

**Kingston
University**
London

The Magazine of Kingston Business School & Kingston Law School

VIEW FROM

THE HILL

2010/11

Where will the economic recovery come from?

Dr. Tom Wainright & Dr. John Kitching
help shed some light.

A history of insolvency:

An in-depth analysis by John Tribe.

Do bosses earn their bonuses?

Mark Farmer makes the case.

Alumni news

Keep up-to-date with
emerging graduates.



Editor: Name Surname Job: Name Surname...

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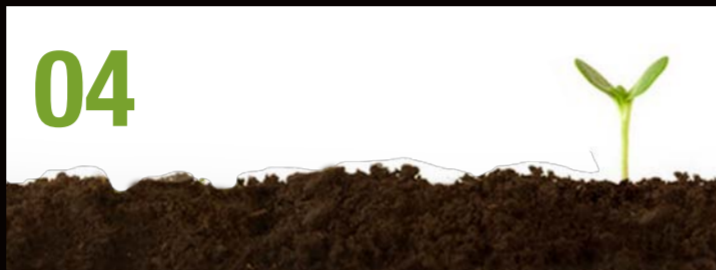
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Our Dean introduces 'The View from The Hill'

Professor **Jean-Noël Ezingeard** MSc IngDip PhD FRSA Dean, Faculty of Business and Law Kingston University

For this annual review, we have invited a number of academics to provide articles that give some insight into their areas of research. In this way, we hope to illustrate some of our intellectual contributions to business, management and law. We have also included contributions from students and alumni, together with reports that highlight the achievements of our students and staff on a national and international level.

I would like to single out a few of the successes achieved by members of the Kingston Business School and Kingston Law School community who have been recognised nationally and internationally. Students and recent graduates did extremely well in a great array of competitions, including the Shell Step Programme, the IBM Business Challenge, the Future Leaders award, the Graduate 100 awards and the Top Young Black Future Leaders award. We also witnessed multiple successes from our own alumni, including appointments to the board of AMBA and the board of British Telecom.

Nor were our staff strangers to recognition; we are very proud of two Royal acknowledgements in the Law School with the award of an MBE for its Head, Professor Matthew Humpreys, as well as the appointment as a Queen's Counsel Honoris Causa by Her Majesty the Queen of Visiting Professor Monty Raphael. The Law School now counts three members with this prestigious title. As demonstrated in previous years, our academics have continued to hit the media headlines with their research work, including national coverage for our research on small businesses in the recession, consumer environmental behaviour, youth justice and bankruptcy.

Our London home places us in a unique position from which we are able to attract a rich and international student body – one that makes us perhaps one of the most diverse places to study business and law in the UK, with over 120 nationalities represented in our student body and over 20 on our staff.

Our geographical position also makes it possible for us to act as a gateway to the international world of business and law, reaching out to an exciting range of locations. We are delighted that our work has received numerous accolades, including accreditation from the Bar Council of India and, for the second year running, the top position in the Russian MBA rankings.



Kingston Business School and Kingston Law School have achieved these successes because they are vibrant academic environments. This dynamism has enabled us to continue to innovate with a range of new postgraduate awards this year, including new programmes in Occupational Psychology, Business Psychology, Services Management, Banking and Finance, Environmental Law and Sustainability and Immigration law.

I hope this annual review provides you with a good flavour of the tremendous work that goes on at Kingston Business School and Kingston Law School. More than that, I hope it also gives you a sense of the life and soul of our two Schools.

Recovery Britain:

Kingston University's Small Business Research Centre (SBRC) has investigated how small and medium-sized enterprises have responded to the recession. Dr Tom Wainwright and Dr John Kitching share results from some of the SBRC's recent research.

Small and medium-sized enterprises (SMEs) play a vital role in the UK economy and, despite deep government cuts, there's good news: the 2011 outlook for SMEs is broadly positive. While the British economy is struggling to manage unemployment, SMEs are expecting to increase employment in 2011, with the smallest firms leading the way in job creation. This is very important for the country's economic recovery, as the SME sector provides 59.8 per cent of private sector employment and 49 per cent of private sector turnover. Interestingly, the highest growth rates are expected to come from firms in the retail trade sector and transport and communications. These are just some of the findings from a number of research projects conducted by Kingston University's Small Business Research Centre (SBRC), funded by Barclays and Workspace Group.

Despite the challenging graduate job market, 20 per cent of SMEs in one SBRC survey are planning to take on a recent graduate, either full- or part-time, in 2011. These jobs are likely to be created by newer, innovative firms, well suited to utilise the skills of new graduates. Findings also challenged the suggestion that bank lending is a leading concern for SMEs. Small firms are more concerned about payment delays from their customers, and are awaiting an upturn in the economy to stimulate demand for more goods and services, to stabilise growth.

Tackling the challenges ahead, SME owner-managers are actively organising and positioning their businesses to maximise growth during the recovery. Firms are also trying to do more with less. Survey results also suggest that SMEs are being more strategic about investments, seeking to increase returns.

For example, 43 per cent of firms are planning to increase marketing spend to drive sales; 66 per cent are planning to maintain spending on product and innovation, while 24 per cent are planning to increase spending as a way to drive innovation and growth.

"A study for Workspace in early 2009 found that small firms experience, and adjust to, recession in a variety of ways. A deteriorating business environment does not impact all small businesses in the same way, at the same time."

The nature, timing and duration of impacts are variable. A quarter of surveyed firms reported higher sales in the year to the end of the first quarter of 2009, and one in five reported improved profit margins, while approximately a half recorded poorer sales and profit performance in the same time period. One in five small firms reported no impact of recession at all at the time of the survey.

The brave new world of small business



Business owners' responses under recessionary conditions are influenced by the nature and extent of the impacts experienced. Recessions pose threats to business but also create opportunities in at least four ways:

- Recessions impart downward pressure on prices, enabling small firms to access cheaper inputs.
- Recessions motivate business owners to adapt products and processes in order to improve performance or to survive.
- Purchasers often switch to new suppliers for cost or quality reasons.
- Recessions often increase the rate of market exit, enabling surviving firms to compete for the 'vacant' market share.

The survey demonstrated that small businesses had implemented a wide range of responses to the recession. The most frequently reported actions were:

- the introduction of new or improved products or services (58 per cent);
- personally working longer hours (58 per cent);
- increased sales effort (56%); and
- renegotiating terms with suppliers (29 per cent).

Given the public debate about the limited availability and high cost of bank finance to businesses, it was again interesting to note that few respondents reported finance-related actions.

The recession poses both threats and opportunities for UK businesses. Moving into the recovery, people, businesses and regions will need to tackle their distinct problems in different ways. It is particularly encouraging to see that, although limited resources render small firms vulnerable to changes in the external environment, they are often able to demonstrate a high degree of resilience to adverse trading conditions.

Counting the cost of youth justice

Kingston Law Professor Julia Fionda examines the impact of government spending cuts on youth crime.

The Ministry of Justice has not escaped the government's spending review plans announced in November 2010. Targets for a reduction of 23 per cent in spending by 2014/15 mean that the youth justice system must become more efficient in its response to youth crime. The emphatic message in the Ministry's recent consultation paper, *Breaking the Cycle: Effective Punishment, Rehabilitation and Sentencing Offenders* (2010, Cm 7972), that criminal justice agencies can expect payment by results suggests that they must also deliver more for less. The Ministry's proposed cost-saving, effectiveness-enhancing measures are loaded with such contradictions. For example, the consultation paper promises simpler sentencing guidelines and enhanced judicial independence at the same time as greater consistency in sentencing. Those two concepts rarely coincide.

In terms of making economies, the youth justice system has had a serendipitous head start: recent Youth Justice Board figures report that the number of young people entering the youth justice system in 2009 - 10 fell by 25 per cent on the previous year. Youth court workloads are rapidly diminishing and the juvenile prison population is beginning to stabilise, if not decrease. The Ministry's cost-reduction plan should, therefore, be straightforward and simply involve carrying on the 'good work' of the previous administration. This is largely what the consultation paper offers.

The key proposals are:

- Retaining the use of short prison sentences;
- Greater use of community sentences where appropriate;
- More emphasis on victim compensation; and
- Greater use of fines.

However, this 'more of the same' approach is a matter of particular concern in the case of youth justice. The policy that the consultation paper proposes to perpetuate involves the use of 'smoke and mirrors' to obfuscate crime statistics, creative accounting to manipulate where costs fall, and a gradual erosion of criminal law procedures, along with due process protections and the rule of law.

The consultation paper acknowledges that a great deal of youth crime is low level. It therefore reinforces a commitment to out-of-court disposals which have traditionally been considered appropriate for such minor offending, reserving expensive court resources for more serious, often repeat, offending. Diversion out of court has a long history in youth justice policy, more recently being a preferred policy option for cash-strapped governments seeking to reduce costs but increase crime control.

In the 21st-century, out-of-court disposals most often take the form of a police caution, a Penalty Notice for Disorder (PND) and the infamous Anti-Social Behaviour Order (ASBO). Police cautioning has the longest history and the practice of offering a stern warning, without further formal action, has come in and out of vogue over the decades according to the availability of resources. The PND, introduced by the Criminal Justice and Police Act 2001, is an evolution of the Fixed Penalty Notice, an on-the-spot fine originally introduced in the 1950s for minor motoring offences. It is an aggravated form of the fixed penalty notice and was introduced initially for adults. After 2003, the Anti-Social Behaviour Act extended its use to youths aged 16 and over and, in 2004, the use of PNDs was extended to 10-15 year olds, initially as a pilot scheme in five police service areas. A review of the pilot projects found that PNDs were commonly used for behaviour such as wasting police time, buying alcohol under the age of 18, criminal damage, theft, and causing harassment, distress and alarm.

A civil order, the ASBO hardly needs an introduction – the media have ensured that we are familiar with its use. Anti-social behaviour is so vaguely defined in the Act that its application has few limits. It is a hybrid order: behaving anti-socially is not a crime but breaching an ASBO is an imprisonable criminal offence. After a widely publicised rethink on ASBOs announced in the spring of 2010, a further consultation paper published in February 2011 proposes revamping the ASBO (and renaming it) but by no means abandoning it. Since none of these measures involves extensive use of the criminal justice process, and most of them importantly avoid the most expensive part of the process 'the trial' they are in an obvious sense cost effective.

However, they also permit a cunning manipulation of the crime statistics. Crime committed but disposed of using the ASBO and the PND is not included in the Home Office crime statistics which are our "barometer" of crime levels. But the number of PNDs issued is included within statistics showing crimes detected or cleared up. PNDs are also included in the number of offenders brought to justice. Both of these figures are important in measuring the performance of the police and other agencies in meeting their crime prevention targets. In this way, the Home Office are able to proudly proclaim that youth crime is falling at the same time as praising the police for dealing with greater numbers of young offenders.

If we look specifically at youth crime, PNDs are not included in the statistics for offences resulting in a disposal, which fell by 5.8 per cent in the last year. Neither do they count in assessing the numbers of young first-time offenders, which is also falling. ASBOs are measured outside the crime statistics altogether, not least because they do not measure particular forms of behaviour prevalent in the community so much as the community's attitude and response to some people's behaviour.

As regards the more serious and expensive end of the sentencing options – custody – the consultation paper is equally cunning. There is an acknowledgement that custody is often futile and sometimes destructive in terms of preventing reoffending. Nevertheless, there is a reassertion that it is a necessary evil for public protection purposes. A statement that it "should be used sparingly and as a last resort" has been welcomed by penal reform pressure groups. The newly constructed sentencing guidelines will be crucial in ensuring that this promise is kept, and they will only succeed if judges and magistrates are minded to interpret these guidelines accordingly.

The early 1990s in criminal justice history should have taught us a lesson in how policy designed to keep people out of prison does not always translate well into practice.

There is a fundamental difference, however, in what the government propose now. The consultation paper proposes to transfer the cost of some aspects of juvenile custody "remand in particular" from central government to local authorities.

Youth remand is the only part of the juvenile prison population that is currently increasing. In other words the government are trying to achieve with custodial sentences what they achieved with community sentences through the creation of youth offending teams in 1998. Whilst an agenda designed to keep young people out of prison is long overdue, it must be questioned how far the incentive to reduce the youth prison population will survive once the cost of custody is wiped off central government budgetary spreadsheets.

It is to be expected that in a time of economic austerity the government are pledging a more minimalist approach to youth justice. However, much of what is proposed by the consultation paper is not real minimalism but rather a continuation of the maximum intervention policy of the previous administration, with thinly disguised attempts at playing a numbers game. More disturbing is the diminishing use of traditional criminal procedures "with due process protections and the presumption of innocence built in" in favour of efficient, informal crime control.

Launching the Respect agenda in 2002, Tony Blair proudly proclaimed that out-of-court tools would reverse the burden of proof and place less reliance on the rule of law in the name of protecting the public and protecting the interests of victims. This is a far cry from real minimalism which historical and comparative examples teach us can be achieved, not only efficiently, but more humanely and with greater conscience about meaningful, but legitimate intervention to prevent reoffending. As long as the agenda focuses more on cheap justice and less on genuine attempts to address offending behaviour, young defendants will ultimately pay the price.



Executive pay has been under the spotlight for several decades but never more so than since the 2007-10 financial crisis and the demise of prominent financial institutions, like the Royal Bank of Scotland, requiring a massive injection of public money to stay afloat. The financial crisis prompted renewed calls for a clamp-down on excessive executive remuneration and an end to irresponsible firm behaviour. Today, barely a week goes by without the media highlighting yet another example of supposed unjustifiable executive pay.

Yet these most recent attacks on executive director's pay may not be justified according to new research by Kingston University. Since the 1990's recession and the collapse of Polly Peck and Maxwell Communications, the UK has made enormous progress in reforming its corporate governance regime, including the introduction of new legislation on executive pay. Despite this, the condemnation of executive pay from politicians, the media and the general public is more prominent than ever before. This condemnation focuses primarily on the scale of pay which continues to increase at a superior rate to average employee pay.

According to the research around one-third of CEO total actual pay comprises of basic pay, which is only weakly related to firm performance. A further one-third of median CEO total actual pay is actual bonus pay, which the study finds to be strongly associated with annual Total Shareholder Return (TSR) and determined relative to FTSE-350 market performance. The final third of median CEO total actual pay is long-term share-based vested awards (performance-shares or performance-options), which the study finds to be strongly associated with three-year TSR and determined relative to FTSE-350 sector performance. These findings are of particular practical interest to investors who want to see the interests of executives aligned with those of the company shareholders, via an incentive contract that rewards executives for enhanced corporate performance. What is also apparent from the research is that other stakeholder groups, such as politicians and the general public, are justified to lament the scale of executive pay. The study reports median CEO basic pay to have increased by 29 per cent between 2003 and 2007, while the Annual Survey of Hours and Earnings (ASHE) reports all employee median annual total pay to have increased by only 14 per cent over the same period. In 2003 CEO basic pay was 22.7 times all employee pay and increased to 25.7 times by 2007.

Do bosses earn their bonuses?

On the other hand, investors, who have a vote on executive pay as a result of the governance reform, have been less vocal in expressing any dissatisfaction. This is because investors, investor organisations and legislators are primarily concerned with the link between firm performance and executive pay and here the new research from Kingston finds a strong association.

The Kingston study was based on chief executive officer (CEO) remuneration of 204 of the largest non-financial UK companies. The CEO pay data was collected from company remuneration reports between 2003 and 2007. Looking at this data, it is crucial to distinguish between the different elements of executive pay and the different performance conditions that attach to each of them in order to establish a comprehensive understanding of the pay-for-performance relationship. When you do this, you find new and convincing evidence that actual bonus pay is determined by annual corporate performance relative to FTSE-350 market performance and actual long-term pay is determined relative to longer-term FTSE-350 industry sector performance.

The research challenges the widely-held view, typically reported by the extant empirical literature, that chief executive pay is 'only' related to firm size and not to corporate performance.

Median CEO actual total pay increased 80 per cent between 2003 and 2007. In 2003 median CEO pay was 43 times median all employee pay, which increased to 68 times by 2007. The gap between CEO pay and employee pay is clearly widening at an ever-increasing rate.

The Kingston research shows that while the media justifiably continue to focus on the magnitude of executive pay it should also acknowledge that in recent years, as a result of corporate governance reform, executive pay has become more closely related to corporate performance. For the media and politicians, executive pay is an easy target and one that represents the corporate excess of which the financial institutions and senior bankers stand accused. And since executive director pay must be disclosed, it is straightforward to single out executive directors and write a controversial narrative on executive pay. On the other hand senior banker pay, which is often vastly superior, goes unreported because it is not publicly available.

It is almost certainly justifiable to continue to question the scale of executive pay and the unrelenting increase compared to national average earnings. Nonetheless, if we believe that the governance of a firm is at the bequest of its owners, then according to the Kingston research there is not too much wrong with UK chief executive pay.

Look at incentives linked to a company's stock market performance and you will find that chief executives do earn their money. Mark Farmer, Kingston Business School accounting lecturer, makes the case.

BANKRUPTCY

A magnet for high-born people, parliamentarians and oddballs?

Article written by **John Tribe**

John Tribe, KPMG Lecturer in Restructuring at Kingston Law School, is the curator of a display on the history of bankruptcy at the Royal Courts of Justice, Strand, London.

Debt and the use of credit affect a great many of us, but formal bankruptcy thankfully touches relatively few; for example, some 74,670 people were declared bankrupt in the UK in 2009. However, the procedure seems to attract a rather high percentage of high-profile, and in some cases positively eccentric characters.

Famous bankrupts include Coronation Street's Bill Roache, the boxer Chris Eubank, the pantomime dame Christopher Biggins, the fabulously named Clarissa Theresa Philomena Aileen Mary Josephine Agnes Elsie Trilby Louise Esmerelda Dickson-Wright, footballers Colin Hendry, John Barnes and George Best, the authors Daniel Defoe and Oscar Wilde, the athlete Eddie 'The Eagle' Edwards, and many others. It could be argued that bankruptcy is a magnet for oddballs and strange behaviour generally, and that is just the academics that study this fascinating subject!

We are fortunate at Kingston Law School to have been given the long-term loan of three primary source documents from the Bankruptcy Registry of the Royal Courts of Justice by the Chief Registrar in Bankruptcy, Dr Stephen Baister. The documents are the Peerage and MP ledger, the Cases of Enduring Public Interest ledger and the Lord Chamberlain's correspondence file. These documents provide information on peers and Members of Parliament (MPs) who have been adjudicated bankrupt or for whom bankruptcy petitions have been presented.

One of the most remarkable entries is the one contained in the Peerage and MP ledger for John, the seventh Earl of Lucan (1934 – 1999).

During the course of his life Lord Lucan had various professional interests including soldier, banker and professional gambler. He is famously remembered as being a suspected murderer who is missing presumed dead. He was also a bankrupt.

Lord Lucan's impecunty could be attributed to his gambling activity. As the Oxford Dictionary of National Biography notes:

“His domestic misfortunes took him into debt, and under the stress of his circumstances he began losing heavily at the Clermont and chasing his losses.”

Perhaps one of the most tragic entries is that for Lord Nicholas Hervey (1961–1998) who was the “uptight, protocol-obsessed half-brother... [and] studiously conventional younger sibling” and heir apparent to the notorious “wastrel” John Hervey, the seventh Marquess of Bristol. Lord Nicholas had a particularly tragic life, despite being born into vast wealth and privilege. Educated at Eton, Yale and the Royal Horticultural College, Lord Nicholas's end came before he had reached his full potential. He ended his own life, aged only 36, by hanging following hospitalisation for schizophrenia. This unhappy event followed a bankruptcy order in 1991.

As to the biggest bankrupts in England, Willie Stern became known as Britain's biggest bankrupt for a period in the early 1970s with a total liability of £118 million (equivalent to £825.2 million today). Stern did not hold the title for long. Rajendra Sethia was declared bankrupt in 1979 owing £140 million (equivalent to £475.5 million today). Kevin Maxwell then took the crown when he was declared bankrupt in 1992 owing £406 million (equivalent to £554.4 million today).

Dear reader: I hope that you do not have to experience any of the above!

BANKRUPT PARLIAMENTARIANS

MAD JACK (1796 -1834)

One of the most notable examples of a bankrupt parliamentarian was John 'Mad Jack' Mytton Esq of Halston Hall, Whittington, Shropshire, who lived in the early 19th century.

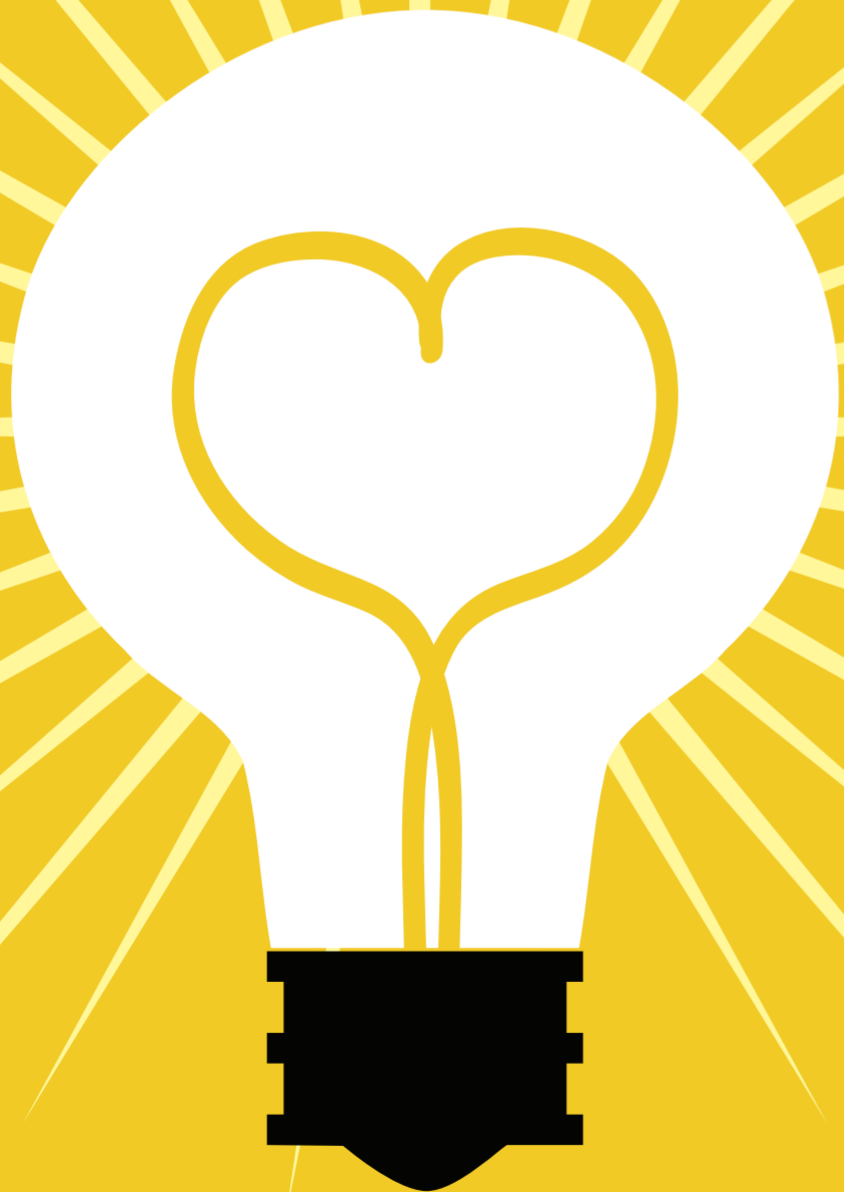


Have you ever kept a pet bear which you have ridden into dinner to the amazement of your friends (pictured above); drunk, on average, eight bottles of port a day commencing your imbibing whilst having your morning shave; kept 2,000 dogs which you have fed on steak and champagne and who wore livery; pretended to be a highwayman and shot at and chased two of your friends as they ran for their lives; squandered £10,000 a year by leaving bundles of money in hedges and buried around your estate whilst hunting naked with your pet monkey; shot ducks in the nude whilst sat on a frozen lake; been expelled from both Westminster and Harrow (after three days); put your wife's lapdog on the fire; or finally, set fire to your own nightshirt to cure hiccups?

Mad Jack's various activities eventually led to insolvency. His biographer notes that “by 1819 all his lands were heavily mortgaged and loans on his personal security were hard to find.” **He died insolvent in the King's Bench debtor's prison (pictured above) in Southwark, London, in 1834, a “round shouldered, tottering old-young man bloated by drink. Worn out by too much foolishness, too much wretchedness and too much brandy...”.**

Aspiring entrepreneur?

Article written by **Dr. Martha Mador**



Kingston University has a large number of aspiring entrepreneurs from every discipline across the University. Dr. Martha Mador describes the many ways, formal and informal, that the University helps them on the way to achieving their ambitions.

Kingston University's aspiring entrepreneurs may be studying business, design, social sciences, or something from more technical and scientific domains. And you will find them studying at all levels represented in the University: from Foundation Degree to PhD. Some want or expect to become self-employed, or to work freelance – designers, illustrators, and musicians for instance. Others have social or commercial enterprise ideas to pursue.

The University has a range of programmes in place which cater to this diversity. Some of these are in-curriculum, providing the opportunity for students to build entrepreneurship into their degrees; some are extra-curricular, providing an enriched educational environment. This range of programmes may be just one of the factors behind the University's achievement: for the last four years, it has been in the top five in terms of the number of graduates starting enterprises.

What Kingston offers

Kingston Entrepreneurs, the student-led society, has over 1,000 members on its books. The society runs networking events and enterprise competitions; it also helps members to bring their ideas to fruition. Its members work with the Kingston Chamber of Commerce to develop links with local enterprises. In 2009 - 10 it won the coveted Most Successful Society award from Kingston University Students' Union, a tribute to its liveliness and the value it creates for students.

The Enterprising Business Awards provide another support scheme with three categories, each reflecting different stages of development of an idea: discovery, evaluation and implementation. The scheme offers students and recent graduates mentoring; the opportunity to join a network of people developing their ideas; small amounts of cash which are the subject of a competitive bid; and regular meetings with expert input, discussion and commitment to action for the next time. Currently over 70 students are being supported through this scheme.

With WestFocus, a group of seven universities in London, Kingston runs Bright Ideas, the annual ideas competition for students. The competition encourages students to write their ideas down and compete with them. It helps students learn to argue the case for their ideas and encourages them to have the courage to present them competitively. There are over £10,000 worth of cash prizes - to be won. Kingston Business School has built the competition into many of its entrepreneurship programmes. It is a required element, which brings the students and their great ideas out of the classroom. Prize announcements take place in central London each February.

The Entrepreneurship Experience is a regular series of evening talks and networking events with entrepreneurs. Speakers have included alumni like Simon Hulme (BA Business Studies), now Visiting Entrepreneur at Kingston, Alnur Dhanani (Kingston MBA) and Neil Whitehead (BArch). At each event entrepreneurs provide an outline of their business and explain their motivation as well as the highs and lows of being entrepreneurs. Questions and answers are always lively, and the networking reception afterwards provides opportunities for students to quiz the experts one to one. The Entrepreneurship Experience has been running for five years, bringing over 40 entrepreneurs into the University.

The University also provides a three day intensive course on entrepreneurial attitudes and skills. Bright Futures is run twice per year for 50 students within the WestFocus group. The programme is highly interactive and engaging. It is designed around learning games, many of them devised by the University's Entrepreneurship team for the purpose. Through the games, students work through the stages of idea development, evaluation and implementation. A team approach, inspirational speakers, visiting entrepreneurs and a supportive environment make Bright Futures particularly lively.



Visiting Entrepreneur
Simon Hulme (BA Business Studies)

A Visiting Entrepreneur to Kingston University is alumnus Simon Hulme. Simon met with undergraduate and postgraduate students with the aim of promoting entrepreneurship. Simon's credentials make him an incredibly successful entrepreneur. Simon founded Card Connection in 1992 with venture capital secured from 3i and built the company into the market leader in the franchised distribution of greeting cards, supplying over 15,000 retail outlets in the UK & Ireland. He is now a full time Business Angel and non-executive director of several businesses.

His role as Visiting Entrepreneur included mentoring business start-ups, promoting and speaking at events, participating in, and judging competitions, and supporting the University in seeking sponsorship. Simon says he is delighted to help students and graduates with their business projects. **"I have been incredibly impressed by the students I have met – there is a great deal of talent within the University and many of these students will clearly go on to be highly successful in business."**

Giampiero Favato, Professor of Accounting and Finance, recognises the danger that we have all become more risk averse since the financial crisis. However, he says it is important that we learn how to deal with risk, drawing on the recent success of the movie 'The King's Speech' to illustrate his argument.

The King's risk

We are not able in life to avoid risks but only to choose between them.

And this is not for lack of trying. At the dawn of the 17th century, the French natural philosopher René Descartes was already trying to model the relationship between risk and behaviour. Moving away from Cartesian dualism, where the relationship between complex stimuli and response was unpredictable, the British mathematician Thomas Bayes (1702-1761) realised that there are many events about which we have partial or inaccurate knowledge: because of our limited knowledge, these events are uncertain. The Bayesian theorem essentially transformed the probability of an event into a statistical function. Two centuries later, Fisher Black and Myron Scholes used quantum mechanics to define the role of volatility **"the standard deviation of the continuously compounded returns of a financial instrument"** in determining the risk and, consequently, the price of derivative contracts.

Four centuries of intellectual efforts that had aimed to rationalise risk seemed to vanish on 15 September 2008, when Lehman Brothers filed for bankruptcy protection. The collapse of the investment bank and its domino effect on the global banking system projected a collective, dark shadow of fear of financial risk and its potentially disastrous consequences. Sinister 'black swans' obscured the skies over rational decision making. The burden of the sub-prime crisis on social welfare was undeniable and the identification of bankers as the sole group responsible for excessive risk taking had a comforting effect on the public opinion, still in shock and disbelief. The aftermath of the banking crisis left most of us with a generalised sense of risk aversion and reluctance to deal with uncertainty.

How much risk should we take?

Can we really afford to avoid risk? And if we cannot, what amount of risk should we take? A quote from the British novelist Jeanette Winterson might help frame the issue: **"you risk what you value"**. The first clue about risk taking is hidden in the choice of the pronoun 'you': the perception of risk is individual to a person or organisation; it depends upon who is looking.

The second hint is the link between risk and value: you take a risk only if something is valuable to you, otherwise you would not care about its potential loss. Conversely, we could say that it is impossible to create something valuable without taking a risk.

This is the essence of the economic theory of competitive advantage. In a perfectly competitive market, all products are undifferentiated: the equilibrium between supply and demand determines the price of the products, which is equal to marginal cost. In this world, where the risk is minimal, the economic profit of a firm is nil. The price would just cover the cost of goods sold and the cost of capital invested by share- and debt-holders. Monopolistic competition allows each firm to create economic value, by setting a price higher than marginal cost: as products are different, some customers will be willing to pay more for their unique features. Differentiation demands passion for innovation, creativity and the ability to continuously challenge paradigms, beliefs and safe choices. This is the kind of risk that a firm cannot avoid, because the pay-off is the purpose of its own existence: to create value for its stakeholders.

Competitiveness plays another important role in the management of risk, which is related to prudence. Plenty of new ideas compete for limited funding: the projects requiring less capital investment while promising higher returns in the shortest period of time have the best chances to become reality. By minimising the initial capital outlay, which is certain, management can mitigate the uncertainty, hence the risk, of future revenues.

The King's Speech: an example of prudent risk taking

The production of the British movie *The King's Speech* perfectly illustrates the concept of prudent risk taking. The scenario is the global movie industry dominated by the US majors, where a prevailing paradigm currently dictates the choice of script to produce. The option to develop a videogame or a three-dimensional version of the movie is highly valuable. The production cost of a blockbuster is in the range of \$200 – 300 million: after the first weekend in US movie theatres, industry analysts can already estimate its total gross revenues and the profitability of a sequel. Nobody in the industry seems to be able to change the rules of the game, to the point that in September 2009 Walt Disney Corporation invested \$4 billion to purchase Marvel, owner of 5,000 copy-righted characters ready to star in a hit movie.

In early 2006, Bedham Production organised the first reading of the play *The King's Speech* in the Pleasance Theatre, North London. The play violated all the key success factors established by Hollywood: based on the dramatic rendition of the friendship between King George VI and his speech therapist, the Australian Lionel Logue, the play was essentially based on dialogues, which the King's speech impairment made even more difficult to follow. In spite of all odds, Iain Canning at See-Saw Films saw its potential as a feature film. In June 2009, the UK Film Council awarded the production £1 million pounds, bringing the total production budget to £8 million.

After its premiere in the US in September 2010, *The King's Speech* opened in just four theatres, but it was widened to 700 screens on Christmas Day and 1,543 screens on 14 January 2011. Released in the UK on 7 January 2011, *The King's Speech* was the highest-earning film on its opening weekend, and it earned over £3 million for four consecutive weekends, the first film to do so since *Toy Story 3* in 2010. *The King's Speech* was nominated for 7 Golden Globes, 14 BAFTAs and 12 Academy Awards; it is expected to generate gross revenues in excess of £400 million, including DVD sales and television rights. It will probably be the most successful British film ever. Its rights are expected to return £12 million in net profits to the UK Film Council, in exchange for the £1 million invested in its production, which was passed over by both Film4 and the BBC. The irony is that the UK Film Council was abolished in July 2010, as part of the Government plan to reduce the public debt generated by a few banks' gamble on toxic assets. What else should we wish for the British economy but...

long life to the King!



Creating an international learning community

From 2012, there will be no government funding for university teaching in the humanities and social sciences in England. In the light of such major cuts in spending on higher education, Richard Ennals, Professor of Corporate Responsibility and Working Life, argues that UK universities and the wider UK knowledge economy have reached a tipping point: they cannot continue as though nothing has changed.

The key proposals are: Kingston Business School is an international learning community, with students from 106 countries around the world; they bring resources of knowledge, experience and enthusiasm, from which we can learn a great deal. We can enlist them as partners in the management and development of learning. We must recognise that recent economic and political changes have rendered obsolete much of what appears in standard textbooks. As HM the Queen complained, when she visited the London School of Economics in November 2008, the experts gave us little advance indication of the imminent economic crisis.

As an international business school, with network partners around the world, the School is able to identify and learn from innovative practices and act as a powerful mechanism for the global exchange of ideas. This is particularly true if we empower our students as effective partners in the process of continuous improvement.

In 2007 a group from Kingston University visited India, where they encountered Students' Quality Circles (SQC), an idea which had been developed based on Quality Circles in the Japanese automobile industry, introduced by Ishikawa. Groups of workers come together in self-managed circles, develop solutions to practical problems,

and take co-ownership of bottom-up quality improvement in the organisation. By contrast, in the UK, quality has been associated with top-down management, compliance and box-ticking.

Since 1993, SQCs have developed in India and then 24 other countries, with a focus on schools, where students gained confidence in problem solving and communication, working in groups outside the constraints of the curriculum. They meet in national and international conventions. Kingston will be the international convention host next in 2014.

In 2009, the first SQC "KCircle" was launched at the School, with undergraduate students of international human resource management. They chose to focus on relations between students and lecturers at Kingston Hill. They presented in India, to their classmates in Kingston, to two academic conferences at the faculty and to the Faculty Advisory Board; they also co-authored a chapter for a book entitled Higher Education in a State of Crisis (Nova Publishers). One of the leaders progressed to an MSc at Oxford and the other has launched Quality Circles in a hostel for drug abusers in Stockholm.

In 2010, a successor SQC, Qualitas, is concentrating on network support for students, and is developing dialogue with students around the world engaged in SQCs.



Their work is funded by the Japanese government and facilitated by UNESCO Fellow Priya Darshini Baligadoo, drawing on her experience in Mauritius, where Quality Circles are popular in business, and SQCs, or Civic Action Teams, are active in schools.

Not to be outdone, Kingston full-time MBA students have come together in an SQC that links them as they work on dissertations. We hope that in the next semester students of Global Information Technology will be actively engaged in work on international collaborative projects, organising themselves in SQCs, and benefiting from a series of lectures from the academic team. The scope for self-managed postgraduate groups at dissertation stage is considerable.

Completing the picture, after pilot experience in 2008, a Staff Quality Circle has been launched at Kingston Hill. 'Student Voice' needs to be complemented by 'Staff Voice'. In the context of mass higher education, the commodification of knowledge and the imposition of additional layers of management, we need to identify a sustainable way forward for learning.

Ownership and management

Students will want to feel co-owners and co-managers of an education process in which they are to be expected to pay all the bills. They are aware that often their own prior experience and knowledge have received limited recognition, and that their grasp of new technologies may be stronger than that of their academic partners (who are, of course, fellow students in a learning community).

At our recent international convention on SQCs, held in Kathmandu, 10 local principals served as co-convenors, collaborating rather than simply competing. Logistic details were handled by a network of 40 SQC veteran students, with mobile phones, Facebook and motorcycles. Their Globalnet has now linked with Qualitas at Kingston.

As we have seen on the streets of London and other university cities across the UK, the genie is out of the bottle, and young people are not prepared to be taken for granted. At Kingston Business School, we are excited by the new opportunities for constructive partnership and mutual learning which are opening up.

International Moscow, Greece,

Kingston Business and Law Schools have a growing reputation internationally and our partnerships with educational institutions include staff and student exchange programmes, shared research and delivery of Kingston courses at international business and law schools. Four countries in which we have strong relationships are Russia, Greece, India and China.

Moscow

In its 12th year (2009/10), the Kingston MBA programme in Moscow had gone from strength to strength. After being ranked first among 30 Russian business schools in 2009 by business journal *Company Secrets*, the programme was rated the best again in a two-month survey conducted by leading Russian newspaper *Izvestia*. Receiving such a vote of confidence two years in a row is a strong quality endorsement for the programme.

The programme is run in partnership with the Academy of National Economy (ANE), one of Russia's most highly regarded institutions. Additionally, there are two further derivatives of the programme, the Executive MBA programme and the Sberbank MBA programme. The Executive MBA programme is designed for candidates with rich management experience and currently occupying senior management positions. The number of students recruited for this programme increased 25% from 2008 to 2009, which crudely indicates the success of the programme. The Sberbank MBA programme is a tailored corporate programme for Sberbank, the largest domestic bank in Russia; it has been held in 2009/10 and its success means it will run again over 2010/11.

In 2009/10, 21 UK-based students went to Moscow to complete the International Marketing and Global Business electives with the Moscow students. This was an excellent result and the experience was highly valued by all the students involved.

In the July 2010 graduation, 17 graduates from the MBA 2008 cohort and 12 from the EMBA 2008 cohort joined the Moscow Kingston MBA Alumni. The majority of these students obtained their degree with commendation and one student from each cohort achieved a Distinction.

Building on the success of the MBA programmes, ANE and Kingston University are currently in discussion about extending the scope of our partnership to delivering other programmes, including MSc Human Resources Management and MSc Project Management.

Greece



The MBA programme has been run in partnership with the ICBS Business College in three locations in Greece, Athens, Thessaloniki and Larissa for about 15 years. ICBS is one of the largest business studies educators in the country. Recently its programmes, which run over two years and are taught in Greek by local lecturers, received very good reviews from both internal and external quality auditors who praised the commitment of student and staff as well as the school's strong links with industry. The second-year suite of electives offered by ICBS offers students the opportunity to specialise in, marketing, human resource management, and recently, Health Management. There is also an option to complete an Executive MBA.

The school has 400 students across its three sites, including 150 postgraduates, many of whom join their colleagues in London for the international week of the MBA programme. The school also has a suite of undergraduate programmes, validated by Kingston. Once a year, a group of undergraduates visit Kingston and spend a week joining UK-based students in classes and other activities.

Both undergraduate and postgraduate students are invited to participate and attend the graduation ceremonies at Kingston every year; in addition ICBS also holds a local graduation ceremony in September led by the Pro Vice-Chancellor of the University and the Dean of the Faculty of Business and Law.

ICBS's strong presence in the market was reinforced when the relatively recently-launched MA Business Management was accredited by AMBA; this followed the successful re-accreditation of the ICBS MBA.

Mumbai and Shanghai

India

As part of its international strategy, Kingston Business School has been actively developing links with high-quality institutions in India. This began conservatively with regular visits to British Council Education Fairs in the principal metropolitan areas in the north and the south of India with the aim of recruiting undergraduate and postgraduate students. Attendance at fairs was complemented by the development of a network of reliable agents to support this recruitment.

As the profile of the Business School began to rise, the interest of Indian institutions in Kingston University became apparent. Careful research led to an approach being made to Shri Vile Parle Kelavani Mandal (SVKM), a charitable trust in Mumbai. This culminated in the validation of Business Administration (BBA) and International Business (BA) degrees run on a 'two-plus-one' basis (two years in India and one year at Kingston) with an optional fourth placement year. The initial enterprise was conducted jointly with the Faculty of Computing Information Systems and Mathematics (CISM) who validated some of their own courses to run on a similar basis.

The business collaboration has thrived and 2009/10 saw the graduation of the second undergraduate cohort. The overall performance was excellent with one of the group achieving a first class honours degree. Currently there are 159 students registered across levels four, five and six. The partner was visited by the Quality Assurance Agency in February 2009 and they were complimentary about all aspects of the collaboration and noted in particular several areas of good practice, including staff development, quality control, moderation and module liaison.

Apart from the strong faculty commitment to the partner in Mumbai, our work with agents has been very productive during the past year, producing a healthy recruitment at both the undergraduate and postgraduate level. This success culminated with the Bar Council of India recognising our law programmes - an excellent achievement and one that is only held by a handful of UK universities.

The trend within India is for UK universities to seek partnerships in delivering programmes rather than simply recruiting students directly to their programmes in the UK. Kingston University recognises this in collaboration with the Kingston University International Office and we are currently seeking further links in the north and south of India to build on the reputation we have gained working with SVKM.

China

Kingston Business School has a substantial number of students from China, both on the undergraduate and postgraduate programmes. We value their presence in the same way that we value all our overseas students for the cultural diversity and interesting perspectives that they bring to our academic community. The wide range of countries represented in the School provides a wonderful networking opportunity. As economic power moves east, this is clearly an opportunity that we cannot afford to ignore.

Estimates vary, but many economic commentators suggest that China will overtake the USA as the largest economy some time soon. This makes China and our links to Chinese universities, academics and students an important part of our strategy to increase our global footprint. At present we are concluding a progression agreement with the prestigious Shanghai Institute of Foreign Trade (SIFT) that will allow SIFT students to join Kingston's final year in order to complete their studies and obtain a Kingston degree.

Currently, Professor Jiang Xiuzhen from SIFT is on a six-month research visit and she is working on a number of joint research projects involving Chinese companies in the UK. Her main Kingston research partner is Dr Miao Zhang, Principal Lecturer in Leadership, HRM and Organisation.

Kingston Business School also has research and programme links with a number of high profile Chinese universities such as Beijing Normal University, Tsinghua University and HoHai University. In line with its widening participation mission, The School is also exploring a partnership with the Chinese Service Centre for Scholarly Exchange that would allow Chinese students to come to Kingston for the final two years of their degree studies.

Centre for Corporate Partnerships

The Centre for Corporate Partnerships (CCP) brings together the reputation and skills of Kingston Business and Law Schools to offer top quality services to businesses. Our range of services help organisations achieve their goals, whether it is through the development and training of staff, knowledge transfer activities, bespoke research or consultancy projects and student placements.

We strongly believe in understanding our clients' needs fully and building strong and lasting partnerships with them.

Short Courses

We also have a portfolio of short courses which we run on a variety of subjects including:

- Leadership and Management
- Employment Law
- Finance for non-financial Managers
- Corporate Finance
- Change Management

These courses can be run on both a public and in-company basis.

Work based Learning

Our Work-Based Learning (WBL) programme provides the opportunity for professionals to gain academic recognition for learning gained at work.

Qualifications can include the following subject areas:

- Business, Management, Professional and Consultancy Practice
- Organisational Learning & Development Practice
- Healthcare Management and Leadership
- Innovation & Entrepreneurship
- Leadership Practice
- Career and Talent Management
- Project Management Practice

Our expert work-based learning team will work with your company and the student to devise a credit-based programme of study that allows progression from postgraduate certificate and diploma through to master's level.

Inputs are drawn from a variety of alternatives including:

- Taught classroom sessions
- Open and blended learning using web based study materials
- Other specialist training courses
- On-the-job development

A flexible 'learning agreement' framework allows you to tailor the programme around your work and organisation. It aims to make sure that the knowledge gained is relevant to both individual and organisational needs.

For further information on Executive Education, Work Based Learning, bespoke research, consultancy, student placements or any other services we might be able to offer your organisation please contact either John Forgan or Kathryn Elliott at the Centre for Corporate Partnerships on **020 8417 5511** or **ccp@kingston.ac.uk**

Executive Education and Short Courses



CP has an established history of providing innovative and high quality courses direct to corporate clients.

We can help to build a bespoke programme of study across all our business and law specialisms. Our courses are tailored to suit an organisation's specific needs or to address a certain objective.

Case study



In 2010 we delivered a banking and finance course to a large marketing communications organisation. They wanted to enhance their understanding of the banking and finance sector as a result of being awarded a new contract with a world-leading financial services company. The team involved in the delivery of services wanted an introduction to financial services in order to give them a better understanding of the work their client was doing and to help them work more effectively with them, thereby delivering a better service.

As a result of the training, the participants told us that they felt much more confident talking to their client and had a far greater understanding of the banking and finance sector. They thoroughly enjoyed the sessions and really valued the trainer's expert knowledge and experience.

WHAT SHOULD I DO NOW?

Article written by Name Surname

A businesses response to the increased presence of technology in consumers' everyday lives.

In an increasingly globally integrated and interconnected world, consumers have unprecedented access to information and choice. Businesses are faced with complex markets and challenges, responding to customers, governments and regulators, and having to make decisions in a rapid paced and global ecosystem.

Social networks and Web 2.0 has given more and more people a voice and the opportunity to share opinions instantly in favour of, or against a brand or reputation. We are more interconnected than ever before, with the volume of data exponentially growing. IDC predicts in 2011 that the 'digital universe' - the amount of information and content created and stored digitally - will grow to 1.8 Zettebytes (ZB) up 47% from 2010 and rocketing to over 7ZB by 2015. A zettebyte, by the way, is a 1 followed by 21 zeros! Or a million million gigabytes.

Today, 70% of consumers' first interaction with a product or services takes place online. Of the two billion people connected to the internet, more than 600 million are on Facebook, hence businesses need to be able to swiftly adapt to rising customer demand.

The sheer speed of decision making has explained the growth and variety of information that is driving new, unprecedented complexity. This is compelling business leaders to move beyond the more traditional approaches of decision making. Engaging with advanced analytics is encouraged to accomplish deeper and faster insights, enabling Business Leaders to confidently predict and determine the optimum strategies and decisions.

A unique example of analytics in action was a recent undertaking by IBM and their computer called Watson (named after IBM's founder, Thomas J. Watson) "who" defeated the two greatest champions in the history of an American quiz show - Jeopardy! Watson rapidly executed thousands of proven language and analysis algorithms to find the answer and the more algorithms that arrive at the same answer, the more likely the answer was the right one, securing "his" place in Jeopardy! history. This phenomenon demonstrated that it is now possible to simulate human thought and arrive at accurate conclusions even more amazing that the technology involved is actually available commercially today.

As these kinds of disruptive technologies become more accessible and widespread, organizations will be better able to capitalize and leverage the growing volume, variety and velocity of information that leaders must master, in order to succeed in an era of complex uncertainty and intense competition.

¹ IDC Predictions 2011: Welcome to the New Mainstream, Doc.# 225878, Dec. 2010.

² <http://www-03.ibm.com/innovation/us/watson/what-is-watson/index.html>