

HSBC: The Future of Business 2011

Supercity Brighton?

Implications for Brighton & Hove's Inward Investment prospectus and future city growth:

In 2009 HSBC commissioned a primary report, looking at how '*a decade of turbulence and transformation*' had affected the business development landscape in Britain.

It drew significant links between a few locations and concentrations of new industry markets and business types which are emergent and forecast to drive future growth.

The initial report listed five cities as being particularly significant in the future of the British business landscape and has deemed them 'super cities' – these were, in order of North to South:

- Newcastle – natural sciences
- Leeds - finance
- Liverpool – culture and branding
- London – creative city state; and
- **Brighton – 'rebellious, alternative economy'.**

'In the big industries of the future, the UK already has a track record, and is incredibly well positioned,' says Dr Lynda Gratton of the London Business School.

What is a Super City?

The term Super City is used to describe a dynamic urban area that is the preeminent centre for a regional economy and a centre of gravity for growth industries and world class research. The HSBC report indicates that these cities have the potential to lead the UK out of recession.

The 2011 update has added two cities to this list:

- Glasgow – renewable energy; and
- Bristol – composites / adv. Manu.

'There will be a repatriation in some manufacturing, leading to a renaissance in those regions that already have the necessary skills and infrastructure,' believes Tony Greenham, head of finance and business at the New Economics Foundation.

The emergent sectors that the 2009 report highlighted as being the key to economic renaissance, nationally, are:

- Robotics – articulate and intelligent machines
- Nanotech – tiny technologies
- Biotech – organic technology
- Cybernetics – human and machine interface systems
- Nutraceuticals – food and nutritional
- Stem cell research
- Renewable energies

- **Nine next-generation growth sectors identified**
- **Business, academia and government to work together for success**
- **New industry 'clusters' to grow around UK**

- Gaming

These sector typologies have now been updated to reflect the business cluster development of more applied rather than theoretical types:

- Renewable Energies
- Advanced composites
- Regenerative healthcare
- Creative industries
- Low carbon transport
- Space industries
- Biochemicals
- Plastronics
- Photonics

The 2011 update has surveyed 500 SME business leaders, selected by HSBC as being important. Their approach is primarily qualitative, and based on the expectations of these 500 people. There are statistics, but these reflect the mentality of the SME business leaders, rather than accurately reflecting a sample of any overall business environment. That said, their quotes are well chosen and pertinent. Due to confidentiality, it is unlikely that we may be able to identify any businesses or business leaders interviewed, except those quoted directly.

A key recommendation could be for Brighton & Hove to attempt to identify businesses that fall into the typologies of business models. We may then be able to conduct further in depth consultation and research into the behaviours and requirements of these distinct and emergent business types, and identify better our relative specialism and promote this. (It could also be a mistake to not do this in a targeted way, therefore offering only general rather than bespoke support.)

There are three new business model types added to the initial report's identification of 'micro-multinationals': [see right]

Our 2009 report highlighted a number of new business models that will develop as the UK's economic landscape is transformed. In that report we identified Micro-multinationals to which we now add a new generation of emerging typologies:

Micro-multinationals

hyper-flexible, hyper-connected companies with a footloose ethos and an international perspective. We are seeing this model pioneered by the creative industries.

Tryotechs

research-led companies, which will be pushing the boundaries of biomedicine, nanotechnology and materials science to unlock new solutions.

Tradicals

creative innovators, reapplying traditional skills in radical new ways in order to reach new markets. Craft industries will emerge as key players in redefining the national and international image of British regions.

Freerewables

pioneers who are harnessing Britain's renewable energy resources will help the UK escape what Energy and Climate Change Secretary Chris Huhne recently described as the 'oil hook'. In an age of rising energy costs, the need for sustainability will fundamentally alter the economic landscape. The vulnerability of global supply chains has been starkly illustrated by civil unrest and natural disasters in a number of countries.

City summary for Brighton & Hove:

Brighton has at least some specialism [or R&D occurring] in all other super city industries, but no clusters that compare on the scale of the other 'specialist' super-cities. We are not an 'economies of scale' economy, but we have many interacting specialist sectors which re-inforce each other, and this is a key factor in our offer.

Clustering is key, and human capital clustering is behind many successful sectors – but having to be 'small' to some extent also drives industrial innovation. We are a diversified economy and this is important. Our clear financial sector development could lend itself to Brighton being a 'Carbon Finance' hub.

Carbon Finance is the fastest growing Low Carbon Environmental Goods & Services sector (LCEGS), growing at over 8% a year cumulatively, and we are in a prime position to capture this growth market. The effect of this will interact with other emergent green sub-sectors in the city to drive wider interactive cross-sector growth, harnessing the creative potential underlying the business culture of the city.

The Future

How can the city exploit and maximise the opportunities highlighted in this report.

The report describes the characteristics of a range of emergent entrepreneurial types or 'tribes'; appendix three provides an explanation of these (types along with those mentioned in the previous Super Cities report)

Brighton can be said to hold many of these types or 'tribes' and there is a need to ensure that these businesses have the right conditions for growth within the city.

The Economic Development Commission Chaired by Geoff Raw, Strategic Director Place, is revisiting many of the opportunities and challenges faced by the city. The Commission brings together experts from Further and Higher Education, Business representatives, local entrepreneurs and the community sector with the aim of creating a new Inward Investment Prospectus for the city.

The prospectus will set out a clear 'story of place'; building on this and other related research it will identify an investment offer to encourage the private sector investment into the city. The prospectus will provide a framework through which key sectors will be supported and it will help to ensure that the potential opportunities described within the HSBC report are realised.

