These include:

- *Micro-multinational companies* - the growing number of entrepreneurs who run their brands and business models across borders via mobile, laptop, BlackBerry and iPhone
- *Collaborateering* - which combines the actions of the open-source business sector with traditional business innovation models to create new ways to make markets more creative, competitive and collaborative
- *Crowdsourcing* - outsourcing to a large, undefined audience; essentially an open call for ideas that will increasingly link business models and innovation across borders

NEW BUSINESS TYPOLOGIES

This report also explores new types of working that will drive frameworks for new business models. The typologies were derived from the quantitative survey and expert interviews. These people will be the pioneers in the UK's new business landscape.

Brighton-based entrepreneur Liam Walsh, a 19-year-old street magician, video editor, promotions manager and website builder, epitomises the new business approach. He uses a multi-skilled, multi-market approach to maximise his opportunities by deploying a diverse range of skill-sets as and when needed.

Walsh terms himself a Slash/Slash Careerist, one of four new typologies we have identified. Slash/Slash refers to the way in which these entrepreneurs describe their various jobs, such as video editor-slash-producer-slash-promotions manager and so on.

The current economic climate will see these new breeds of entrepreneur come into their own, as the drive to cut costs and to compete internationally encourages more collaborative activities between local businesses and elevates the role of Collaborateers.

Social and personal networks will become increasingly recognised as business and entrepreneurial platforms, as Referral Economists have already discovered and are profiting from. In the future, maintaining a strong social and personal network will be as essential, if not more so, than having a CV and good work references.



Transpreneurs, meanwhile, are changing our outlook on how and where we do business. Their default position is to think globally and operate independently, flexibly and in a lifestyle-driven, always-on way. Over the next decade, more of us will be doing the same.

All of them place a new emphasis on being able to negotiate and work across cultures and borders, as well as industries and disciplines. This means that many business models will be able to expand globally, yet remain based locally.

This emphasis on developing new cultural skill sets is fundamental to understanding the changes these new ways of doing business are ushering in, says human geographer Dr James Faulconbridge. Faulconbridge, who specialises in mapping the geography of the knowledge economy, believes that behavioural skills are a relatively recent, but vital addition, to the business toolkit. 'How you carry yourself is becoming increasingly important: interpersonal skills are management skills in a different guise.' It is, he says, giving rise to the interpersonal economy, a way of doing business, a model in itself that we will look at in more detail later.

CONSULTANT EXPERTS

We interviewed 18 experts spanning the worlds of business, economics, youth culture and technology.

1. Deirdre Anderson is a teaching fellow at the Cranfield School of Management and a specialist on flexible working.

2. Larry Elliott is the Guardian's economics editor and author of *Fantasy Island* and *The Gods That Failed*, which both explore the economic and financial problems the UK faces.

3. Saul Estrin is a professor of management and head of the Department of Management at The London School of Economics and Political Science. His areas of research include labour and industrial economics, transition economics and economic development. He is best known for his work on privatisation, competition and foreign direct investment.

4. Our consultant economic geographer, Dr James Faulconbridge, is a lecturer at Lancaster University. He specialises in the geography of the knowledge economy.

5. Professor Lynda Gratton is a global authority on the people implications of business strategy. Gratton has been nominated as one of The Times newspaper's 50 leading influential management thinkers. Her latest book is *Hot Spots: Why Some Teams, Workplaces, and Organisations Buzz with Energy – and Others Don't*. Her website is hotspotsmovement.com.

6. Göran Hultin, of the Future Work Forum, has more than 15 years' experience in international labour market legislation and regulation. He works with governments and corporations on policy and practice by building private-public partnerships to improve labour performance and business strategy.

7. Simon Kirby is an economist at the National Institute for Economic and Social Research.

8. Helen Lawton Smith is a professor of entrepreneurship and head of the Department of Management at Birkbeck College, University of London. She co-authored *Economic Geography: Past, Present and Future*.

9. Dr Folarin Majekodunmi is a biomedical engineer and expert on physical and life sciences.

10. Matt Mason is a journalist, youth culture expert and author of *The Pirate's Dilemma*, which explores how piracy, punk capitalism and youth culture are changing the way we do business.

11. James Meadway is a policy analyst at NESTA (National Endowment for Science, Technology and the Arts). Previously, he worked at HM Treasury as a policy advisor on the Sainsbury Review of science and innovation, and the Barker Review of land-use planning.

12. Futurologist Ian Pearson is a former BT visionary and expert on business and technology. Pearson is founder of the Futurizon futures consultancy.

CONSULTANT EXPERTS

13. Business thought-leader Daniel Pink is the Washington-based author of *A Whole New Mind*, the definitive business book on the rise of right-brain economics and business practices. He is currently working on a new book exploring the science and economics of motivation.

14. Penny Power is founder and director of Ecademy, the UK's leading business network for small businesses.

15. Richard Reeves is the director of think-tank Demos and author of *John Stuart Mill: Victorian Firebrand*.

16. Ruth Sealy is a doctoral researcher at the International Centre for Women Leaders at the Cranfield School of Management, and a specialist in Emo-nomics.

17. Helen Whitten is a member of The Work-Life Balance Trust advisory committee, a UK organisation that promotes a productive relationship between business and leisure. Whitten is also a business psychologist and executive coach who works regularly with businesses.

18. Avivah Wittenberg-Cox is CEO of consultancy 20-first, which advises companies on drawing the maximum potential from 21st-century talent, market and leadership opportunities. She is also founder of *Women-omics.com*, one of the leading forums for Emo-nomics.

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