Spring 2010

Nottingham University
Business School

nubiz

The magazine for Nottingham University Business School Alumni

Issue six | Don't sack the manager | Black swans: do they exist? | What does the future hold for business schools?

Nottingham MBA best for responsible business education | Where are they now? | Staff and school news

nubiz
The magazine for Nottingham University Business School Alumni

Director's View from **Professor Leigh Drake**

2009 has been a challenging year in which economies suffered and businesses struggled to make sense of the new economic reality.

In the face of these changes, it is imperative that universities and their business schools demonstrate that they too are able to learn and evolve in a way that anticipates developments in the wider world. It has never been more important to maintain solid intellectual foundations and not be tempted by superficial and hurried responses to crises.

I am in no doubt that the School's rich mix of expertise in innovation and entrepreneurship, its international perspective and connections, and the expertise of its faculty offer unique opportunities for personal development. I am particularly delighted that in 2009 Nottingham continued to demonstrate its leadership in responsible business education – we are placed 1st in the UK, third in Europe and 23rd globally in the Aspen Institute's 2009-10 'Beyond Grey Pinstripes' ranking of MBA programmes and faculty research that integrate environmental, social and ethical issues.

Nottingham University Business School takes very seriously its responsibility to educate future business leaders to take a broader ethical and societal perspective on business practices and finance. And our leadership in embedding corporate social responsibility into our curriculum fully supports this objective.

We continue to pioneer entrepreneurship education across all our programmes as we believe it is vital to equip our students with enhanced creativity and effective problem solving abilities to help them realise the many opportunities that their futures will bring. The School is now a focus of entrepreneurial activity which unites several of the University's Schools and external organisations in collaborative teaching, research and the generation and development of new ideas.

As they enter the marketplace our latest cohort of graduates has a key role to play in helping the economy to stay on track and grow. New products, new processes and new business models will emerge, often because of the entrepreneurial flair that the best business schools encourage. But our graduates should not rest on their laurels. They have a responsibility to update their skills and knowledge to remain effective leaders in an increasingly challenging business environment.

As the economy recovers, business schools can and should ask whether the substance of the problems behind the crisis has been tackled adequately. This is the spirit that ought to infuse the business school of the future and I am confident that Nottingham University Business School is well placed to lead the way.

Whatever stage you have reached in your careers, we are always interested in hearing about your activities and achievements and look forward to welcoming you back to our business school.

Letter from the editor

In this, our sixth edition of nubiz, there is something of a reflective theme.

In his lead article, Ken Starkey, Professor of Management and Organisational Learning, argues that, in the light of recent world events, we need a new narrative of business and society, and that the political and business elites must critically analyse their assumptions and their models of economic, business and social organization.

While more enlightened schools are building some reflection on the current crisis into their curriculum, and courses in ethics, corporate social responsibility, social accounting and sustainability are moving into the mainstream, it's clear that Nottingham already leads the way on this. Although many MBA rankings exist, only one looks beyond reputation and test scores to measure something much more important: how well schools are preparing their students for the environmental, social and ethical complexities of modern-day business. In the Aspen Institute's 2009 edition of *Beyond Grey Pinstripes*, Nottingham University Business School has again been named the UK leader in ethical and sustainable business in a global league table of innovative MBAs. You can read more about this over the page.

In the wake of a worldwide fiscal crisis which many believe to have been caused by the actions of greedy financial institutions, bankers' bonuses have been slammed as an unacceptable luxury and there are cheers for radical change. Reflecting on the compensation structures used for US professional basketball players, Margaret Woods suggests an unusual potential solution for the future of bankers' contentious bonuses. And finally, in considering why the financial crisis of 2008 turned out to be such as surprise Bob Berry suggests that one possible reason is that we tend to forget that similar outcomes can be produced by dissimilar causes, and we should also acknowledge the possibility that the most extreme outcome that has happened in the past might happen again. Never say never!

Best wishes,

Hilary

Editor: Hilary Vaughan-Thomas
Design: Factor Design Associates Ltd

nubiz is the magazine for graduates, former students, staff and friends of Nottingham University Business School. The views expressed in Nubiz are not necessarily those of the editor, alumni or the Business School.

If you would like to contribute an article or give us an update of what you're doing we would be very pleased to hear from you.
Contact the editor at **hilary.vaughan-thomas@nottingham.ac.uk**
Tel: **+44 (0)115 8466687**

www.nottingham.ac.uk/business/alumni

In this issue

Cover image © Martine Hamilton Knight Photography

Issue 6
Spring 2010

nubiz is printed using vegetable inks, onto paper from renewable sources.

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-
© 1996 Forest Stewardship Council

Nottingham MBA is UK's best for responsible business education

Nottingham University Business School has again been named the UK leader in ethical and sustainable business in a global league table of innovative MBAs. The School has climbed five places in the world rankings, to number 23, and comes third in Europe.

Nottingham has demonstrated significant leadership in integrating social, environmental and ethical issues into its MBA programme, according to the Aspen Institute's 2009 edition of *Beyond Grey Pinstripes*, a biennial survey and alternative ranking of 100 business schools.

While many MBA rankings exist, only one looks beyond reputation and test scores to measure something much more important: how well schools are preparing their students for the environmental, social and ethical complexities of modern-day business. As well as evaluating MBA courses, the survey measured the CSR content of all research produced across the Business School. Nottingham came fifth worldwide.

Nottingham University Business School has long been a world leader in this vital field, led by the work of Professor Jeremy Moon, Director of its International Centre for Corporate Social Responsibility (ICCSR).

Professor Moon's work has been exceptional for successfully integrating corporate social responsibility (CSR) throughout the School's programmes and for introducing the UK's first MBA in Corporate Social Responsibility, as well as an MA in the subject. The School is committed to teaching responsible business, and the CSR and business ethics courses are available to all its students.

Reacting to the news, Nottingham University Business School Director, Professor Leigh Drake, said: "To retain first place among UK business schools and rank in the world's top 25 for both our research and teaching is an extraordinary achievement and reflects our commitment to responsible business education.

"The School's International Centre for Corporate Social Responsibility (ICCSR) has been an extremely important catalyst for curriculum innovation in this area and the Nottingham MBA is a pioneer in shaping responsible business leaders.

"We have integrated corporate social responsibility and business ethics into all our undergraduate and postgraduate programmes. The School will continue to influence global debate on these important matters and we have seen a generational change in terms of our students' understanding and interest in sustainability issues."

This year, 149 business schools from 24 countries participated in an 18 month effort to map the landscape of teaching and research on issues pertaining to business and society. Relevant data collected in the survey, as well as the entire 'Global 100' list of business schools, is available at: www.BeyondGreyPinstripes.org.

Professor Jeremy Moon

"The best business students move quickly into the front ranks of business – and the attitudes and values they bring to the table are deeply influenced by their time in business education," said Judith Samuelson, Executive Director of the Aspen Institute's Business and Society Program.

"Will they accept the status quo or act on their passion about the positive role business can play at the intersection of corporate profit and social impact? The schools that are competitive in the *Beyond Grey Pinstripes* ranking are the real trailblazers – they assure that students have the right skill as well as the will to make things happen."

"In these challenging economic times, the general public, not just scholars, are questioning whether the established models of business are broken," said Rich Leimsider, Director of the Aspen Institute's Center for Business Education. "*Beyond Grey Pinstripes* schools are thoughtfully pursuing new approaches. They are preparing students who take a more holistic view of business success, one that measures financial results as well as social and environmental impacts."

School highlights from this Beyond Grey Pinstripes survey cycle are featured in a new guidebook for prospective MBA students, titled The Sustainable MBA.

Aspen Institute Center for Business Education

The Aspen Institute Center for Business Education

The Aspen Institute Center for Business Education (Aspen CBE) equips business leaders for the 21st century with the vision and knowledge to integrate corporate profitability and social value. We help business educators incorporate issues of social and environmental stewardship into teaching and research by offering targeted resources, networks and a platform to share cutting edge practice among peers.

As part of the Aspen Institute Business and Society Program, Aspen CBE maintains close ties with over 150 MBA programs in 28 countries. Our websites draw over 100,000 visits monthly and our events and networks attract over 1,000 participants each year.

The Aspen Institute mission is twofold: to foster values-based leadership, encouraging individuals to reflect on the ideals and ideas that define a good society, and to provide a neutral and balanced venue for discussing and acting on critical issues.

ICCSR wins funding award

A team of researchers from the ICCSR and Nottingham University Business School have been awarded funding to complete research for the Chartered Institute of Management Accountants (CIMA).

The research will explore the relationships and the specific uses of sustainability accounting systems, along with traditional management accounting systems and techniques, in order to assess their actual and potential contribution to organisational strategic decision making. The research aims to provide a clearer understanding of the interactions between top managers, management accountants and other subordinates such as environmental/sustainability managers using a multi-case study research design and compares and contrasts the uses and interactions of various accounting systems within and across three corporate contexts.

The project began in November 2009 and will be completed in September 2010. The research will feature three UK company case studies, and research findings will be published by CIMA.

For further information and updates please contact Christian Herzig.

To retain first place among UK business schools and rank in the world's top 25 for both our research and teaching is an extraordinary achievement and reflects our commitment to responsible business education.

Exciting Times for the School's Masters degrees

Nottingham University Business School has a long tradition of providing high quality taught masters degrees that are relevant to a modern business world.

Increasingly the title of MSc is becoming the standard across the best business schools and as a result, the School has decided that from September 2010, all its taught Masters programmes will carry the award of an MSc degree.

The School has also taken this opportunity to revamp some of the degree course structures. For example, the restructured MSc in International Business is already in operation allowing students to specialise in a particular area such as CSR, Chinese Business or OB/HRM whilst still maintaining the strong core in this year. IB students continue to have the opportunity to study overseas at our Ningbo campus or to undertake an overseas project module in China. Next year, the MSc in Finance and Investment will have bespoke modules in, for example, capital market analysis, derivatives and corporate financial strategy.

Programme Director, Professor David Paton, commented, "These are exciting times for the taught Masters programme at NUBS. We have always attracted high quality students from around the world and we have an enviable record of placing these students in employment at the end of their degree. Indeed the strength of the School's alumni network is testament to the high reputation of the programme. In addition to re-designing degree structures, the past few years have seen the addition of a number of attractive features to our programme, such as the acquisition of Reuters trading data and the introduction of the dissertation placement scheme. By continually developing programmes structure in response to the needs of all our stakeholders, our students will maintain their competitive position in an increasingly tough global environment."

A key element of the success of Nottingham University Business School is our performance in international rankings. We rely heavily on the participation of our alumni to complete questionnaires, sent to them by organisations such as The FT, in order to qualify for inclusion. We hope that all our graduates have fond and positive memories of the time they spent studying at Nottingham and will want to support us in this activity. When you receive questionnaires from organisations such as the FT or Economist, we would encourage you to complete and return them in good time.

Nottingham MBA launches US exchange

In mid December a group of MBA students from Lehigh University in Pennsylvania visited the East Midlands for the first time.

The purpose of the visit was to learn about doing business in the UK and to launch an exchange between Nottingham University Business School and Lehigh's business school.

During their stay, the Lehigh MBA students and faculty visited key companies and organisations in the Nottingham area, including The Co-operative Group, Nottingham City Council, Siemens, Bombardier Transportation, Assystems, and the Queen's Medical Centre. They also received lectures from Professor Bob Berry and Dr Wendy Chapple with the week long exchange programme ending in London, where the students had an opportunity to meet with the Head of Global Sustainability Programme for WSP Group Global, the Environment Agency and senior members of Standard Chartered Bank. The US visitors were especially interested in how these organisations approach the strategic issue of corporate social responsibility and sustainability in challenging economic times.

A group of Nottingham MBA students will visit the USA in April 2010 on a return trip to Lehigh's campus in Bethlehem, Pennsylvania that will also include company visits and briefings in New York and Washington. The exchange aims to create long-term links between the two business schools, provide an international dimension to both the Nottingham and Lehigh MBA programmes, and give MBA students a taste of 'real life' experience from the business communities in which they operate.

Photo taken during the visit to Bombardier which included a presentation from Tracy Giddings, the Design for Environment Engineer who talked about using sustainable materials in the manufacturing of trains and Ben Lezala, Project Manager for North/East London Rail (and P/T MBA student at the Business School) who conducted a tour of the production line of the trains currently being produced for London Rail.

Postgraduates' networking skills put to the test

Building on the success of last year's Finance, Consulting and Management Recruitment Event, the Business School and the Centre for Career Development hosted a Business and Management Careers Event on 20th/21st October 2009.

After months of planning by the School's Postgraduate Careers Service, Jackie Andrews, our Undergraduate Learning Officer, and colleagues from the central careers service, it was very encouraging that, despite the difficult economic situation and adverse job market over 45 companies attended the event.

The event kicked off on 20th October with an evening of networking for current MBAs at the Business School, where representatives from the Financial Services Authority, Eon, IBM, Assystem and Enterprise-Rent-a-Car were suitably impressed with the questioning and level of knowledge that our MBAs displayed. Several MBAs were invited to follow up discussions with employers regarding potential internship and job opportunities.

The East Midlands Conference Centre was the venue for a large careers fair the following day. Employers attended a business breakfast sponsored by the Business School where the School's Director, Professor Leigh Drake, together with the Students in Free Enterprise (SIFE) team, showcased the work of the Business School to key recruiters from major employing organisations. A busy careers fair then ensued with students from across the University visiting exhibition stands to learn more about the skills requirements, and job opportunities, for each company.

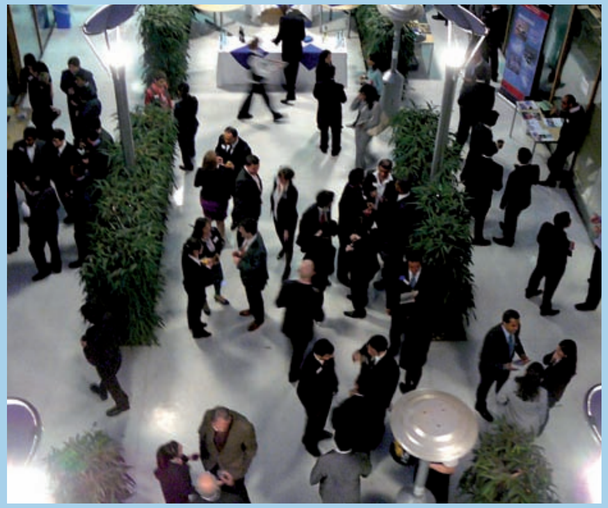
Over 20 employers were then transported to the Business School to network, over wine and nibbles, with the School's MA and MSc students about graduate entry level opportunities.

A number of employers, including ICAP, RBS, and HSBC, brought with them recent recruits from Nottingham and, as always, it was a pleasure to welcome our alumni back to the School and to hear about their brilliant careers!

The event proved to be very successful for the Business School, allowing employers not only to meet high quality School students but also to build relationships with our academic staff.

Employers who attended included:

- Association of Chartered Certified Accountants
- Alliance Boots
- Allianz Insurance
- Assystem
- Atos Origin
- Aviva UK Limited
- Axa UK
- BAE Systems
- Baker Tilly
- Barclays Capital
- BDO Stoy Hayward
- BP International Ltd
- Capital One Bank Plc
- Cargill Plc
- Chartered Institute of Management Accountants
- Deloitte LLP
- Deustche Bank
- EDF Energy
- Enterprise Rent A Car
- Eon
- Ernst & Young
- Experian
- Financial Service Authority
- Findus Group
- HSBC
- IBM
- ICAP
- Institute Of Chartered Accountants in England and Wales
- KPMG
- LECG
- Lloyds Banking Group
- Mattioli Woods Plc
- Mazars LLP
- Mercer
- National Audit Office
- PricewaterhouseCoopers
- Procter & Gamble
- RBS
- Rolls-Royce
- Smith & Williamson
- The Co-Operative Group
- Unilever
- Wm Morrison Supermarkets Plc



Future events

The event was the result of months of planning and we are now turning our attention to future events. If you, or your employer, would be interested in meeting with Business School students at similar recruitment events then please contact:
Clare Simcock, Careers Research Assistant
Email: clare.simcock@nottingham.ac.uk
Telephone: 0115 8467579

Business Leaders Series

We welcomed University alumnus **Steve Holliday** to the Business School in March. Steve, who graduated in Mining Engineering in 1978, was appointed Chief Executive of the National Grid in 2007 and spoke about 'The challenges of running an international energy business in 2009.'

Steve was at pains to point out that "running a utilities business is not a synonym for dull" and more particularly given that National Grid now derives 50% of its business from the US , where it is the second largest energy provider in the country with over 8.3M people billed per month. He explained that the two main planks of his company's agenda were the maintenance of reliable supplies of energy and their affordability. Allied to this was the company's 'green agenda' which was focussed on both the sustainability of source and energy resource generation. At a time when demand for energy is increasing significantly the principal business challenge is in replacing infrastructure to maintain efficient and effective supply.

As National Grid operates in a highly regulated business sector, Steve further explained that the business model is a low risk one and that cash flows are "locked in". His pre-eminent guiding principle , as Chief Executive, is to ensure returns above the cost of capital. Currently the business is investing in capital expenditure of some £3 billion per annum, funded half by cash flow from the business and half from loans and financing. National Grid's dividend growth is 8% pa, a figure which Steve is confident will be sustained going forward.

Commenting on what he believes is driving the success of National Grid, Steve said that it is essential that the senior managers of any business understand the organisational strategy and so know what they're aiming towards; armed with this knowledge managers should be intolerant of poor performance and give focus to growing talent and leadership within the organisation to set it on a firm footing for future growth and achievement. Drawing on his own experience of working with other energy providers, such as Burmah Oil, Steve believes that, above all else, being disciplined and doing what you say you are going to do is an important means of building credibility, reputation and success.

In October, the School was very pleased to welcome **Dr.Hamid Mughal**, Executive Vice President, Manufacturing at Rolls-Royce.

Addressing the issue of manufacturing competitiveness in the UK, Dr.Mughal asserted that, while design technology is a key enabler of strategy in the manufacturing sector, it is manufacturing excellence i.e. delivering customer requirements at minimal cost to the extended enterprise, that is the critical factor. On the assumption that the customer proposition is an attractive one, he further asserted that a sustainable competitive advantage is derived from an efficient value chain and that it is mastery of this element that differentiates the very profitable companies from the "merely profitable".

Drawing upon his earlier manufacturing experience in the automotive industry, Dr.Mughal believes that an undisciplined and "scattergun approach" to product development adds to complexity and stops companies from being truly excellent. His view is that firms should keep the basic product they offer as simple as possible, as the more complex the range of product options offered to the customer, the more costly and complicated their management, and therefore their effect on profitability. Furthermore, companies should benchmark their own performance against other sectors, and not just the one(s) in which they operate, as this can encourage new thinking and challenge them out of their own, potentially narrow, comfort zones.

Addressing why Rolls-Royce has been consistently good in its own manufacturing performance he cited constancy of purpose as being a key factor, adding that companies should not be distracted by short term expediencies and share price considerations but instead concentrate on their underlying performance. It is also essential to ensure that a firm's critical resources are focussed on the things that matter and that processes are simplified to focus on the delivery of quality and not complexity. Adhering to these principles, and a strategy derived from a strong customer focus allied to a consistent, common message to investors, customers and employees (eg "We will do X, which means that….") has secured Rolls-Royce an order book worth in excess of £55 billion over the next few years.

Dr. Mughal also spoke about the importance of manufacturing standards. Customers in the aero-engine industry want quality and reliability and, far from curbing innovation, Dr.Mughal asserted these standards give a framework against which to improve and grow. They also give the predictability that customers want. However, as these same customers become more demanding, firms must constantly evolve their strategy. In Rolls Royce innovative technologies, such as virtual manufacturing systems, offer the next big step to improve manufacturing efficiency and reduce costs. As UK manufacturing cannot hope to compete effectively in the commodity markets such as those of India and China, Dr.Mughal asserted that the "battleground" of future success for Rolls Royce, and others, will be in high value adding products.

Alex Gourlay, Chief Executive, Health and Beauty Division, Alliance Boots visited the School in December when he presented on 'The Challenges of Developing a Global Brand'.

In outlining the history of Boots, Alex explained that from its humble beginnings as a herbalist shop in Nottingham the company was now celebrating 160 years of being in business. Following the company's merger with Alliance UniChem in 2006 the enlarged AllianceBoots now has annual sales in excess of £20.5 billion and is active in more than 20 countries around the world; the Health and Beauty Division alone has around 3,600 stores worldwide and employs more than 115,000 people. In merging the two companies - the one a relatively young, internationally focussed wholesaler, the other a mature UK retailer with strong, trusted brands (No.7, Botanics, Soltan, 17) and heritage but relatively limited geographic spread - the element that has bound them together most closely is that both are pharmacy-led businesses with a strong customer focus. The strategy for the Health and Beauty Division is to now internationalise the Boots concept, develop new brands and gain entry to emerging healthcare markets, particularly those where wholesaling is an important element.

In developing global branding Alex emphasised the importance of understanding core customers' needs and developing new capabilities, particularly those relating to distribution channels and ease of access to pharmacies and hospitals. Cost pressures in established medical markets mean that the company's international growth is now focussed on improved distribution and delivery, and on developing efficient supply chain partnerships in emerging markets such as Russia and China, rather than on growing retail space. Boots basic premise is to make its products and services accessible to all, and this ethos is informed by its core values of partnership, trust, service, entrepreneurship and simplicity. Citing the continuing strength and success of its No.7 brand, Alex explained that putting the customer at the heart of the business and "playing by your own rules, utilising your own unique strengths" is a fundamental tenet of Boots strategy.

A particular facet of Boots strength, and one which differentiates it from supermarkets, is that 10% of its business is based in healthcare services giving it a strong association with the NHS. However, given that the practice of pharmacy is very different in European markets this makes reproducing the UK Boots stores model "very tricky".

But taking current, highly successful Boots brands and re-packaging them for the pharmacy-led European skincare markets makes perfect business sense and the company is expanding its overseas product portfolio by this means. In this context Alex again emphasised the importance of developing supply chain partnerships 'in market' and said that efficiency in supply chain is key to maintaining growth and margins. He also highlighted the importance of developing "an international mindset", which includes employing multi-lingual people, and building new distribution capabilities. Finally, when asked if now being privately owned made any difference to the firm's strategic approach he commented that, with the owners directly involved in the business, there was "nowhere to hide" and that you have to fix issues quickly and deal with them effectively. This, in turn, "drives being straight and honest in (ones) management behaviours" and drives simplicity in business practices.

Business Leaders Series

For details of upcoming events see page 9

Paid opportunities across Europe!

A paid work placement programme for young professionals aspiring to make the most of their learning & skills in Europe

Business School MBA alumnus **Paul Wilde**, is the Director of a Nottingham based organisation that manages a number of publicly funded, paid placement programmes. Here he briefly outlines what these opportunities are all about.

Placementmaker Ltd is a small UK-based firm which manages EU programmes providing an excellent range of work placement opportunities to students, graduates and young professionals across Europe. The World of Skills programme is specifically tailored to meet the needs of graduates who wish to use language and vocational skills productively on the continent. Through the programme and nurtured relationships with universities, local, national and international businesses, Placementmaker Ltd has developed two migratory work placement streams- "UK to EU" and "EU-UK."

The UK to EU work placement opportunities typically last for 3-6 months. Participants receive a tax-free monthly allowance, paid through the programme, as a stimulus to those who are new to the labour market to travel, and use to develop their linguistic/vocational skills. Successful programme applicants can expect to receive between Ð1200 - Ð1500 per month, in support of their living costs, depending on their destination within Europe

In addition, all graduates and young professionals who have secured their own work placements outside the UK - but within Europe and not in their country of origin - and who are seeking funding, are welcome to make contact with the World of Skills team in order to explore the possibility of EU support. The programme also offers pre-placement training to all those who qualify for assistance, and this ranges from linguistic tutorials to those which provide practical information about placement destinations, so that programme participants are well prepared to 'hit the ground running'.

If you're interested in learning more about work placement opportunities in the UK and Europe and/or the funding available through the World of Skills programme please contact Laura Mella, at:

World of Skills Programme
Placementmaker Ltd
17 Broad Street, Nottingham NG1 3AJ
Tel: (0)1159 314 363, Email: placements@worldofskills.com

Disclosing more about risk

Firms' risk exposures and risk management are becoming higher profile issues in companies' accounts. This was one of the messages from the European Risk Research conference, held in London on 2-4 September 2009.

This conference was the third organised by the European Risk Research Network (ERRN), initiated by the Business School's Associate Professor in Accounting and Finance, Margaret Woods, in 2006, with the assistance of substantial funding from the European Union.

With a theme of "Risk and Accounting", the conference attracted 75 participants, representing academic and commercial institutions from 18 countries, and also included practitioners from industry and major accounting firms.

During the conference, 22 academic papers were presented, covering a wide range of subjects. Some addressed the global financial crisis or other aspects of risk in financial markets and institutions, others looked at risk management in particular industries such as transport or the retail trade, and other papers looked at risk management more generally.

The first day of the conference was devoted to a PhD colloquium, at the headquarters of the Chartered Institute of Management Accountants, in London, where there were presentations from PhD students from across Europe who are researching in this area. The colloquium enables PhD students to present their research, get detailed and expert feedback on their work, and to nurture a network of young scholars working in the fields of risk management and internal control systems.

In the Business Risk Forum, keynote speaker Bridget Gandy, Managing Director, Financial Institutions, Fitch Ratings, reviewed the increasingly detailed information that banks provide about the risks to which they are exposed. While banks have traditionally emphasised market and credit risks, there is now increasing information about operational risk, along with some quantification. Liquidity risk is also covered, but this raises some issues about how meaningful is the information presented where the bank is a complex international group with multiple subsidiaries.

Another speaker, Jeremy Jennings, Partner, Regulatory & Public Policy Leader, EMEIA, Ernst & Young, gave an overview of the regulation of accounting and auditing in the European Union. He also referred to a survey of large firm investors in spring 2009 that showed that many gave high importance to management's commentary in the report and accounts about the risks that the business was facing: this was especially the case in Germany and Japan.

The 4th conference will take place in Nottingham on 8 – 10 September 2010 and has a theme of 'Perspectives on Risk management'.

Dates for your diary

Business Leaders Series

Events for 2010

The following events are confirmed. We'll advise additional speakers and dates in the summer edition of nubiz.

Monday 25th January 2010
Andy Halford
Chief Financial Officer, Vodafone

Wednesday 3rd March 2010
Michael Queen
CEO of 3i
(and Business School Alumnus, BA Ind Econ)

Monday 15th November 2010
Andy Hornby
Group Chief Executive, Alliance Boots

5.30 for 6pm

All the above talks will take place at
The Sir Colin Campbell Building
Room B03
University of Nottingham Innovation Park
Triumph Road
Nottingham, NG7 2TU.

Each talk will be followed by a networking drinks and buffet reception.

If you'd like to come along to any of these events please confirm your attendance to:
kerry.millward@nottingham.ac.uk

PSB/Singapore Alumni networking event

Friday 12th March 2010 Singapore

We will be hosting the first event of its kind in Singapore on the evening of Friday, 12 March for all PSB MBA alumni and Singapore-based Business School alumni, when Professor Bob Berry will present on a topical business issue, followed by a networking buffet and drinks reception.

We will be emailing more detailed information, and an invitation, to all our Singapore-based alumni for whom we have up-to-date contact details.

Further details will also be available via the School's alumni website **www.nottingham.ac.uk/business/alumni**.

You can also get in touch with the School's alumni office or PSB Academy direct if you'd like further information.
hilary.vaughan-thomas@nottingham.ac.uk
kerry.millward@nottingham.ac.uk
marycris-lopez.SANTOS@psb-academy.edu.sg

Alumni networking event

Wednesday 31st March 2010 Nottingham

We will be holding an informal networking event at the Business School on the evening of Wednesday, 31 March, open to all graduates of the School. Further details will be available via the School's alumni website:
www.nottingham.ac.uk/business/alumni
and email invitations will follow.

ICCSR conference

19-22 May 2010 Rome

The ICCSR will co-chair a track on *'Measuring and Communicating CSR and Sustainability: A Strategy Perspective'* at the 10th European Academy of Management Conference to be held in Rome, Italy on 19-22 May 2010.

The track aims to explore the role of performance measurement and communication systems both in supporting the implementation of a firm's CSR and sustainability strategy and in developing relationships with its stakeholders, based on trust and legitimacy.

Where were the auditors?

One of the distinctive features of the global financial crisis is that the typical questioning following major banking collapses as to "where were the auditors?" has been less prevalent than in the past. The many reports on the crisis acknowledge that its causes lay in the interaction of a range of complex and global factors, and auditors have largely escaped critical comment and the apportionment of blame.

A new article by Chris Humphrey (University of Manchester), Anne Loft (School of Economics and Management Lund Sweden) and Margaret Woods, Associate Professor in Accounting & Finance at the Business School,* considers the role of auditors, as part of understanding regulatory relationships in a financial crisis.

The authors emphasise that the auditing profession has actively responded to the crisis. It interacted with regulators and government bodies to clarify the role and obligations of auditors, and to enhance the preparedness of individual companies and their auditors for dealing with the financial downturn.

But the article suggests that concerns with auditing practice may have been over-shadowed by more fundamental worries with standards of financial reporting. For example, the debate on fair value focussed on whether it is partly to blame for the crisis rather than on the problems of auditing fair value, despite auditors having issued 'audit practice alerts'.

The authors put forward various ways by which the substance and quality of audit work could be more visibly profiled and demonstrated. For example, a section within the corporate annual report could focus on key audit findings. Disclosure could include significant errors detected and adjusted, and information about the tests done to verify the value of assets marked to market or to model.

The paper indicates that a cursory review of audit firm websites will reveal detailed information on financial reporting practices, but little insight into the nature of auditing practices and the opportunities, achievements and practical challenges confronting auditors in their day to day work.

The authors signal that there are some looming danger signs, with longer term significance for the profession. Some regulatory reports suggest that the audit profession is losing its relevance. Others are proposing new and potentially very challenging roles and responsibilities for auditors.

The paper concludes that the global audit regulatory arena is a complex, intricate and shifting domain and one that is often poorly depicted in audit regulation papers. It will be interesting to be to see how the debate on the role and operation of auditors is taken forward.

*"The Global audit profession and the international financial architecture: understanding regulatory relationships at a time of financial crisis", *Accounting, Organisations and Society*, volume 34, pp. 810-825 (2009).

Business Barometer

The internet is one innovation helping small business bosses deal with strategic decision-making and survive the current recession, according to results revealed last September by the UK Business Barometer and Business Adviser Barometer survey.

These unique parallel quarterly surveys of small business owners and business advisers produced by the Business School's Institute for Enterprise and Innovation (UNIEI) show some of the tactics businesses are using to adapt to the pressures of trading during the credit crunch. They also track growth forecasts, perceptions of the availability of external debt financing and other key factors.

In the analyses, business people report a willingness to 'pull together' and collaborate with neighbouring firms to share costs and achieve efficiency gains. And they realise that to stay successful they must 'innovate or die'. Many are now focusing more closely on internal financial and credit management systems and procedures to spot weaknesses that may be costing them money.
In 1992, during the last serious UK recession, public access to the internet was in its infancy. Now the revolution in digital communications, online retailing and new business models represented by the web has created opportunities that many small business owners say are helping them cope with this recession.

Of those asked "To what extent do you feel that the internet is helping or hindering businesses' strategic decision-making in the present recession?" 63 per cent of the small business survey responders said it is 'helpful' or 'very helpful'.

Other specific issues were polled as well. The Business Barometer survey was interested in finding out whether the pace of de-stocking had slowed. Among those for whom stock control is a relevant issue, 73 per cent said that stock is at an appropriate level now, while 20 per cent still think their stocks are either 'too high' or 'far too high'.

These findings are in the latest from a decade-long series of regular surveys conducted by researchers at Nottingham University Business School. More than 120 small business owners across many sectors nationwide contributed responses online. Results were aligned with those from 230 professionals who advise small businesses and entrepreneurs in a sister survey started six years ago.

Both groups of respondents provide regular trend data, views on selected topical issues and open comments to express their opinions. Feedback from participants — the majority of whom contribute regularly every quarter — also influences the questions asked in future Barometer surveys.

"This rich data and the accompanying qualitative attitudinal information analysed by our team reveals the experiences of real business people representing smaller enterprises — 98 per cent of UK business — as well as their expert advisers," said Director of the UNIEI, Professor Martin Binks. "The Barometers complement other quantitative surveys which speak for larger corporate businesses."

The Business Barometer survey also asked whether individual businesses have become more innovative, whether they thought other smaller businesses were becoming more innovative, and whether they thought a recession is an appropriate time for innovation.

Results were encouraging: 46 per cent of respondents confirmed their businesses have become more innovative, 43 per cent thought in general that smaller businesses seem to be becoming more innovative, and 51 per cent believe a recession is a time for innovation.

"The business world we left at the beginning of the recession is history and a new world, much more competitive, will appear once the recovery takes hold," said one business person responding to the survey. "Managers and owners of SMEs will need to develop higher level leadership skills, and become more creative and innovative in this new business world in order to grow and prosper in the future."

The UNIEI team is always keen to welcome owners or managing directors of UK businesses with fewer than 250 employees to join its UKBB survey panel. And if you're a business adviser wishing to contribute as a panelist on the UKBAB project we'd like to encourage you to sign up.

More information, including results and analyses, can be found on the web at www.ukbb.ac and www.ukbab.ac.

UK market sees lowest volume of buyouts since 1984

The overall value of UK buyouts* fell by over three quarters (77%) in the first nine months of 2009 to £4.3bn compared to the same period last year (£18.5bn) according to data published by the School's Centre for Management Buyout Research (CMBOR).

Key findings were that:

- The volume of private equity-backed UK buyouts* in Q3 2009 fell to the lowest level for a quarter of a century with only 31 deals completed. The value of buyouts in the same period totalled £556m, the lowest for 15 years.
- The value of private equity-backed UK buyouts* totalled £3.6bn in the first nine months, dramatically lower than the overall yearly figures for 2008 (£18.2bn) and 2007 (£43.4bn).
- Buyouts from family and private owners represented almost a third of all transactions. Businesses bought out of receivership provided the third highest source of dealflow.
- Two thirds of buyouts so far this year have been under £10m. The lower-mid market (£10m to £100m) has seen a significant decline in activity now only making up a quarter (26%) of all buyouts compared to 46% last year.
- The manufacturing and business services sectors generated the highest volume of dealflow in the period with 21 and 16 buyouts respectively. By value, business services made up almost a third of all buyouts.
- Private equity buyout, as a percentage of overall UK takeover activity, fell by a fifth (21%) by value from last year, representing 26% by value and 32% by volume. This contrasted markedly to 2007 when 62% of all takeover activity by value consisted of private equity-backed buyouts.

(* The first figures provided of £4.3bn and £18.5bn refer to all UK buyouts -including those without a private equity sponsor. All remaining figures relate only to private equity transactions.)

"The private equity market is not yet showing any significant signs of recovery with the overall value of buyouts at a level last seen in the mid-1990s," said Christian Marriott, Director at Barclays Private Equity.

Marriott continued, "It is not surprising given the current environment, that we are seeing far fewer £500m plus deals – only two so far this year compared to eight in 2008 and 14 in 2007. Whereas the mid-market had been holding up reasonably well, this has been squeezed throughout the year. There have only been four deals in the £100m to £500m range this year (2008: 29) and 24 in the lower-mid market (£10m to £100m) compared to 111 last year (2007:153). This has obviously had a considerable impact on the average buyout value which has fallen from £134m in 2007 to £40m so far this year."

There have been far fewer businesses acquired from family and private owners, as well as a considerable decline in the number of public to private deals (PTPs) this year – falls of three quarters (73%) and two thirds (67%) respectively, reflecting the overall decline in buyout activity. By overall value, PTPs fell by 82% totalling £1.3bn in 2009 so far (of which £1.2bn relates to one transaction media company, NDS Group).

Marriott continued, "By contrast, the number of businesses in receivership acquired by private equity firms has risen by 55% this year to 17, the highest level since 2001. This shows that there are investment opportunities at relatively low entry multiples in companies with recovery potential: private equity is able to provide capital and impetus by getting these businesses up and trading again."

In 2009, the equity contribution in UK buyouts has risen markedly from 46% of the overall deal structure in 2008 to 60%. By contrast, the proportion of senior debt has fallen sharply from 40% in 2008 to 33% so far this year. "This undoubtedly reflects the tightening of bank debt but could also demonstrate that private equity firms willing to do deals are structuring these more conservatively. Whilst this could raise a concern amongst investors, these deals are being done at much lower entry multiples with the chance of good realisations when market conditions improve and, in a tough market, selection criteria are often more stringent."

And commenting on a rare offer by buyout firm Carlyle Group for waste management group Shanks, Rod Ball, a research fellow at CMBOR, described 2009 as a 'write-off' for the private equity industry.

'Bank debt became practically impossible to raise for large deals at the start of 2008,' he said. 'The state of the economy has also left company cashflows unstable, so private equity firms are just sitting back and waiting. There has also been a gap in pricing expectations – vendors haven't yet brought the price of their business down enough to make a deal worthwhile.'

IFAs are fairest of them all

The Fairness Index, a quarterly report produced by the Business School's Financial Services Research Forum, revealed that IFAs were rated by consumers as the 'most fair' of the financial services professions.

The Financial Times reported in December that the Index found IFAs enjoyed by far the highest ratings on overall fairness, with an index score of 84 out of 100, significantly greater than the industry average of 72.

When the data is broken down further, IFAs also rate the highest across each of the fairness measurements.

Brokers/advisers were followed by building societies (75), investment companies (73), life insurers (72), and general insurers (72). Banks (68) and credit card companies (63) received the lowest ratings. Chris Cummings, director general of the Association of IFAs (Aifa), said: 'AIFA strongly welcomes these impartial findings on fairness from the Financial Services Research Forum, and believe they provide a strong endorsement of the IFA profession.

'Not only is the profession the most trusted, but it is also regarded as the most fair - this is no mean feat given the recent economic conditions.'

Professor Nigel Waite, Director of the Financial Services Research Forum, said: 'When it comes to IFAs, consumers' perception of fairness is particularly influenced by courtesy, communication and familiarity.'

'It is perhaps not surprising that familiarity should be seen as a significant driver of perceptions of fairness in this context, as a degree of familiarity is crucial to fulfilling the role of an IFA successfully.'

'As government and employers transfer responsibility and risk to individuals, we must encourage consumers to take more interest in their financial affairs.'

'Fair outcomes for consumers will help create a sense of confidence and trust in the marketplace, which will help persuade customers to engage more meaningfully with financial matters. This will benefit consumers, the financial services industry and the UK economy.'

Financial Services Research Forum

The Financial Services Research Forum (FSRF) informs policymakers in the public, private and voluntary sectors on matters concerning financial behaviour. It is unique in bringing together all stakeholder groups comprising financial services in the UK for this purpose.

With some sixty supporting organisations, including government departments, the FSA, Financial Ombudsman Service, leading banks, building societies, insurance companies, credit, finance and investment organisations as well as consumer groups and charities, The Forum can justifiably claim to be the country's most inclusive body for furthering the understanding of financial behaviour.

Not only is the profession the most trusted, but it is also regarded as the most fair - this is no mean feat given the recent economic conditions.

Don't sack the manager

A research team led by Dr. Mathew Hughes of Nottingham University Business School has found evidence that sacking football managers may in fact be to the detriment of the club's long term performance.

The research was produced alongside Dr. Paul Hughes from Loughborough University, Professor Kamel Mellahi at the University of Sheffield and Dr. Cherif Guermat at UWE in Bristol.

Analysing data from the inception of the English Premier League in 1992 through to 2004, the study shows that sacking the manager creates a short-term effect where performance appears to recover as the team performs in line with its long run potential. However, the effect is illusionary as the data reveals that long term performance declines again at a rate similar to when the previous manager was sacked. In tandem with this, the researchers also find that giving managers time helps to improve the performance of the team. In this research the team used the short term as 10 games and the long term as both 30 and 50 games afterwards, with each set of results demonstrating both the illusion effect and the return to poor performance after this short window.

"Management theory has long sought to understand the effects of managers on their organisations and we extend some of the most common manager change theories into the field of football management," notes Dr. Hughes. Using scapegoating theory, vicious circle theory and tenure theory, the researchers find evidence to show that sacking the manager to appease the fans, and to some extent the media, resembles scapegoating because performance does not tangibly improve. "Theory led us to believe that short term turbulence would follow manager change and that, in the long term, change would improve the teams' performance. But we don't find evidence to support this." Rather, the researchers conclude that giving current managers more time improves performance in the long term, and that changing the manager may create an initial lull that fools the club into believing that its problems are solved when in fact it is not the case.

"Football managers forever state that they need more time in the post to have an effect and our findings show there is much truth to their arguments. It takes time for the managers to reshape the team, its infrastructure, the scouting network, learn about players and the opposition. One of the dangers is that sacking the manager, and the almost inevitable rotation of the coaching staff that goes with that event, causes a lot of important knowledge about the team's strengths, weaknesses, preferences and capabilities to be lost. When the new manager comes in - and quickly seeks to reshape the team's style and tactics to suit the new manager's preferred style and ways of doing things - that initial 'shock' does seem, at first, to jolt performance away from the rate of decline seen previously. But crucially, the effect does not last and the problems inherent in the team at the time of the dismissal return and compromise the team's performance under the new manager."

Commenting further Dr.Hughes said, "The findings lead us to question how effective sacking a manager really is to teams. Getting rid of a manager means the team loses a lot of tacit knowledge, and although new managers will quickly change things, those changes might not be the best ones, or the right ones, to correct the team's woes. Our findings encourage boards and fans to better manage their expectations about the consequences of change."

Several important implications result from the findings:

- Managers should be given more time, despite the clamour that often builds for their dismissal, when the performance of the team is in decline or is poorer than expected.

- Managers should not be dismissed unless the manager proves incapable of diagnosing and treating the team's problems. As Dr. Hughes points, "We do not dispute that change is often needed, but change should not be a rash response to performance decline but based on a more thorough understanding and learning process of why the team is performing badly. To do otherwise is simply to scapegoat a manager to appease concerns, concerns that might best be grounded in issues that include, but are not exclusive to,the manager."

- Boards and fans should manage their expectations of the consequences of change, particularly in light of the illusion effects created by short-term disturbance to decline that follows manager change. Manager change is a critical decision and data from Deloitte indicates the cost of getting it wrong: a revenue gap of £56- £70 million can follow the ultimate failure of relegation from the Premier League to the Football League Championship.

- The illusion effect, coupled with the long term return to poor performance, can trigger a cycle of manager change that creates a vicious circle of decline.

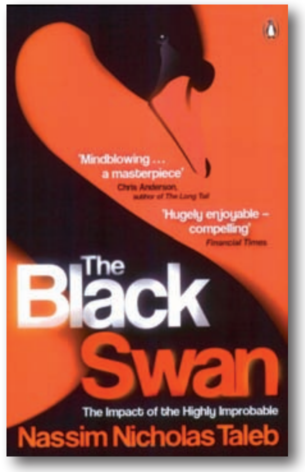
Dr. Hughes warns that, "Statistics, and particularly work by Dr. Sue Bridgewater, show that the average tenure of football manager is now less than 1.5 years. In some instances, managers have been sacked after less than six months. Yet the average tenure in the early 1990s, at the start of the Premier League, was around 3 years. This shows that managers are being constantly rotated and our work demonstrates not only the consequences of this but, more worryingly, the spiral of decline that can follow, as boards look for quick fixes for performance woes."

Recent high profile examples such as Aston Villa, Everton and Fulham demonstrate the value of stopping the manager merry-go-round and establishing stability in the club. Classically, so do the fortunes of Manchester United and Arsenal. Tottenham have also benefited from gathering around the new manager despite some initial turbulence. On the other hand, the fortunes of Newcastle demonstrate the ultimate price caused by the constant rotation of managers.

Black Swans: Do They Exist?

Bob Berry, Boots Professor of Accounting & Finance and Director of MBA Programmes, examines why the recent financial crisis was such a surprise.

I recently gave a talk to the MBA group on the ongoing financial crisis. Linked to this, I hoped that the resulting discussions would inform my attempt at redesigning the Portfolio Management and Investment Analysis module (PMIA). By autumn 2009 it was clear that many finance specialists had been operating in the belief that huge downturns in financial markets were highly improbable, and as a result, had been caught out by recent events. I wanted to ensure that my teaching of PMIA didn't encourage the same mind set, and that meant I had to think about why people had been taken by surprise by the financial crisis.



Nassim Nicholas Taleb's book *The Black Swan* seemed a useful peg on which to hang my talk as it synthesises a variety of ideas about the way the world is, the way we learn about the world, and the things that get in the way of our learning. The recent dramatic downturn in financial markets appears to have all the characteristics of a Black Swan event as defined by Taleb. These are events which are so rare that nothing in our experience suggests that they are a possibility, which have a massive impact, and which after they have happened are rationalised by hindsight and generate a widespread belief that they were explicable and potentially predictable. But, was the financial crash of 2008 really a Black Swan? History is full of financial crashes. Bubbles, tulips and dot coms litter the pages of textbooks. Why did 2008 turn out to be such as surprise?

One possible reason is that we tend to forget that similar outcomes can be produced by dissimilar causes. We act as if putting in place barriers to stop the last crisis happening again ensures that another crisis, equally disastrous but with a different cause, can't appear. A long time ago I listened to Robert Machol, an American academic, talking about some work he had been doing for a consortium of airlines. An airliner essentially travels along its route in a tube of airspace into which no other aircraft should stray. To get more flights along popular routes at popular times, without dramatically increasing distance travelled, and hence cost, the diameter of the tube of airspace must shrink. Machol had been asked to work out how small the diameter could be without compromising passenger safety. He had a data set of deviations from planned routes to work with. Machol saw that the data set contained a few large deviations, which when taken into account, suggested that the diameter could not be shrunk. In his presentation of results to his clients he highlighted these extreme events and their recorded causes. His clients' response was straightforward; each cause had since been dealt with and so could never happen again and hence these extreme deviations could be ignored in future plans.

Generations of passengers should be grateful to Machol because, before commencing his data analysis he had randomly split the data set into two, an initial sample and a hold out sample to be analysed separately. Machol's hold out sample contained deviations as large as those in the initial sample, but their causes were different. The airline consortium didn't reduce the diameter of the airspace tube.
The point is simple; systems can have within them a propensity to generate extreme events, with the causes of those extreme events changing over time. Planning within systems such as these should acknowledge the possibility that the most extreme outcome that has happened in the past might happen again.

The 2008 financial crisis is therefore closer to a Gray Swan event, rare and with major consequences, but somewhat predictable. Why then was the possibility of a major financial downturn downplayed before 2008? The reasons link to the way that we think about, and deal with, real world data.

One worrying feature of the way we deal with data is that we tend to ignore extreme values. We call them outliers and throw them away because they don't fit tractable mathematical models. The financial community's surprise at the 2008 downturn stemmed, at least in part, from the widespread use of the Normal distribution as a model of financial returns. Examination of data on stock market returns doesn't support the use of the Normal distribution; the model significantly underestimates the real world chance of extreme events. → p18 p17

Throwing away evidence of extreme outcomes is only one of the ways in which we tend to underestimate the role that chance plays in outcomes. We look at chance outcomes as if they are the product of expertise. Imagine that you receive an unsolicited piece of mail which contains a correct prediction of stock market monthly performance in simple rise or fall terms, each month, for several months. You then receive a letter saying that from now on you must pay a fee to receive the monthly prediction. What would you do? Send money to someone who is so obviously producing brilliant forecasts? And would your response be different if you knew that the entire adult population had been sent forecasts in month one, with 50% of the population receiving a rise forecast and 50% receiving a fall forecast, and that in month two only those who had received an apparently correct prediction were sent a second letter, again with a 50% of a rise or fall prediction in it, and so on and so on. The brilliant forecasting success you observed was in fact a chance outcome.

A rather more subtle version of the same error in reasoning can be seen in the mass of literature promoting leadership styles, or approaches to developing a corporate strategy, which argue along the lines of, "Look at person X or company Y. They use this technique and are a success, so this technique must be *why* they are a success." You never hear about the mass of people or companies that used the technique and fell by the wayside. Always be aware that data sets in any management discipline can be compromised by the fact that only survivors appear in them and that survival can be a chance event.

Standard finance textbooks talk about a *risky world*, but for Taleb a better phrase would be an *uncertain world*. In a risky world we can list all the events that can happen and assign probabilities to them. In an uncertain world our list of possibilities is incomplete and hence probabilities are merely comforting illusions. Black Swan events don't exist within our experience and hence don't appear in our list of all the events that can happen. This is the problem of learning by induction. We assume that the past is a good guide to the future. At the time of writing, late December 2009, thousands of households in the UK are finishing off the remains of their Christmas turkeys. Those birds had been fed, watered and cosseted all their lives. If turkeys think, they probably thought that good times would last forever! The past may be a good guide to the future sometimes, but unfortunately sometimes it isn't. According to Taleb the times when it isn't are becoming more common and consequently we need to be more cautious than in the past. Remember, absence of evidence that something exists isn't the same thing as evidence that the thing doesn't exist. That, after all, is the key idea captured in the Black Swan simile.

What are the lessons in all this for financial planners - and planners in general?

I think there are three:

1. Take the Gray Swans into account. Look at history and recognise that outcomes as extreme as those that happened then can happen again.

2. Just because you don't know exactly when that Gray Swan will land doesn't mean you can ignore the possibility that it might land tomorrow.

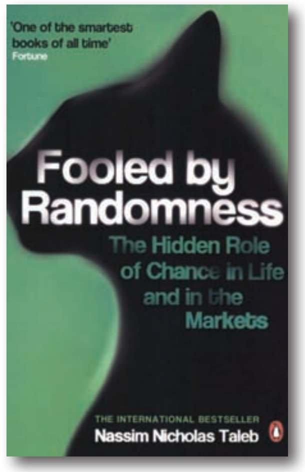
3. Black Swans can also come along. The worst thing that has ever happened is by definition worse than the last but one "worst thing that has ever happened". Be aware that the worst may be yet to come!

This all sounds like a recommendation to run and hide. That isn't my recommendation. I recommend that you remember that the world is uncertain, and that commonly used financial models typically underestimate that risk that investors and managers face. Therefore margins of safety should be a bit more generous than the standard models recommend. Also, don't forget that Black Swan events can be beneficial, so keep something in reserve to take advantage of upside possibilities in an uncertain world. Flexibility - and in finance flexibility typically equates to availability of cash - gives you the possibility of making money from a Black Swan as well as the chance of avoiding losing money. ■

Further Reading

Taleb, N. T. *The Black Swan: The Impact of the Highly Improbable.* Random House, New York, 2007.

Taleb, N. T. *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets*, Random House, New York, 2005.



Black Swan events can be beneficial, so keep something in reserve to take advantage of upside possibilities in an uncertain world.

Bonus Slam

What US basketball can teach bankers (and the rest of us) about performance related pay structures and risk.

In the wake of a worldwide fiscal crisis many believe to have been caused by the actions of greedy financial institutions, bankers' bonuses have been slammed as an unacceptable luxury and there are cheers for radical change. **Margaret Woods**, Associate Professor in Accounting & Finance, catches up with compensation structures and finds an unusual potential solution in the structure used for US professional basketball players.

Bank compensation and bonus structures are now firmly on the agendas of both the banks and regulatory organisations such as the Financial Services Authority (FSA). The reason is simple – whilst performance related pay has long been the norm in the banking sector, the performance – and hence the pay- has not been measured on a risk adjusted basis. What is more, the risks have been exacerbated by asymmetric bonus arrangements in which short term bonuses have been paid out before longer term performance has been revealed to be weak. It has even been suggested that "financial services groups have long been prisoners of a pay structure that contains the seed of their own destruction" (Guerrera, 2008).

Management accountants and HR managers have for many years praised the concept of performance related pay as a useful way of improving overall organisational performance as well as promoting staff ambition and loyalty. So what exactly went wrong in banking and financial services? Pinpointing the mistakes allows us to learn lessons that can be applied to any sector of business.

The Problem in banking

The reward culture within banking is characterised by the payment of performance related cash and/or stock bonuses which supplement basic pay. The bonus system permeates the institutions, straddling business lines such as retail banking, corporate lending, investment banking and insurance. Whilst the details of how bonuses are determined will vary from bank to bank, the underlying culture is one in which staff commonly expect a significant proportion of their pay to be performance dependent. What is more, this principle holds true across all grades of staff. The 400 partners of Goldman Sachs typically share around 20% of the bank's bonus pot – which totalled $13.2 billion in 2007. Goldman Sach's Chief Executive was paid $68.5 million in 2007, but in 2006 an individual trader, Driss Ben-Brahim, was reputed to have received a record $50 million bonus!

Such bonus schemes will inevitably drive behaviour, following the maxim of "tell me what you measure and I'll tell you how I behave", but that behaviour may involve the institution in taking greater risks. In 2006 'This is Money' reported that staff at Royal Bank of Scotland and Nat West were being paid commission according to a score system in which workers amassed disproportionately more points for selling larger loans. Reporting on the financial crisis suggests that other banks probably operated similar reward systems, but the more important issue is did these bonus schemes take into account the increased risks associated with the larger loans? From the FSA's perspective "it would appear that in many cases the remuneration structures of firms have been inconsistent with sound risk management. It is possible that they frequently gave incentives to staff to pursue risky policies, undermining the impact of systems designed to control risk, to the detriment of shareholders and other stakeholders" (FSA,2008).

Linking Pay, Performance and Risk: basic principles

CIMA's Official Terminology defines risk management as "the process of understanding and managing the risks that the organisation is inevitably subject to in attempting to achieve its corporate objectives." Corporate objectives are defined within a context that encompasses the competitive environment, internal resources and attitude to risk. If returns are a compensation for risk, then performance measures need to pay heed to risk, and ensure that the organisational appetite for risk is not exceeded.

This gives us guideline number one:

When setting performance targets, ensure that the risk boundaries are clearly defined.

In practical terms, making sure that performance targets are met, and risk appetite is not exceeded requires that both performance targets and risks are defined, measured and monitored at all levels within an organisation. Using a scorecard approach, targets can be set at corporate, divisional, business unit, team and individual levels. The targets then need to be linked to lines of responsibility, so that risks are assigned to owners. This can be achieved by each individual manager being asked to take each performance target for which they are responsible, and produce a list of the risks that may cause performance to fall below target. In this way the risks become embedded in the performance management process and in so doing risk management matches up to its definition as "the process of understanding and managing the risks that the organisation is inevitably subject to in attempting to achieve its corporate objectives." → p22

p21 This gives us guideline number two:

Assign managers responsibility for the risks associated with their own performance targets

The diagram opposite illustrates how the links are made between overall company objectives, lower level performance targets, and isk management.

The next step is to ensure consistency of approach between the performance measurement system and reward structures. Using Figure 1, this can be achieved by using the information provided by the bottom box under monitoring – the comparison of risk and performance. If a member of staff has achieved the required results, but taken excessive risks to do so, then bonuses should not be paid. This approach reinforces the message that internal controls matter as well as performance.

This gives us guideline number three:

Pay bonuses only when risk appetite and internal controls have been fully adhered to

In practice, this is the really difficult part to implement, and so a review of the detail of how to do this is clearly useful. Lessons can be learned from both basketball and also the mistakes made by banks.

From Principles to Practice

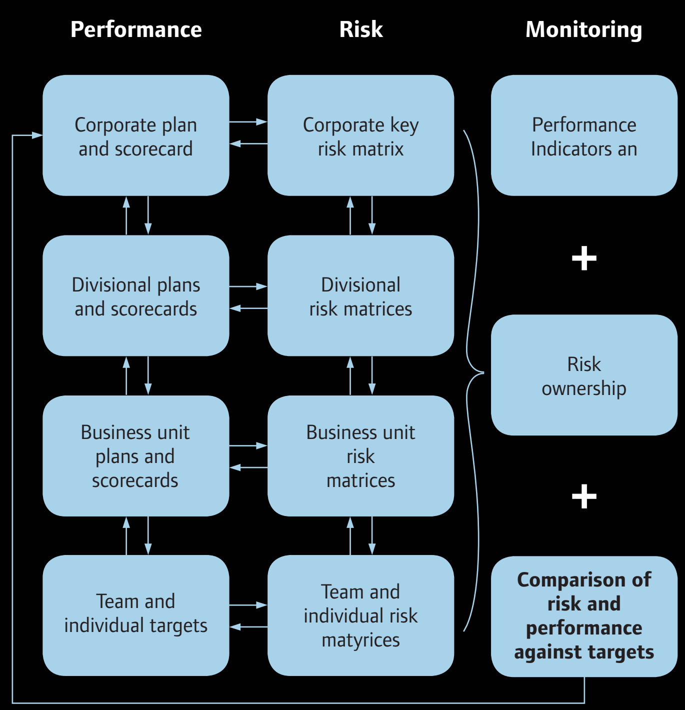
So what can US basketball teach us about how to link pay structures to risk taking? The answer can be found in the overall compensation structure used for professional players.

The National Basketball Association in the US has well established guidelines on

- base salaries
- salary caps
- bonuses as a percentage of salary, and
- escrow arrangements.

Escrow arrangements mean that a portion of players' total compensation is held in trust by a third party and only payable when longer term team performance targets have been achieved.

The culture that is laid down is one that rewards EXCEPTIONAL performance but only up to a certain level, defined in terms of salary caps. Base salaries are good, and bonuses are restricted to a relatively low proportion of salary- rather than multiples of salary as in the banking sector. Lastly, the bonuses and escrow arrangements link individual pay to long term team performance. Cash bonuses are not received until the league position or cup win is 'in the bag', and no single individual is rewarded disproportionately relative to the team. In the case of the US national basketball team, it would seem that this approach to management helped to take the team from a humiliating defeat at the 2004 Athens Olympics to gold medal winners in Beijing four years later.



Lessons from financial services

- **Embed risk into the bonus pool and ensure risk ownership**

In other words, avoid falling into the trap of policies such as paying sales staff huge bonuses for selling mortgages or loans that may never be repaid, or giving huge bonuses to traders who engage in high risk complex derivatives deals that may put bank capital at risk. Staff need to be sensitive to the risks they may be taking and such sensitivity can be achieved in three complementary ways.

Firstly, by making an internal charge for the use of capital, so that performance is measured on a residual income rather than a gross profit basis. Bonus plans could then reflect a risk adjusted return on capital. In an investment bank, for example, each trading desk could be charged for the capital used, and the traders' bonuses adjusted accordingly. Additionally, the higher costs of capital associated with greater risks will discourage excessive risk taking.

Secondly, it is suggested that employees should be made aware of risk by having 'skin in the game.' One example of this is the fund management sector, where managers and their team members may be required to defer a percentage of their annual bonus, which is then invested in the funds they manage. This approach may, however, be difficult to apply in non financial sectors.

Thirdly, the use of bonus claw back schemes can help to ensure that staff retain 'skin in the game'. In October 2008 the New York State attorney-general demanded that former executives at AIG, the insurer bailed out by the government, should repay previously granted incentive awards. Shareholders in UBS, the Swiss bank that has been badly hit by the credit crisis, have made similar calls for bonus claw backs, and the bank is considering ways of encouraging voluntary repayments. Current employment contract terms may make the enforcement of claw back demands extremely difficult, or impossible, in practice, but it is quite possible to suggest that future contracts should incorporate performance adjusted deferred compensation schemes which include claw back provisions that are

Even if risks are embedded into the bonus pools, in the case of a loan, for example, the risk is not fully eradicated until the loan is repaid and so it makes sense to

- **Match the time frame of the reward to the time frame used for the bonus payments**

In the private equity industry, for example, carry arrangements are commonly applied to investments, so that bonuses are based upon a "through life" fund performance rather than on the back of one-off deals. Deferred bonus schemes are often used in companies to provide deferred stock bonuses to senior managers and board members, but deferral is less common at lower staff levels. A system in which a percentage of, for example, sales commissions was deferred and ultimately paid out in the form of shares would encourage employee loyalty and help to maintain their interest in the overall success of the business.

- **Investigate performance outliers and avoid 'superstars'**

This is linked to the idea of ensuring that staff are held accountable for the risks they may take. If one individual's performance is stellar, it is worth investigating why. Most people do not have long term and repeated good luck. Nick Leeson, the trader who brought down Barings Bank is a good example. If someone had looked carefully at what was going on, instead of just applauding his apparently superb investment performance, the truth may have come out much quicker. A safe assumption is that superstars are excessive risk takers until proved otherwise.

- **Link individual performance rewards to overall corporate performance**

Compensation structures may be based upon any combination of individual, team, business unit, divisional or corporate level performance. The balance is important, as demonstrated by the example of the US national basketball team. Bonus structures could be rebalanced so that they are based primarily on overall company performance, secondly upon the unit/team performance and lastly upon the individual performance. This approach complements the other tools that discourage individual risk taking and promote a long term perspective on rewarding good performance.

One likely short term side effect of this is that core pay levels may need to rise, so that bonuses become a less significant element of an individual's overall compensation. At the same time, such a move may prove beneficial in increasing cash flow forecasting.

- **Ensure enterprise wide oversight of the performance: risk interface**

At Board of Director level, the concern will be with the extent to which internal controls are designed sufficiently robustly, so that capital at risk is protected within the boundaries of the organisation's risk appetite. The financial crisis, however, offers many examples of where board members appear to have 'taken their eye off the ball' as they have become entranced by rapidly expanding returns in particular areas of the business. Basic management accounting principles guard against over dependence on any single product or customer group but some banks did not adhere to this principle.

For example, the bank's annual report shows that Peter Cummings, head of corporate lending at HBOS was handsomely rewarded for his historic achievements in boosting profits from the bank's corporate loan book from £515 million in 2001 to £3.2 billion in 2007. Cummings received total pay of £2.6 million in 2007, of which £1.6 million was in cash incentives. Cash - that was paid out well before the loans were repaid. In the second half of 2008, bad debts in the division rose from £500 million at 30th June, to £1.7 billion at 30th September and £3.3 billion by the end of November. Presumably, the figure is still rising. The final price paid by HBOS for such mistakes is that it is in the process of being absorbed into Lloyds TSB.

The lesson here for senior management and board members is don't pay cash bonuses until product performance is completed, and secondly don't lose sight of the fact that good returns in one business may be putting other areas of the business at risk. Simple, but easily forgotten in the euphoria of rising profits.

Conclusion

Hindsight is a wonderful thing, and it is now relatively easy to look back and identify the flaws in performance related pay schemes in the financial services sector, but few spotted the flaws at the time. That said, the lessons to be learned are straightforward. Good returns are earned by taking risks, but internal controls are intended to limit the scale of risk taken. Performance related pay should therefore also take account of risk taking.

It looks as if HR managers will be burning the midnight oil for a while as new contracts are drafted and the reward culture is redefined. Meantime, performance related pay is far from dead.

This article first appeared in CIMA's Strategic Risk Management magazine and is reprinted with their kind permission.

What does the future hold for Business Schools?

Ken Starkey, Professor of Management and Organisational Learning, Head of Strategy Division, and the School's Director of External Relations casts a critical eye over the role that business schools have played in the current economic crisis, and suggests it is time to make some fundamental changes of approach.

p26

p25 Business schools play a leading role in today's university. Their quintessential product, the MBA, is awarded to hundreds of thousands of students a year worldwide. In the US alone, more than a hundred thousand MBAs graduate annually. But they may soon pay the price for this success as they are increasingly implicated in our current economic crisis. The charge is that MBAs from top business schools were the shock troops of the financial economics that led to our current financial woes and the disasters faced by many banks, and countries, worldwide.

If business schools had thought critically about what they did then they should have seen this coming. Some did. Analysing the business school's role in the Enron crisis, the late Sumantra Ghoshal of London Business School caused a furore by writing that business schools did not need to do a lot more to prevent the emergence of future Enrons; they just needed to stop doing a good deal of what they were doing already. They did not, championing a particular perspective on business and economics that has led to our current woes.

It is now clear that we need a different approach to business. Business schools could/should play a key role in framing a new narrative of business to replace the bankrupt (intellectually and possibly financially) hypergrowth strategies of recent years which have led to a fracturing of the social and economic contract between business and society. But they can only do this if they rethink their approach, particularly to the MBA, and the economic ideology of globalisation without limits, without a conscience, without adequate governance

Business schools will need to redefine what they see as the key competences successful professional managers will need to prepare themselves for business leadership. Leadership will need to be defined more broadly than it currently is, i.e. as more than synonymous with shareholder value. As Sir Adrian Cadbury said some years ago, in a point, reinforced recently by Lord Myners, do we really want to equate shareholder value with investor opportunism, rewarding those holding equity as briefly as possible for maximum short-term return? The path to sustainable business is to encourage long-term share ownership and to encourage those who stay with the company for the long-term.

If business schools had thought critically about what they did then they should have seen this coming. Some did.

This will also require a new approach to executive pay. It is interesting how a narrative and the practice of top management remuneration has come to emphasize salaries previously only associated with film stars, pop stars or top flight sportsmen as the only way to incentivise those in senior positions while, at the same time, middle managers and workers are criticised for poor levels of productivity and their jobs outsourced internationally to the least cost locations. Recent events in banking have starkly illustrated the bankruptcy, moral, and possibly economic, of these practices. In financial services much of this excess remuneration has been a reward for loading firms with derivative debt in the shadow banking system, from which only government intervention and a form of nationalisation, rather than market forces, has rescued the financial system and, hopefully, the real economy.

We desperately need a new narrative of business and society. Business leaders are groping towards this as, for example, in the influential Counterparty Risk Management Policy Group Report on Risk of 2008, which argued that "greater financial discipline at individual institutions must be reinforced by a renewed commitment to collective discipline in the spirit of 'financial statesmanship' that recognizes that there are circumstances in which individual institutions must be prepared to put aside specific interests in the name of the common interest" (www.crmpolicygroup.org).

In particular we must challenge the economic orthodoxy of Chicago economists, associated with Milton Friedman and colleagues, that has had such a disproportionate, undeserved and negative effect during the era that began with Margaret Thatcher and Ronald Reagan and which is now coming to an end. Chicago economics provided the building blocks of a powerful ideology of individualism, free markets, privatisation, minimal state and minimal (ideally zero) regulation of business. It was based upon the strange, supposedly scientific, belief that markets are efficient and capable of rational self-management.

The application of this particular version of economics led to a boom in which the gains were appropriated by the few while the inevitable long-term losses will be paid for by the many because the state, and the citizen, had to step in to bail out failing banks suddenly desperate for state aid. We need a new language of business and society that marks a radical break with the rhetoric and the ideology of an economics that masquerades as a social science but has a minimal understanding of how society functions effectively, that is essentially a-social, or even anti-social.

Arrogant MBAs from top business schools were the shock troops of the business models that have led to our current woes, driven by greed and an inflated sense of their own knowledge and importance. Gillian Tett, Financial Times Assistant Editor, in her excellent study of the banking crisis, Fool's Gold, quotes a leading Wall Street financier's definition of derivatives – "financial hydrogen bombs, built on personal computers by twenty-six year olds with MBAs". Business schools, some of them anyway, are now debating responsible leadership and emphasizing social entrepreneurship. They have a steep mountain to climb to convince MBAs paying high fees and looking for instant career returns that running your own business is about more than maximising financial returns and getting to IPO as quickly as possible.

Almost unnoticed a new model of organization, or its alternative, has replaced our old established verities about what constitutes business and management. As Gerald Davis of the University of Michigan describes it in his book Managed by the Market: How Finance Reshaped America (and is threatening to reshape the rest of the world), old models of organization, built upon stable patterns of employment and a degree of predictability, have been replaced by financial elites, using the black magic of financial economics, with a new model of trading in which everything is reduced to capital (financial, human, social…) and then traded. This new model has blown up in all our faces because it was built upon a false and hubristic fantasy that the finance wizards could easily manage the risks of trade to build a better world. We are now living with the consequences.

The securitization of everything has left us all far less secure. The financial crisis demands of us, particularly political and business elites, that we critically analyse our assumptions and our models of economic, business and social organization, starting, I would suggest, with the simplistic mantra of globalization that was appropriated far too uncritically by too many. Business, as more enlightened business leaders such as Stephen Green of HSBC realizes, needs a new raison d'être, if it is to recover the public trust that it needs to survive and prosper.

This article first appeared in the September 2009 issue of 'Governance' magazine.

Ain't no mountain high enough for Jason

For those of us who celebrate Christmas, the 25th December is usually a day for taking it easy with family and close friends, eating, drinking, relaxing and generally enjoying the holiday celebrations. But for MBA alumnus **Jason Watkins** last Christmas represented something quite different – he set himself the challenge of standing on the highest point in South America, and all in a good cause.

Jason on the mountain.

We take up his story:

"You've possibly never heard of The Smile Train. It's a charity I came across a few years ago when I saw one of its campaigns featuring a small child with a cleft lip before, and after, simple corrective surgery. It moved me to the point that I donated monies to cover the cost of one procedure.

Unlike many charities that do many different things, The Smile Train is focused on solving one single problem: cleft lip and palate. Their mission is not only to provide free cleft surgery for millions of poor children in developing countries but also to provide free cleft-related training for doctors and medical professionals.

Clefts are a major problem in developing countries where millions of children suffer from the effects of unrepaired cleft palates. Most cannot eat or speak properly. They aren't allowed to attend school or to hold a job. And they face very difficult lives filled with shame and isolation, pain and heartache.

But the good news is that every single child with a cleft palate can be helped with surgery that costs as little as £150 and takes as little as 45 minutes to complete.

Having always enjoyed a bit of 'derring do' I decided to harness some of my energies into helping to raise money and change the lives of these children by giving them something to smile about. On the 25th December 2009, I will leave the UK for a 3 week mountaineering expedition to South America to attempt to climb Mt Aconcagua. At 6,962m it's the highest mountain in the world outside of Asia, the highest in either North or South America and one of the famous 'Seven Summits'. It's located in the Andes mountain range, in the Argentine province of Mendoza.

Due to climbing season variations, those who stand at the summit of Aconcagua in the depth of the winter months are very likely to be the highest people in the world at that particular moment, as only complete fools climb higher Himalayan peaks in December or January. Despite this, mere mortals like me - with a little careful training - can scale this famous South American peak due to some relatively non technical ascent routes. The success rate for reaching Aconcagua's summit is around 20-30%, with weather playing the major role in those unsuccessful bids. My days will consist of 12-15 hour slogs, double carrying equipment up and down the mountain and trying to acclimatise to thinning atmosphere.

Christmas 2009 will be spent in a freezing tent, with more of the same for New Year 2010! "

If any alumni reading this article feel that they'd like to support Jason's efforts by making a donation, you can do this through the JustGiving website. Jason is covering the entire cost of this trip out of his own pocket, so your money will be fully supporting the charity.

As Jason himself says, "Donating through JustGiving is simple, fast and totally secure. It's also the most efficient way to sponsor me. The Smile Train gets your money faster and, if you're a UK taxpayer, Justgiving makes sure 25% in Gift Aid, plus a 3% supplement, are added to your donation. JustGiving only take 5% of your donation to pay for credit card costs and to make claims for gift aid. So, for example, for every £10 you donate, with gift aid claimed, that brings the total to £12.82 with JustGiving taking only 64p."

We'll be following Jason's progress in the summer edition of NuBiz. You can find out more about The Smile Train by visiting www.smiletrain.org

Cleft palate before.

Cleft palate after.

Mont Blanc.

The History - for those who might be interested

The Seven Summits are the highest mountains of each of the seven continents. The mountaineering challenge to climb the Seven Summits is traditionally based on either the Bass or the Messner list (and it's also assumed that most of the mountaineers who have completed the Seven Summits will have climbed Mont Blanc as well).

Dick Bass, a businessman and amateur mountaineer, set himself the goal of climbing the highest mountain on each of the seven continents, including mainland Australia in 1985. Reinhold Messner revised Bass's list by using the broader definition of Oceania and including Carstensz Pyramid rather than Australia's Mount Kosciuszko and completed the list in 1986.

Mount Elbrus.

The Seven Summits - Jason's progress so far (in order of climbing)

1. Highest Point in Africa:
   Mt Kilimanjaro 5892m (19,340ft) **Tanzania**
   Climbed in 2004 to raise funds for the Australian charity One in Five
2. Highest Point in Australian Mainland:
   Mt Kosciusko 2,228m (7,310ft) **Australia**
   Climbed in 2008 to raise funds for the Nepalese charity Dharmik
3. Highest Point in Europe:
   Mt Elbrus 5642m (18,510ft) **Russia**
   Climbed in 2008 to raise funds for the Nepalese charity Dharmik
4. Highest Point in South America:
   Mt Acongagua 6,962m (22,841ft) **Argentina**
   Climbing in 2009/2010 to raise funds for the charity The Smile Train
   * Additional Climb: **Mont Blanc** 4,810m (15,781ft) and **Tete Blanche** 3,710m (12,172ft) **France** 2010
5. Highest Point in North America:
   Mt McKinley (Denali) 6,194m (20,320ft) **USA**
   Climbing this in 2010
6. Highest Point in Antarctica:
   Mt Vinson: 4,892m (16,050ft) Claimed by **Chile**
   Date for climbing this to be decided
7. Highest Point in Asia:
   Mt Everest 8,848m (29,029ft) **Nepal**
   Give me a chance!
8. Highest Point in Australian Continent:
   Carstensz Pyramid 4,884m (16,024ft) **Indonesia**
   Lets get Everest out of the way first!

Where are they now?

Nice work if you can get it

To many people interested in gaining international business experience, being paid to wine and dine in some of the finest hotels, assess their facilities and check out their exotic locations might sound too good to be true. But this is all in a day's work for **Florent Cailliau** (MA Finance & Investment, 2006).

"After my "French Baccalaureat" (i.e. A-Levels) – followed by two years of preparation classes to enter the so-called Grande Ecoles – I chose to study at Bordeaux Business School, a decision mainly driven by a desire to find an institution with a good academic ranking and also a place which would best fit my personality. Bordeaux Business School proved to be a great choice and I enjoyed the quality of its teaching and the overall atmosphere within the Business School. At that time, I had also taken the opportunity of co-creating a gastronomic organization called Cook'It. The aim of Cook'It was to promote French gastronomy amongst students and our activities were fairly diverse – from organizing cooking lessons for our students to arranging visits to chocolate manufacturers or foie gras farms. Yes, this was quite a project! And, with seven other team members, it also became an amazing learning experience both from a personal and professional point of view.

I thoroughly enjoyed my experience in Bordeaux and, thanks to the quality of the partnerships developed by the school, I was then offered the opportunity to come and study for a Master of Arts in Finance and Investment at Nottingham University Business School – under a "double diploma program". The experience was not only a great opportunity to gain some insights on how the English universities work– which is very different from the way our French business schools work – but it was also a unique experience to get to know people on Erasmus programmes from all over Europe and participate with many British students in organisations such as the Nottingham University Rowing Club – with whom I participated in the Head of the River (London) race, the Varsity in Nottingham and also a training camp in Hungary. Quite fun for a French fellow like myself!

Then came that big moment which we all have to go through and which does have a huge influence on one's life – at least part of it – that is, finding a job! With an MSc in Management (specialization in Audit) and a MA in Finance & Investment in my hands – many people might have thought that I would end up either in a bank or in an auditing firm. From my side, I had another plan: I wanted to combine my academic background together with my personal interests – travelling, discovering new cultures and cooking. At the end of the day – shouldn't we do what we love doing? I found the answer in the hospitality industry and, after having sent a few CVs around, I was lucky enough to be interviewed by Starwood Hotels & Resorts Worldwide, Inc. – one of the world's leading hospitality companies with brands such as Sheraton, Le Meridien, Westin, St. Regis and Westin.

I started there as Development Opportunity Analyst in the Finance Team for our EAME Division – i.e. Europe Africa Middle East, based in Brussels. A few years later, I was promoted to become Manager, Acquisitions & Development within our Asia Pacific Division based in Singapore, a position I currently hold. My day to day job involves studying hospitality markets in all Asia-Pacific (i.e. from South East Asia to Australia and passing by Japan) and working with investors, internal stakeholders and hospitality consultants in order to identify and assess the best development opportunities for our 9 distinctive brands. From this perspective, living in Asia is not only a great opportunity for me to work on hotel development within some of the most dynamic markets, it is also a great experience in terms of discovering new cultures, travelling to some amazing countries and of course, mingling with outstanding people.

So, if I have any advice to impart based on my own experience it is - do what you love doing, and do not hesitate to look beyond "standard" paths! "

MA Marketing Alumnus is on the right wavelength

Completing the MA in Marketing (2006) was a turning point in **Darren Coleman's** life. Since that time he hasn't looked back.

"Prior to my Masters degree I was responsible for Messaging Services at Orange Group. It was a challenging and rewarding role but I wanted to develop my marketing knowledge. I also felt the market was reaching maturity and it was time to move on. After meeting several members of the academic staff at Nottingham the 'advanced' MA Marketing became the obvious choice."

While studying marketing at the Business School Darren developed an interest in service branding. "The idea of marketing intangibles and using metaphors to convey brand meaning fascinated me." This certainly appears to be the case. After completing his Masters Darren moved to the University of Birmingham to read for his PhD. "My doctoral research looked to reveal the dimensions of service brand identity. I then wanted to assess whether service brand identity drove brand performance – which it did."

Building on his academic credentials Darren's attention has now turned to developing his marketing services business, Wavelength Marketing which offers consultancy, training and research. "With the name I want to utilise the value of metaphor. Colloquially, good marketing is on the same wavelength as the target market. It makes an implicit emotional connection. That's what I was looking to achieve with my clients. I often think that if it wasn't for my experience on the MA Marketing programme I would never have developed an interest in service marketing, read for my PhD and then wanted to start my own business."

Despite challenging economic conditions Darren is optimistic about the future. "It's true that marketing budgets are generally the first to get cut in a recession. That's because most marketers don't tend to use metrics to justify and monitor their expenditure." This issue has provided the impetus for Wavelength Marketing's model, which combines qualitative research with a more scientific approach to marketing. "Most marketers are not aware of very useful statistical techniques that can inform marketing decisions. For instance, multidimensional scaling can visualise brand positioning, conjoint analysis helps determine which service attributes influence consumer choice, while structural equation modelling can help reveal whether it is loyalty, or satisfaction, that drives revenue. It's fascinating to watch clients' reaction when they see such complex issues more clearly in the light of rigorous research. It provides them with greater confidence and conviction. This is one way I differentiate Wavelength in the market. I would not have been exposed to these techniques but for my post graduate education."

For more information about Wavelength Marketing please email darren@wavelengthmarketing.co.uk or call +44 (0)7773280770

Montreaux deux

Being selected to attend a high profile conference in Montreux proved to be a very rewarding experience for two of the School's recent graduates.

Luke Postlethwaite (BA Management Studies 2009).
"My time in Switzerland was incredibly rewarding, on both a personal and professional level. We were provided with front row access to seminars and workshops with some of the leading experts in marketing and market research, providing a degree of understanding of contemporary issues that's incredibly difficult to emulate through standard textbook learning. What I found more amazing, though, was the way that these people then actively sought to meet us students in their own time in order to discuss our degrees and work experience. A particular highlight for me was discussing the high calibre of University of Nottingham graduates with Mark Gillespie (Vice-President at The Nielsen Company) over a glass of champagne - a surreal experience that would be completely unobtainable had it not been for ESOMAR.

However, the congress provided so much more than marketing knowledge. As someone who didn't have the opportunity to study abroad, spending a week with 15 other European students was fascinating. The insight I gained into their cultures, education and experiences made me feel that I had previously been ignorant, or at least sheltered, to life outside of England.

Before I had even left Switzerland I was offered and accepted a job at MetrixLab, a global leader in online marketing knowledge, as a direct result of my participation at the congress. A few short months down the line I am now a Media and Advertising Research Manager at MetrixLab's London office, managing projects for clients such as Google and Gillette. The congress provided me with experiences, contacts and friends far beyond my expectations, and I thank NUBS for giving me the opportunity to take part in the scheme."

Rebecca Scarrott (BA Management Studies 2009).
"Last summer, I was selected to attend the 2009 market research congress in Switzerland organised by ESOMAR: a world organisation that enables better research into markets, consumers, and societies. Along with fifteen other students from around the world, I acted as a networking facilitator for some of the greatest market researchers. During the event we attended workshop sessions, networking drinks, and gained a better understanding of the real world issues that marketing and market research companies are facing. The highlight of the congress for me, was hearing the youngest board director of Saatchi & Saatchi speak about his visions for the industry. Every student that attended left Switzerland with new understanding, a new network of exceptional contacts, and for some work experience or a job."

Luke and student colleagues at the Montreaux conference.

A Weill of a time!

John Parry (MBA CSR, 2004) is doing well in NYC.

I work at Weill Cornell Medical College as a project manager. Not a CSR role at all. I've been here 16 months. It's a great job and I'm challenged every day.

Little Gregor Lloyd Parry (born 4 March 2009) is beginning to crawl, and to put everything in arms reach into his mouth. So nothing stays dry for long… though he didn't chew on NUBIZ for some reason. I'm currently taking an online course at Cornell University, in between feedings and diaper changing duty.

Keep in touch

If you'd like to get in touch with any of our featured alumni or if you want any information on old colleagues please e-mail Hilary at
hilary.vaughan-thomas@nottingham.ac.uk

You can also keep in touch through the alumni website at
www.nottingham.ac.uk/business/alumni
or via our social networking groups on

facebook Linkedin twitter

Chris becomes ambassador for Enterprise UK

On November 19th last year **Chris Skilton** (BA Finance, Accounting and Management, 2008, MSc Entrepreneurship, 2009) attended a reception hosted, by Gordon Brown at No. 10 Downing Street, to mark 'Social Enterprise Day' during Global Entrepreneurship Week.

Chris was invited both on the strength of his work in Ghana (featured in the last issue of *nubiz*) and as a 'Future Leader of the Third Sector'.

Chris has also been asked to become an ambassador for 'Enterprise UK', the official government campaign to promote entrepreneurship in the United Kingdom.

Amongst other activities, the work of an ambassador typically involves speaking at events, sitting in on policy focus groups and a healthy amount of networking with government agencies and a range of corporate and business institutions. Enterprise UK was previously promoted under the name 'Make Your Mark', a campaign that still exists as a part of Enterprise UK.

And more recently, the icing on the cake has been that Chris - with support from Chris Mahon and the School's Alumni Relations Office - has successfully bid for a financial donation of £17,500 from the University's Annual Fund, to support the work he is doing in Ghana through his CEDIS project. This grant will ensure that the valuable work that has been started to support local entrepreneurs will continue and, through their involvement as student volunteers, it will also be an invaluable experiential project for members of the University's SIFE (Students in Free Enterprise) team.

Commenting on this positive news Chris said:" I'm delighted to have received this support from the university. To date we've been able to train more than 1000 people in entrepreneurship development and have provided micro-loans to 100 entrepreneurs in Ghana.

15 Nottingham University students are already busily working on these projects and they are developing skills in project management, systems design, accounting, finance, and marketing as well as a range of 'softer ' skills.

They benefit from regular training days which further develop their capabilities and ensure they can fully participate in CEDIS, regardless of their academic background. Their new skills will enhance their employability, and I firmly believe that the whole experience will strengthen their vision of what they can become in the future."

Greetings from Alumni Malaysia

University of Nottingham Graduates Association (Malaysia) celebrates 20 years.

I am pleased to share with nubiz readers, and particularly with Malaysian alumni, that 2010 represents the 20th Anniversary of the founding of the University of Nottingham Graduates Association (Malaysia) - an achievement that each member can be proud of.

Our members include those who graduated as long ago as 40 years, and many of whom have achieved great success in their lives. We are proud to have Kings, a Queen, Princes, a Crown Princess, a Prime Minister, Cabinet Ministers and judges among our distinguished members. The diversity of our membership profile is attractive and we are very keen to encourage recent graduates, and forthcoming graduates, to join our Association. To incentivise this activity – and with effect from 2009 - we are now offering an affordable one-off Life Membership fee of RM25.00. This fee applies to all those who are first degree graduates, from 2007 onwards. However, a Life Membership fee of RM100.00 applies to any postgraduate (including MBA) alumni, or the graduates from earlier years.

In keeping with the objectives of the Association, our members have networked and maintained their ties with the university via social and cultural gatherings and the occasional events with the Vice-Chancellor, Professor David Greenaway - the most recent one being the Open Day event held at Semenyih campus on 24 October 2009, which was well-attended by the alumni. We are now working on enhancing our professional networking activities which we know our members find highly beneficial.

A particular highlight event this year will be the 20th Anniversary Dinner which we plan to hold in July. We hope that many of this year's graduates from the UK campus may be back in Malaysia and able to join us.

I would be very grateful if the readers of nubiz could help us to share this information with other Malaysian alumni they may be in touch with, and I encourage all of you to join the Association as members. You can reach me at; hhgoh@gohwongpereira.com (+60 12 3294225) or contact Miss Aminah Kobil, our Committee Member who is the focal point for new membership at; aminah.kobil@cherisherconsulting.com (+60 17 3568264).

We look forward to welcoming you to our Alumni Association.

Best wishes,

Goh Hoon Huar
President, Nottingham Graduates Association (Malaysia)

Staff News

International honours for Nottingham's 'entrepreneurial fellow'

Three distinguished international accolades have been awarded to **Professor Mike Wright** — Director of the Centre for Management Buy-out Research and Professor of Financial Studies at the Business School — for his exceptional contributions to the study of entrepreneurship.

The Academy of Management's Entrepreneurship Division named him 2009's recipient of its Mentor Award, which recognises, supports, encourages and honours exceptional mentoring activities at all educational levels in the field of entrepreneurship. It also named him 'Best Editorial Board Reviewer' in its Education and Learning Division.

Next, Professor Wright was invited to become the only non US-based '21st Century Entrepreneurial Fellow', joining a group of just 12 scholars created by the Global Consortium of Entrepreneurship Centers (GCEC) in 2001 to advance the global cause of entrepreneurship research throughout the scholarly community.

A visiting professor at ERASMUS, the University of Ghent, and EMLYON business schools and a former editor of the journal Entrepreneurship Theory and Practice, Mike was further identified as an author of more published research — between 1995 and 2006 — than any other scholar in the field of entrepreneurship.

Professor Wright's awards come at a time when the world is reeling from the effects of deep recession; when public and business confidence in banking and finance has fallen, and entrepreneurship is gaining the recognition it deserves as an engine of sustained economic growth and social cohesion. In the United States, since 1980, all net increases in jobs have come from businesses which are less than five years old.

Commenting on his awards, Professor Wright said "Over my entire career I have sought to produce rigorous academic work that is also policy-relevant. It is wonderful symmetry that I should be nominated for these awards in the year that the University celebrated being named the first Times Higher Education 'Entrepreneurial University of the Year'."

Ronald K. Mitchell, Immediate Past Chair of the Academy of Management's Entrepreneurship Division and Professor of Entrepreneurship at Rawls College of Business, Texas Tech University commented on Professor Wright's success in winning the Academy of Management Entrepreneurship Division Mentor Award. "Mike Wright has, throughout his career, exemplified the qualities of a true mentor. He has been especially capable in the area of helping to identify promising doctoral students and post-doctoral candidates, encouraging their interest in the field of entrepreneurship research, nurturing their development in research and professional roles, and in providing moral, social, and intellectual support to new entrants to the field in the early stages of their careers.
"He is highly deserving of this most-prestigious award," said Professor Mitchell.

Professor Wright was nominated by existing scholars in the 21st Century Entrepreneurial Fellows group who 'advocated' for his membership based on his research record and leadership in the field of entrepreneurship. This is a relatively new group and Professor Wright has been invited to help formulate how they will encourage academic research in entrepreneurship.

"It's good to be in a position to formulate policy and direction at an early stage in the group's existence," said Professor Wright. "Interest in entrepreneurship is increasing at undergraduate and masters level, but also among academic entrepreneurs not only in science but across The University of Nottingham," he added. "A lot of work I've been doing has been looking at how one can make universities more entrepreneurial, injecting some realism to moderate the early optimism of some members of the academic community, especially with regard to access to finance."

The official induction dinner for this open-ended appointment will take place during the 2010 Academy of Management Conference in Montréal, Canada, next summer.

Staff highlights round up

The International Journal of Logistics Research and Applications' prize for best paper in 2008 was awarded to **Linda Whicker** and J.Lynch, Harrow Business School, for their paper 'Do logistics and marketing understand each other?, an empirical investigation of the interface activities between logistics and marketing.

Professors Christine Ennew and **Jim Devlin** have been awarded £41,000 by the Financial Services Research Forum to investigate "Measuring Consumer Perceptions of Trust and Fairness in Financial Services"

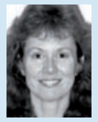
Dr. Andrew Grainger has been appointed to the Editorial Board of the World Customs Journal. The journal has a very high impact within customs and trade circles – especially given its links with the World Customs Organisations. See: http://www.worldcustomsjournal.org/

Professor **Jim Devlin** has been appointed as Expert Advisor to a European Commission study on "The Use of Age, Disability, Sex, Religion, Belief, Race or Ethnic Origin and Sexual Orientation in Discrimination against Financial Services Consumers with Particular Reference to Insurance and Banking"

Dr Rob Lambert recently served as the International Referee for IAATO (the governing body of Antarctica tourism) in their application to the Virgin Holidays Responsible Tourism Awards 2009. He has also been asked to work closely with IAATO on the redevelopment of the 'International Observer Scheme' for Antarctica tourism which reports to IAATO and thence to the ATS. Dr. Lambert will be involved in the making of a documentary film over the next year; entitled 'The Bird Effect', which will look at the impact that birds have on peoples' lives.

Professor Paul Fenn has been closely involved with national policy developments in relation to the costs of civil litigation. In 2009, he was invited to join the panel of assessors in the Review of Civil Costs led by Lord Justice Jackson, who has been appointed to lead a fundamental review of the rules and principles governing the costs of civil litigation and to make recommendations in order to promote access to justice at proportionate cost. Paul has also been asked by Justice Minister, Bridget Prentice, to join the Advisory Committee on Civil Costs, set up to provide independent advice to the Ministry of Justice, based on evidence and economic analysis of the costs in civil claims.

Dr Giuliana Battisti, Associate Professor in Industrial Economics, has been elected as a committee member of the Business and Industrial Section of the Royal Statistical Society. The BIS section promotes the advancement and application of statistical methods in industry and commerce.



Professor Ken Starkey and **Dr Sue Tempest** won a 2009 award for excellence for their article entitled *A clear sense of purpose? The evolving role of the business school published in the Journal of Management Development.* The paper was chosen as a Highly Commended Award Winner at the Emerald Literati Network Awards for Excellence 2009. The award winning papers are chosen following consultation among the journal's editorial team, many of whom are eminent academics or managers. The paper was selected as it was 'one of the most impressive pieces of work the team has seen throughout 2008.'

In October, Web Host Magazine gave **Christopher Barnatt**, Associate Professor of Computing & Future Studies, its Editors Choice Award for his website, Explainingomputers.com for its ability to explain complex computing topics quickly and directly. Web Host said, 'You could browse the Web and find a billion articles on say cloud computing and read them all and find that you are essentially back where you started, not really understanding what it is and how it can be used. ExplainingComputers.com is a site where you can find answers to these seemingly complex questions.'

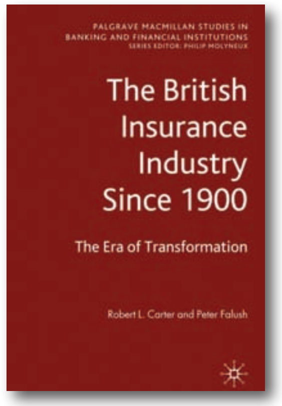
In February, the Minister for the Cabinet Office, Liam Byrne, asked **Professor Ken Starkey**, Sir David Omand and Lord Victor Adebowale to publish the report on policy making in Whitehall he had commissioned from them and to work with him to set in place its recommendations. The report, *Engagement and Aspiration: Reconnecting Policy Making with Front Line Professionals* examines the challenges facing government policy making in the twenty-first century and examines how government can best close the gap between Whitehall policy and front-line delivery. Ken said, 'We found excellent examples of front-line engagement driving change in public services. The challenge facing government is to spread this philosophy of enhanced aspiration and engagement right across the public sector, not least to help repair the connections damaged by a private sector all too geared to short-term profit at the expense of society.' The authors are Fellows of the National School of Government's Sunningdale Institute, an academy of leading thinkers from the UK, Europe, and North America with expertise on management, organisation, and governance relevant to public service.

Professor Michael Humphreys and **Dr Mark Learmonth** were recently presented with the prestigious 2009 Lord Dearing Award. This scheme recognises the outstanding achievements of University of Nottingham staff in creating a world-class student learning environment that is supportive and nurturing, while at the same time challenging, creative and innovative. Described as 'excellent, inspiring teachers,' Michael and Mark use a range of innovative techniques, such as incorporating jazz music into their teaching, to generate and nurture their students' enthusiasm for qualitative research methods.

Dr Linda Peters, Associate Professor in Marketing, won the best paper award in the Network Theory track, sponsored by the European Institute for Advanced Studies in Management (EIASM) at the 2009 Naples Forum on Services: Service Dominant Logic, Service Science, and Network Theory. EIASM is a set of networks that facilitate access to, and entry into, the most dynamic circles of management scientists in Europe, as well as enabling communication between Europe and other parts of the world.

Books

A sense of history



The transformation of The British Insurance industry since 1900 is the subject of a new book by **Bob Carter**, Emeritus Professor of Insurance Studies at the Business School, and Peter Falush, a consultant economist specialising in insurance.

The book has an impressive coverage, considering not only the changes in life and general insurance, but also developments in reinsurance and risk management over the 20th century.
The authors demonstrate how different the British insurance industry was in 1900. General insurance was dominated by fire business, which was far more important than employer's liability, and motor insurance. In long-term insurance, there were ten times as many industrial life policies in force compared to ordinary life.

The first part of the book covers the first half of the century. There are several useful tables of data. There is a substantial amount of information on mergers and amalgamations, which have been a constant feature of the business. New lines of business are covered, including developments in employer's liability, stimulated by changes in the law. Much of the business of UK insurers was overseas, and for this reason the San Francisco earthquake of 1906 has a section. The impact of each of the world wars is studied: for example, marine insurance premiums doubled over 1938-46 whereas motor insurance premiums fell by a third.

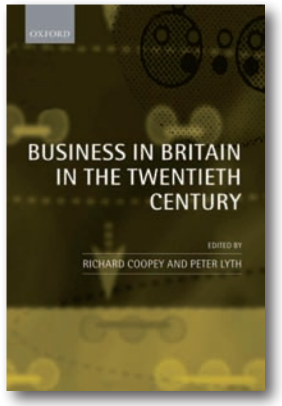
The second half analyses changes in different lines of business. Much of the market prospered, although a worrying number of companies failed, sometimes through fraud. Commercial insurance was affected by legislation, terrorism, new technology and changes in the broking sector. Life business experienced changes in distribution methods, mis-selling and demutualisations. Reinsurance is covered, highlighting the skills and expertise in London. Another chapter documents changes in the business of Lloyd's of London, including the traumatic times of the late 1980s and early 1990s. Captives, alternative risk transfer and insurance derivatives are referred to in the chapter on risk management.

The final part of the book explains the market infrastructure: competition and mergers; trade associations and other bodies; distribution channels; and regulation; with a final chapter entitled 'Retrospect and prospect'.

The book provides a very thorough overview of the market, and will be a valuable source of reference, documenting in some 220 pages, the changes in the insurance market and how very different the industry was in the past.

The British Insurance Industry since 1900 by Robert L Carter and Peter Falush is published by Palgrave Macmillan, ISBN 97802302019649.

Business in Britain in the Twentieth Century, Decline and Renaissance?



Dr Peter Lyth has co-edited a new book that brings the historian's voice to the analysis of the roots of the economic crisis.

Business in Britain in the Twentieth Century, Decline and Renaissance? represents new scholarship by many of Britain's leading business historians. Confronting the traditional literature on the relative decline of the British economy in the 20th century, this edited collection of essays provides an impressive range of studies forming a platform for new debate on the historical nature of British business.

Themes include productivity, management, R & D, marketing, regional clusters, industrial policy, technology and gender. Sector studies include newer hopefuls such as aerospace and IT, as well as retailing, banking, overseas investment, sport and the creative industries. The book demonstrates that our understanding of the historic strengths and weaknesses of business in Britain, and the shifting balance between sectors of the economy, has been poorly understood, and that British business history now needs a fundamental reappraisal.

Dr Lyth said, 'The appearance of Business in *Britain in the Twentieth Century* could hardly be timelier. One year into a recession, triggered by a banking crisis the like of which has not been seen since 1931, Britain's economic prospects look murky. While there are now plenty of analyses on the crisis from economists and financial experts, the voice of the historian is rarely heard. This book corrects this omission by bringing together in a single volume a collection of path-breaking new scholarship on British business history since the end of the Second World War.'

'We have collected 18 essays, written by Britain's leading business historians, that offer a critical re-examination of the debates both on the decline of British business and on the roots and nature of its supposed 'renaissance' after 1980. Rejecting simplistic Friedmanite or Schumpeterian explanations for that renaissance, the book advances a nuanced, contextual and above all *historical* synthesis of the factors governing British business in the global economy.'

Peter Lyth has taught economic and transport history in Britain, Israel and the United States. His research interests are chiefly in transport and airline history, as well as aircraft and aero engine manufacturing. He is Director of the MSc in Tourism Management & Marketing within the School's Tourism and Travel Research Institute (TTRI).

Richard Coopey & Peter Lyth, (editors), *Business in Britain in the Twentieth Century, Decline and Renaissance?* Oxford University Press, Oxford & New York, 2009.

A good bet

A collection of articles provides evidence about behaviour in a risky context - from the individuals who bet on horse races.

Johnnie Johnson* and **Alistair Bruce**† have been carrying out research on betting for many years, and their book, *"Decisions: Risk and Reward"*, published by Routledge, is a collection of several of the articles that have been published previously.

Some of the authors' work indicates that the betting population appears to consist of subsets of bettors pursuing different objectives. In particular, those who place bets in the last 30 seconds before "off-time" of the relevant race, or later, look to be more motivated by financial gain than the other bettors: they have a higher proportion of bets on the first or second favourites than do other bettors; and 43% of their bets made a profit, compared with less than 20% for other groups.

There is evidence that the average stake per bet of males was significantly greater than that of females, a difference that was still apparent when adjusting for the greater average income of male bettors. When looking at the outcome of the bets, there was no evidence to support the prevailing view of the pre-1980 literature that women make inferior decisions.

Another chapter examines bettors' choice as to whether to pay tax on the stake or on the winnings (as applied in the 1990s). Some decisions could appear to be irrational. However, there is an interesting analysis, which gives indicative values of the consumption value of gambling for different sizes of outlay. Decisions can then be considered with the benefits of gambling being partly financial and partly as consumption value.

Other chapters analyse empirical evidence on betting behaviour in order to throw light on how people make risky decisions.

* Professor of Decision and Risk Analysis and the Centre for Risk Research at the University of Southampton
† Professor of Decision and Risk Analysis at Nottingham University Business School and a CRIS Senior Research Associate

Includes free access to on-line business databases and careers resources.

Turn On. Log In. Join Up.

Have you signed up to our online community yet?

Nottingham Business Online is a dedicated web space for our School's alumni. It links you up to a whole community of former Business School students, from your classmates to the friends of your classmates, and their friends too! It's a networking solution, a job-finding site, an event notice board and a way to keep in touch with the people who made your Nottingham experience so special.

As well as keeping you up-to-date with the latest School news you can search for friends, update your details, find international networking groups and take advantage of a range of benefits and services, including free access to on-line business databases and careers resources.

You'll find it all at
www.nottingham.ac.uk/business/alumni

Log in and discover what it's all about for yourself!