

Mr Richard Lambert
Lambert Review of Business-University Collaboration
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Thank you for your letter of 30 January about your review of the long-term links between business and universities in the UK. This is a subject that is important to HSBC and I am grateful to you for giving us the opportunity to submit some points.

HSBC is a major consumer of education. We employ graduates from hundreds of universities from around the world and so we have a unique perspective from which to observe the outcome of tertiary education systems in different countries. We have long supported educational projects around the globe and are currently involved in some 10,000, which range from promoting business education to secondary school students to sponsoring university Professorships of Innovation.

I believe that the relationship between the private sector, the public sector and the academic world is a vital one for Britain to get right. These inter-relationships are ones where the frontiers are constantly changing. It is my experience that the gulf and the suspicion between the academic world and the business world, and the business world and government, is greatest in this country. To change that we need a better flow of people between the public and private sector, and between academia and business, something that does not happen in Britain as much as it should. It is an enduring competitive advantage to the USA that both the academic and political classes frequently have direct experience of business and vice versa.

I note that you have written also to our Head of Innovation and Technology, David Gill. I know that David is willing to provide further information and will be in touch with you direct in due course. In the meantime, I attach a note from him about how HSBC works with British universities (appendix one). I also attach some information from Rebecca Hill from our Graduate Recruitment department giving our response to some of the questions you pose about this specific area (appendix two).

I hope this will help you in your wholly worthwhile review. I am sure your conclusions will do much to improve the essential links between the worlds of commerce and academia in the UK.

Appendix one

HSBC-University Collaboration

HSBC in the UK has numerous dealings with universities in a business context, formal and informal. Most notably, HSBC currently sponsors three professorial chairs; a fourth chair, at the City University Business School, was endowed in the 1980s. The other three UK sponsorships are outlined below, together with some of other significant areas of commercial co-operation between HSBC and British universities.

Brunel University

Since late 1998, HSBC has funded a chair in the Systems Engineering Department at Brunel University in Uxbridge, Middlesex. The *HSBC Chair of Innovation* is in itself an innovative form of collaboration between industry and academia in that the chairholder, Prof Clive Butler, is an experienced engineer who now dedicates the majority of his time to projects connected with the small and medium-sized enterprise sector. Prof Butler appraises business plans, submitted via HSBC, from firms with innovative technology as the basis of a unique selling proposition.

Business Appraisals

Prof Butler has developed a methodology with eight areas to be reviewed, together with a weighted scoring system:

1. Will it work? How well?
2. Does it have a unique selling proposition? (USP)
3. How does it satisfy a market sector?
4. How timely is it? Is it ahead of its time or does it fit with current growth markets?
5. What is the expected longevity of the product or product line?
6. Does it fit into a family of products?
7. Do the developers have a previous record of technical innovation?
8. What is the intellectual property rights position?

His reports enable strengths to be identified and weaknesses to be addressed. As a result, HSBC is better able to decide on the suitability of banking services, and the firm's management benefits from an independent expert appraisal of the company. No charge is made for the service, the costs of which are met through HSBC's sponsorship of the professorial chair. However, before proposals are submitted to Prof

Butler, they must pass the “make sense” test: there is no point in appraising the technology unless the prospective HSBC manager considers that the proposal otherwise represents a sound business opportunity.

The University of York

In view of the success of the Brunel relationship, HSBC entered into similar arrangements with the University of York in late 2001, establishing a new *HSBC Chair of Innovation*. This second chair doubles our capacity both for conducting appraisals of business plans and for undertaking management training. York provides us with a wider geographical spread (many small technology firms rely on local rather than national networks) and a broader range of technical subjects than we could achieve through sponsoring Brunel alone.

Management Training

Approximately three out of every five proposals reviewed by the universities are taken on as banking customers. We consider that given the risk/reward ratio, technology-based firms are unsuitable for conventional debt finance until they at least generate revenues and preferably profits as well. However, we recognise that other sources of funding and advice may be more appropriate for technology firms at early stages. At both Brunel and York, we regularly run two-day, on-site training courses for managers in our branch network in understanding the issues confronting technology-based firms and where to seek assistance. The “Innovation Seminars” cover use of schemes such as SMART, TCS and the SFLGS, as well as benefiting from presentations by entrepreneurs and venture capital investors. More than 450 managers have been trained in this way since 1998.

Technology Banking Managers

In addition to raising general awareness levels throughout our branch network through the Innovation Seminars, we have also established a national network of 18 Technology Banking Managers (TBMs) located in research-intensive areas with good commercial links. Our TBMs are experienced in the commercial sector and work with the two professorial chairs of innovation to specialise in recruiting young, technology-based businesses requiring banking and financial services. They co-operate closely with incubators, science parks, university technology licensing offices and other professional advisers.

Innovation & Technology Unit

The TBM network is assisted by a small head office team with overall responsibility for market analysis, new product development and marketing. This team produces a regular newsletter on the technology-SME sector, the current issue of which has as its

lead item a two-page report on university technology-transfer activity. The Unit has also co-sponsored (with Universities UK and the Patent Office) a 100 page *Guide to Managing Intellectual Property*, aimed at University Technology Licensing Offices, and hosted the launch of Universities UK's report in May 2002, *The University Culture of Enterprise*. The Unit has also organised seminars for universities wishing to learn best practice in commercialisation from the leading British practitioners. Other activities include detailed reports on technology funding in the US (2000), Israel (2002) and Germany (forthcoming), distributed free to universities, incubators and science parks.

Kingston University Business School

For some 15 years, HSBC has sponsored the Small Business Research Centre at Kingston University Business School, currently headed by Professor Robert Blackburn. Although this sponsorship is not designed to lead directly to the commercialisation of university activities, policy makers and entrepreneurs alike have benefited from the cumulative wisdom concerning the SME sector in general emerging out of numerous studies into issues such as growth rates and reasons for business closure.

Other Sponsorships and Investments

HSBC is a long-term sponsor of a number of institutions established to promote university-industry collaboration and the commercialisation of research. We are founder sponsors of UKBI, the national organisation for business incubation. We are long-standing supporters and sponsors of the UK Science Park Association (UKSPA). We are investors in a limited number of university-based venture funds, including ICENI (the university challenge fund for the University of East Anglia and the University of Essex) and helped launch PARK, the collaboration between Royal Holloway College and Brunel University to assist business in West London. Our TBMs regularly judge business plan competitions and sponsor prizes sufficient to cover early-stage professional costs such as patent advice. We are also one of the sponsors of the Imperial College Entrepreneurship Centre and are founder-sponsors of both the Cambridge Enterprise Conference and Oxford Venturefest.

Issues Arising

We deal with a wide range of universities on a regular basis and have generally found that recent government initiatives (such as the university challenge scheme and the higher education investment fund) have been welcomed by them. However, reservations are frequently expressed about the short-term funding for such projects. For instance, many university challenge funds are around £4m in total fund size and may not be viable unless second round funding is readily available for investees of the challenge funds. Enterprise Centres, also set up with "third stream funding", have expended much of their initial funding on infrastructure but rely on academic departments for delivering services such as consultancy and continuing professional development. For most academics, the "mainstream" research assessment exercise

(RAE) criteria of research and teaching remain the only “game in town” in terms of both prestige and money; collaborating with an Enterprise Centre continues to be seen as a secondary activity.

Appendix two

HSBC – GRADUATE RECRUITMENT

To fulfil HSBC’s strategic imperative to attract, retain and motivate the best employees, the Group has developed strong relationships with various academic institutions all over the world. HSBC recruits into the distinct streams of Commercial Banking, Corporate and Institutional Banking, Wealth Management and International Management. To achieve the target and diversity required, the marketing campaign focuses on more than 50 premier educational establishments in 12 countries and territories, including the USA, Canada, Hong Kong, Argentina, China, Brazil and India.

Links with Universities in the UK

During the autumn ‘Michaelmas’ term, HSBC participates in the annual ‘milkround’ campaign, targeting more than 30 universities in the UK. Graduates are invited to attend an informal presentation about the opportunities we offer. Further information is distributed to the Careers Services in the form of brochures and details are listed on relevant websites. We also have many contacts with societies at different universities and run skills-for-business sessions as well as information seminars about specific business functions. We will also consider sponsoring relevant events and awards.

Summer Interns

HSBC runs Summer Internship programmes for approximately 70 students annually (in penultimate year at university). The successful students will work in the business for eight weeks during their summer break. The internships provide a very successful pipeline through to our Graduate Recruitment Programmes, with successful interns being offered a full-time position.

Placement students

HSBC offers placements opportunities to students who have a compulsory 'year industry' element to their degree discipline. We currently act as a dedicated business partner to Bath University, City University, Bristol University and Birmingham University.

Campus Ambassadors

Selected students act as 'ambassadors' for HSBC on campus during their final year. This includes promotion of HSBC products and services and our graduate opportunities.

Specific points

- **Is the quality of the graduate recruits satisfactory? Are there any obvious gaps in terms of skills and disciplines?**

The quality of the language skills of graduates from universities in the UK is probably the most notable issue. Even those who have studied a specific language as their discipline do not compare as favourably as language recruits from other universities overseas. Otherwise the quality of recruits from our targeted schools is of a satisfactory standard. Those recruits who have previously gained work experience, either through a summer internship programme or 'sandwich' placement, tend to have an advantage in terms of business awareness over those with no relevant work experience.

We do not ask for any specific skills or have preferences for any degree disciplines. Our assessment process is designed to find graduates who demonstrate strong evidence of the following generic competencies:

Commercial Judgement
Drive and resilience
Influencing and tenacity
Analytical reasoning

Leadership
Decision making
Communication
Teamwork

- **How do businesses, individually or collectively, communicate their needs for specific scientific or technical skills and for the development of relevant courses at universities?**

Many university Careers Services are very active in seeking feedback and performing research on the quality of the students and the relevance of the disciplines they offer. This feedback is communicated to the relevant governing bodies at the universities to see where improvements could be made.

- **How could more attractive career paths for science and technology graduates be developed?**

One of the most important competencies HSBC looks for in graduates is interpersonal skills and relevant work experience. Graduates studying for very specific technical and scientific disciplines sometimes fall down in these areas.

- **What plans does business have to attract the best talent in the future and are the universities made aware of them? If not, what more could be done to facilitate such a dialogue?**

The use of technology in graduate recruitment is becoming more prominent. Much graduate marketing is now communicated via the various dedicated websites. Many businesses use work placements to attract graduates to full time work. This gives them the opportunity to assess hands-on performance and for the graduates to gain live exposure to working in a business. If universities were to make business placements a compulsory part of a degree course, with designated business partners, it would make the process more efficient and effective.