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[Video introduction](#)

Annual Report 2011/12



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Overview



LSE Enterprise has completed another successful and valuable year in applying LSE's research and expertise, linking the School's diverse academic interests to the questions being asked by governments and businesses here and abroad.

The company was formed to develop and apply the social science expertise of LSE to commercial applications in order to help address the growing challenges and requirements of society, governments and the private sector. This seed of an idea, which germinated almost 20 years ago, was thought by many to be a radical experiment that at best would have a limited future in a top university such as ours. What was a radical experiment then is now becoming the norm across the UK higher education sector, encouraged by the regulators and consecutive governments alike as a vital tool in the utilisation and exploitation of intellectual property being developed and honed by the best minds in the country.

The company continues with this mission, conducting over 150 projects in this year alone. These activities range across the School's research fields, its departments, institutes and centres. This annual report aims to give an insight into some of these projects and inspire many more colleagues to apply their expertise with us.

The company's activities continue to develop, its markets diversifying through subject matter and issues, industry sectors and geographies. Where industry and governments might once have relied upon certainties, they are now as likely to face change and new challenges. The side effect of increasing change will continue to be the development of markets in consulting and research, and the requirement for clarity through objective evaluation, robust analysis, and trustworthy answers. The academics of LSE will continue to play a fundamental part in providing research and services to these clients and LSE Enterprise will endeavour to assist them in doing so.

Against a background of difficult market conditions, the company has performed commendably well. Our staff, and the academics with whom we work, have continued to serve the company and our clients with diligence and creativity. I would like to thank all the staff of LSE Enterprise and our academic collaborators, as well as all of our many business colleagues, who work with the company to deliver commercial research and teaching of the highest quality.

Roger Mountford,
Chairman, LSE Enterprise

About us

Applying the expertise and research excellence of LSE

LSE Enterprise is the commercial arm of the London School of Economics and Political Science. We specialise in applying the expertise and research excellence of LSE within businesses, institutions and government organisations across the world.

This role of being a commercial subsidiary of a globally recognised university brings with it considerable responsibilities and the need for a clear sense of purpose. To assist the company in ensuring that the right balance is struck between commercial initiative and innovation, and the principal purposes of our parent institution, we continually check, review and implement the requirements set out in a series of governing guidelines.

LSE Enterprise Ltd, as a separate subsidiary entity, has its own Board of Directors, comprising a balance of senior academics, governors from the business world and senior School officials. It operates under a Memorandum of Understanding (MOU) with LSE, which is reviewed by its Board and by LSE's Council each year. The MOU sets out the company's mission, values and guiding principles.

Our mission

Our mission is to bring benefit to LSE through commercial activities, drawing upon the intellectual resources of the School, which make a direct **contribution of profits to the School**, enhance the total **remuneration of the School's academics**, and extend and **enhance the reputation of LSE** and its academics with business, government and other external organisations.

Our values

Quality: all services we provide will be of the highest quality, consistent with the reputation of the School.

Partnership: we work in partnership with the School, its academics, clients and business partners. To sustain our contribution to the School these relationships must benefit all parties.

Value for money: we will always endeavour to provide services in a cost-effective way so as both to maximise the achievement of objectives for the School and to ensure that clients remain satisfied with the value of the services provided.



Guiding principles

- We will work in close co-operation with all parts of the School, contributing to its cohesiveness;
- We will endeavour to spread the benefit of opportunities across the academic community;
- We will make use of academics' available time so that the work they do through us will not detract from their principal academic duties;
- We will endeavour to ensure that LSE academics always have a visible leading role in projects, even where we need to engage others so as to add appropriate skills or to scale up the activity to protect market share and grow profits for the School's benefit;
- We will have regard not only to the financial risk to LSE Enterprise of any new initiative, but also to any risks to the reputations of the School and its academics, or to its relationships with others;
- We accept that, as circumstances change, initiatives developed by us may make their contribution most effectively by being recognised as mainstream activities of the School;
- Where possible, we will work with other parts of the School to convert our consultancy and executive education clients into strategic partners of LSE;
- We will not engage in or undertake work that is unethical or socially irresponsible;
- We will ensure, where pertinent, through our contracting and management of any contract, that the academic's position of independence and objectivity is inviolable.

Living well

The impact of migration on access to housing and the housing market

The coalition government is trying to reduce net migration to the UK, citing, among other reasons, pressure on public services and in particular housing. However, most existing research on immigrants from outside the EU focuses on heavy users of these services, such as refugees.

LSE London was asked by the Home Office's Migration Advisory Committee (MAC) to explore how the immigration of skilled workers (Tiers 1 and 2) from beyond the EU affects the UK's housing market. Professor Christine Whitehead, Anne Edge, Professor Ian Gordon, Kath Scanlon and Tony Travers analysed government surveys and carried out their own interviews with relocation agents and major employers of Tier 2 migrants, as well as a web-based survey of estate agents.

The team found that most of the migrants live in privately rented accommodation for the first few years, with about 45 per cent owning their house after five years (just over half the ownership proportion of the equivalent locally born population). The impact of these migrants on housing is small, even in concentrated areas, and the strongest competition is with other migrants. Overall, they have almost certainly affected house prices by less than one per cent over five years.

Read the report at bit.ly/enterprise2012housing

The future potential of private health insurance as an accepted policy option in selected OECD countries

Demographic and epidemiological changes, the increase in the prevalence of chronic illness and the rising cost of health technology for certain treatments are causing OECD countries problems in financing their healthcare systems. Meanwhile, the financial situation is limiting their ability to increase health care budgets and resources, and budgets are often declining in real terms.

One means of plugging the funding gap could be the use of private health insurance alongside existing



The impact of migration on crime and victimisation

As part of the same study, MAC commissioned Professor Stephen Machin and Dr Brian Bell of the Centre for Economic Performance to determine the impact of post-2005 inflows of Tier 2 migrants on crime and victimisation. They found a lower rate of property crime per head than among the UK population, consistent with the fact that the migrants came to the UK to take up employment offers, that they are substantially more educated than the local population and are likely to earn more. There is no relationship to link migration with violent crime.

After controlling for personal and neighbourhood characteristics, the researchers found that Tier 2 immigrants are less likely to report being the victims of either property or violent crime.

Areas with high immigrant concentrations tend to have lower crime and victimisation rates, benefiting both natives and immigrants.

The models from the study provided MAC with tools to help estimate crime and victimisation levels associated with future migrant flows. For example, as the points system makes migration policy increasingly selective, it is likely that future Tier 2 migrants will have an even lower propensity towards crime.

Read the report at bit.ly/enterprise2012crime

socialised medical insurance schemes, and Dr Panos Kanavos of LSE Health was commissioned to explore this option.

The team used an econometric analysis to estimate historical economic constraints, epidemiological developments and population trends, using forecasting techniques to project healthcare demand over the next ten years in each of the OECD countries studied. Along with the financial impact of new and potential therapies, this information enabled the estimation of the funding gap.

Reform options to address this gap were then explored in surveys with key opinion leaders and decision makers across a selection of countries, and presented to the healthcare decision-making community, raising awareness of the issue and offering options for the future.

Digital matters

Modelling the cloud

Cloud computing, offering online data storage and access to platforms and software hosted on the internet, is gathering speed as a business model. However, there are concerns over security and potential job losses. This year, Microsoft commissioned a study on the projected economic impact of cloud computing on the aerospace and smartphone services industries in the UK, USA, Germany and Italy from 2010-2014.

Researchers from the Department of Management found that investing in cloud computing contributes to growth and job creation in both the fast-growing, hi-tech smartphone services industry as well as the longstanding and slow-growth aerospace sector. In addition, it is directly creating employment through the construction, staffing and supply of data centres, which will host the cloud. Using cloud computing enables businesses of all sizes to be more productive by freeing managerial staff and skilled employees to concentrate on more profitable areas of work.

The study also shows that there is little risk of unemployment from investing in the cloud, as companies are likely to move and re-train current staff, and hire additional skilled employees.

The effect on business growth depends on the sector and the regulatory environment, with a much greater effect on the web-centred smartphone services industry than traditional high-tech manufacturing. In the UK from 2010 through 2014, the rate of growth in cloud-related jobs in the smartphone services sector is set to be 349 per cent, compared to 52 per cent growth in aerospace. However the US is leading the way in terms of cloud job creation, with lower electricity costs and less restrictive labour regulation than Europe.

European countries could make themselves more attractive for public investment in cloud services with e-skills training, financial incentives to invest, strategic energy pricing and ensuring that data transfer policies do not impede development.

Read the report at bit.ly/enterprise2012cloud



John Vassallo, Vice President EU Affairs at Microsoft said:

“Cloud computing and the explosion in access to technology is impacting the character of work across industries, generating new skills demands, employment and growth opportunities.

“LSE’s study underscores these phenomena using rigorous economic analysis that forecasts growth as a result of the transition to cloud technologies in two major industrial sectors – aerospace and smart phones. The findings highlight that Europe has real opportunity to capture the cloud’s potential, with particular benefit to SMEs as well as new business creation through emerging cloud services.”

The economics of telecommunications regulation

Telefónica is the world’s fifth largest mobile operator, owning brands such as O2, Vivo and Terra. The company co-hosted an event with LSE to discuss the theoretical economic foundations of telecommunications regulation and to present its newly published *Regulatory Economics and Policy Review*.

It was pointed out that economists have traditionally played little role in telecom studies, and Dr Patrik Kärberg from the Department of Management showed what the discipline could add in areas such as infrastructure, networks and pricing. Considering the net neutrality debate in which Telefónica has been involved, Professor

Gregory Sidak of Tilburg University examined the regulatory implications of the two-sided market inherent in telecommunications (for example, both the sender and the user have an interest in the fast delivery of internet content). Meanwhile, Professor Bernhard von Stengel of LSE’s Department of Mathematics put game theory (a set of tools with which to analyse interactive decisions) into the context of telecommunications markets, using it to demonstrate bandwidth and routing decisions.



What service offerings might stimulate new forms of production and distribution and encourage non-geographic virtual communities?

Broadband investment is key for the British economy

The UK Government plans to introduce 100 per cent fast broadband coverage and 90 per cent superfast broadband coverage across the UK by 2015. Convergys Smart Revenue Solutions commissioned a paper from LSE Enterprise on the balance between the costs, the revenues, and the societal benefits of this. Dr Paolo Dini and Claire Milne of LSE’s Department of Media and Communications, and Dr Robert Milne of Antelope Consulting assessed the benefits of broadband investment and issues that must be overcome to take full advantage of it.

The amount of funding needed to meet Government targets, and funding sources (public or private) have been much debated; the paper analyses and presents available data on public policies and implementation strategies in order to inform this debate. It aims to put the amounts in context, for example by comparing an identified £1.1 billion “funding gap” with the £1.3 billion minimum expected proceeds of the forthcoming spectrum auction, or the far larger sums to be invested in energy and transport infrastructure.

Nonetheless providing the infrastructure might be easier than getting people to use it. Despite recent progress there remain 7.8 million adults in the UK who have never used the internet. If they are to make effective use of superfast broadband they must be able to afford and want what it offers. The paper explores service offerings

“Our new paper shows that there is much the UK can gain from deploying fast broadband, but there is much still to be done to make it a reality,”

concluded Dr Dini

that could decrease prices and increase take-up. Such service offerings might not only lead to better returns on the private investment needed; they could also strengthen the economy and society, by stimulating new forms of production and distribution and by developing non-geographic virtual communities of interest.

The paper also focuses on “smart solutions” and the role they can play in increasing the take-up of broadband services, greater usage and additional revenues. Billing, customer care and real time charging and policy solutions, can, for example, give service providers unprecedented insights into customer behaviour. These insights allow providers to tailor service offerings that improve the customer experience in line with their demands and pricing expectations, ultimately generating greater revenue and reducing “churn”.

See Claire Milne’s post on the LSE Media Policy Project blog: bit.ly/MPPMilnepost. Read the paper at bit.ly/enterprise2012fastbroadband

Enhancing capabilities

Investment decisions

In recent years, behavioural economics has revolutionised the understanding of how financial decisions are made. Comprehending human behaviour, rather than assuming perfectly rational decisionmaking, is essential when considering how investors make portfolio choices.



The innovative Italian bank Fineco therefore chose a course focusing on behavioural finance and investment decisions with which to reward its most strongly performing

financial consultants. LSE Enterprise created a two-day programme on 'Portfolio Management and Behavioural Finance' for 31 participants, led by Dr Erik Eyster of the Department of Economics, with simultaneous interpretation into Italian.

Following an overview and history of portfolio theory, the participants explored the assumptions of rational economics that underpin it, and behavioural anomalies inconsistent with it. They examined attitudes towards risk and how people actually choose portfolios – as opposed to how rational economic theory predicts they will. The chance to gain a wider perspective on their profession also gave them new insights to enhance their portfolio management work more broadly.

Andrea Garino of FinecoBank described the course as

“a success, highly appreciated by Fineco’s top management. LSE’s particular strengths included independent perspectives on relevant topics, a personalised approach, and an excellent interaction between the lead academic and the course participants.”



The global financial system

LSE Enterprise's sixth year collaborating with the Instituto de Estudios Bursátiles (IEB) saw 100 Masters students on campus as part of their programme on 'International Financial Markets', followed by 22 Santander staff spending four days at LSE while studying on IEB's Executive Private Banking Programme.

A third initiative was for BBVA, the second largest bank in Spain. Twenty-five high-potential employees on an Advanced Programme in International Finance were given a customised course on the global financial system. LSE academics from the Financial Markets Group and the Departments of Finance and Law, accompanied by an external expert on ethics and value finance, travelled to BBVA's new campus in La Moraleja, Madrid to teach on international banking regulation, corporate governance and international financial risks, giving the participants career-enhancing skills.

Understanding financial markets

The finance industry in the Square Mile and beyond is a leading centre of world finance, vital to the UK. In an era of widespread antipathy towards the financial services sector, Foreign and Commonwealth Office (FCO) diplomats must be able to discuss the City's place in the UK and world economies and promote its interests abroad.

LSE Enterprise has been providing FCO staff with courses in 'Economics for Foreign Policy' for almost a decade, spreading out to cover 16 countries and over 1000 participants. This year, the FCO requested a one-day intensive workshop for 15 participants on 'Understanding Financial Markets'. It took place just as the Libor scandal was hitting the headlines, keeping tutor Barry Rogers of LSE's Institute of Social Psychology busy updating his course material to reflect events right up to the start of the course.

Barry says: “The rationale of this programme was to give a core understanding of some of the dynamics and the players within the City combined with a lot of contemporary resonance and most importantly to enable our diplomats to support the development of the City in the best interests of the UK economy”.

Watch the video at bit.ly/enterprise2012fco

“LSE is the leading social science institution in the world. For me our mandate is all about engagement. Working with LSE Enterprise on programmes like this allows me to do the best of both worlds – to combine rigour with relevance and to deliver on this mandate.”

Barry Rogers, Institute of Social Psychology

Broadening horizons

Civil servants spend a term at LSE

Experienced civil servants in Hong Kong, involved in policy formulation, resource allocation and programme implementation, require insight into how their organisation can respond to the global affairs affecting the region. This year a fifth cohort of selected officials arrived for LSE Enterprise's ten-week annual customised programme 'Contemporary Issues in Public Sector Management and Political Economy'.

The participants were immersed in the academic and social life of the School, auditing LSE lectures as well as attending private workshops run by academics from LSE's Department of Government and European Institute. Additional teaching by external experts and high-level government officials enabled them to engage with the practical aspects of policy implementation.

Participants described the programme as inspiring and were particularly impressed by the experience and enthusiasm of the staff. The rigorous debates, application of theory to practical issues and influx of perspectives gave them both the knowledge and the practical tools to face the changing environment of the public sector and promote the interests of their region.

For more about LSE Enterprise's work in Hong Kong, see lse.ac.uk/enterprise/hongkong



Young Spanish professionals

The fifth group of young Basque Country professionals undertook a term-long customised programme on 'European Political Economy and Finance' (EPEF), sponsored by the Diputación Foral de Bizkaia.

The participants experienced many new ways of learning, with academics from the European Institute, the Grantham Research Institute, the Teaching and Learning Centre and the Departments of Finance, Government and International Relations facilitating tutorials, simulations, debates and presentations.

Meanwhile a Cajastur-sponsored group attended LSE Enterprise's second customised ten-week programme on 'Finance and Management'. Their courses included international marketing, several guest speakers and attending the Confederation of British Industry's annual conference.

Fernando Castellón took the EPEF programme in preparation for his new post at the European Commission. He featured in two videos reflecting on his experience and giving next year's students a few tips for life in London. “Compared to Spain there is much more interaction here – you share your opinions with others in class and learn from them as well. I especially enjoyed the private seminars on the crisis and the talk by Muhammad Yunus, the founder of the Grameen Bank. I made many friends, met several very interesting professors, and gained a lot of knowledge about European institutions and policy. If you have time to take a break in your job, try to come here because you will really appreciate it.”

Watch the video at bit.ly/enterprise2012basque. For more about the programme, see lse.ac.uk/enterprise/basque

Bringing in the auditors

When 20 officers from the Indian Audit and Accounts Service (IAAS) visited LSE for a short course on 'Contemporary Challenges in the Economy and the Public Sector', one of their tutors was Sir John Bourn, Honorary Fellow of LSE – and the former Auditor General of the UK.

He describes how the programme enabled the IAAS to make use of the latest developments in policy analysis, political science, international relations and economics. “The course also provided the opportunity for colleagues from India to update their understanding of current developments in the UK – the British Government announced further changes while the course was being held – in such areas as civil service structure and management. They learned about the latest experience in the wide variety of public private partnerships and linkages with private sector practice that the current Coalition government has at the centre of its arrangements for policy implementation, and they raised many searching questions about the constitutional significance of these changes and their practical implications.”

Mr R Naresh of the India High Commission explains that “The main idea was to get some economics exposure from an internationally excellent institution. We worked with LSE Enterprise to design a short programme with salient features such as civil service reform, the recent financial crisis and the economic slowdown, looking at what options there are for emerging economies like India. We also covered some technical areas like derivatives, which as Warren Buffet says is a largely unknown area.

“We chose the UK partly because we have the high commission and other institutional attachments here. But LSE was the key. India and the UK have longstanding relations and LSE is part of that, with its long history of engagement with India. Even though this is a very short programme, there is an aura to having studied at LSE. Coming here is like visiting a temple of knowledge.”

Julius Sen, the Academic Director of the programme, says that international exposure also helps participants evaluate strategies under contemplation by the Indian government, such as the UK's current debates over Public-Private Partnerships. “Meanwhile having audit officers from India participate in the campus life of LSE enriches the School in many ways, and provides our academics and policy practitioners with insights into developments within India.”

For more, see bit.ly/enterprise2012india

Developing EU policy

The single market and cohesion policy

The single market, easing restrictions on trade between member countries, has had a profound impact on the economic and social development of the EU since 1987.

Considered one of the EU's greatest achievements, it nonetheless poses challenges for some regions, and a comprehensive cohesion policy has been established to address spatial imbalances in development. It aims to facilitate the integration of European regions into the Single Market, and the accompanying restructuring processes of important industrial sectors such as coal, steel and textiles.

The EC's Directorate-General for Regional Policy commissioned a study on the impact of the single market on cohesion to date, assessing current cohesion policy, its effect on the economic prospects for different territories within the EU and its linkages with other components of the Lisbon strategy. The study then analysed a range of policy issues and discussed their implications for future cohesion policy.

Academics from the European Institute adopted a multi-method approach including simulations with general equilibrium models, econometric work and qualitative case studies of 20 regions.

They found that accession to the EU had boosted the GDP of the EU12 even without cohesion policy funding. Interview respondents believed that both the single market and cohesion policy had brought tangible gains in prosperity.

The empirical evidence reaffirms that the single market has reduced regional disparities and thus contributed to cohesion. But the complementary role of cohesion policy has been substantial in fulfilling the Treaty goal of regionally more balanced economic development.

Neither cohesion policy nor the single market would work as well if they did not function in tandem.

The study also examined the ways in which the objectives of cohesion policy and of the Lisbon/Europe 2020 strategies coincide. Human capital, research and development, physical infrastructure and private investment support must be combined in ways and at times appropriate to each region, taking into account the local, national and international institutions involved.

The team made several recommendations as to how the traditionally separate domains of the single market, cohesion policy and the Lisbon/Europe 2020 strategies could be successfully integrated across regions with varied socio-economic features. These include ensuring consistency with Europe 2020 goals, flexibility when integrating regions into the single market, ensuring the quality of public investment – especially in an era of retrenchment – using leading regions strategically, boosting crisis recovery, ensuring frameworks for effective fund usage and improving governance and active participation from stakeholders.

Read the report at bit.ly/enterprise2012cohesion

European integration and public administration

European integration has been a key driver of change in the public administrations of member states. Dr Simona Milio and two colleagues held a four-day professional training module giving regional civil servants and managers from the West Balkans insights into this issue. Held at the Regional School of Public Administration in Danilovgrad, Montenegro, the course covered how change has been shaped so far and the current and future challenges that the administrations face.

Teachers and policy practitioners taught participants about the history of European integration and its key actors, treaties and policies. Sessions covered compliance monitoring in both member and candidate states, analysis of how EU economic governance has affected public administrations, and issues of multilevel governance, the partnership principle and stakeholder engagement.

Classroom discussions, interactive workshops, lectures and quizzes were used to combine theory with practice.



Throughout, the focus was on ensuring that participants completed the module aware of how to use their knowledge to benefit their own administrations.

Dr Milio leads the Social and Cohesion Policy Unit at LSE Enterprise, working with LSE academics to contribute to the EU policy debate via studies, evaluations and training programmes for regional and national civil servants.

Find out more at bit.ly/enterprisesocialcohesion

Directors' duties and liability in the EU

Over the past decade, the European Commission has explored whether rules on directors' liability should be strengthened. The application of laws addressing directors' duties and liability is closely related to and interacts with other legal rules and statutory provisions on corporate governance. But the legal framework regarding directors' duties and corresponding liability is not well defined at EU level, as different jurisdictions have very different rules and procedures.

Dr Carsten Gerner-Beuerle, Dr Philipp Paech and Edmund Schuster from the Department of Law took on a study for the European Commission DG Internal Market and Services, covering 28 countries and involving 60 researchers and country experts. The study was designed to assist the European Commission in assessing the EU approach to and policy on corporate law, focusing on the issues of company directors' duties and liability.

The study explored the impact of factors including different market

practices, laws, types of company, shareholder power and board structures on directors' duties as well as on the law governing their liability. The team are now preparing the final report and hope that the study will establish a basis for creating common EU standards on some major principles and issues, enabling the Commission to assess costs and problems related to potential future harmonisation in this area of law.

Project Leader Dr Philipp Paech says

"It's great to work on such a fundamental study that has the potential to deeply influence EU policy in this area. The infrastructure provided by LSE Enterprise has been a tremendous help."

Spanish business goes global

Professor Lord Desai speaks at Hay Festival

LSE Enterprise's Director of Spanish Projects Adam Austerfield regularly participates in the Hay Literary Festival and this year feels especially privileged to have taken part in a conversation with Professor Emeritus Lord Desai in Segovia. Lord Desai gave the packed auditorium a masterclass on the Indian and Chinese economies, commenting on the fundamental differences between the two countries. He noted while the Chinese and Indian models were indeed very different, they were no more removed from classical economics – from Keynes to Marx – than other economic models when it came to the growth and prosperity of the last 20 years. While political risk elements remain, these concerns are balanced by the wealth creation that has occurred in both countries, aiding stability – as long as growth remains strong.

Lord Desai is Chairman of the Official Monetary and Financial Institutions Forum and has been the front bench spokesman for the Labour Party on education. He is also Chairman of the iXXi series, LSE's flagship forum for high level debate on current affairs, and has been known to say that once you have been made Professor of Economics at LSE, all other movements in life are sideways.

Read more: bit.ly/enterprise2012hay

Mondragon: humanity at work

LSE Enterprise collaborated with the Cañada Blanch Centre to host a lecture by Josu Ugarte, head of one of the world's leading cooperatives, Mondragon International. He has found that for Mondragon, the best solution to the economic crisis is internationalisation.

Watch more: bit.ly/enterprise2012mondragon



From civil war to the Olympics: a year at the Catalan Observatory

The third year of the Catalan Observatory, set up by LSE Enterprise and hosted by the European Institute, began with former ministers from Catalonia, Scotland, Quebec and the Flemish region discussing the emergence of a non-state diplomacy. A second conference on historical memory explored the study of Republican and rebel violence in the Spanish Civil War. Local government was a theme throughout the year, with workshops on the crisis and the role of local public institutions and their strategies of internationalisation.

The Barcelona City Council became a sponsor of the Observatory this year. Barcelona's Deputy Mayor for Urban Habitat and its Chief Architect visited twice to give workshops and lectures alongside LSE Cities staff on how Barcelona is leading the way out of the crisis and to compare the experience of hosting the Olympics in Barcelona and London.

Read more: bit.ly/enterprise2012co



Simon Flemington, CEO of LSE Enterprise, and Antoni Vives, Barcelona's Deputy Mayor for Urban Habitat, agreeing the Barcelona City Council's sponsorship of the Catalan Observatory.

Spain in the Global Economy

LSE Enterprise's Spain in the Global Economy conference was chaired by Andrés Rodríguez-Pose, Professor of Economic Geography at LSE and a director of LSE Enterprise. It brought Manuel Menéndez, President of Liberbank, Baldomero Falcones, Chairman and CEO of FCC, César Molinas, Founder of Multa Paucis, Rafael Repullo, Director of CEMFI and Juan María Nin, CEO of CaixaBank together in front of a 300-strong audience to discuss accelerating financial and economic reforms to ensure Spain's exit from economic recession. The speakers stressed the need for structural reforms to overcome increasing debt levels and high youth unemployment.

The event was sponsored by Liberbank with press support from Cinco Dias. It was held at the Ramon Areces Foundation in Madrid in December 2011. Since then LSE Enterprise and the Ramon Areces Foundation have continued their collaboration, signing a memorandum of understanding in March 2012.

World affairs

LSE Enterprise has become a patron of the Spanish Chamber of Commerce in Great Britain (SCC), in the year of the SCC's 125th anniversary. To commemorate this milestone, LSE Enterprise and the SCC have created a series of globally focused lectures on LSE Strategy and Leadership in Spanish Business.

The lectures focus on understanding Spanish companies from a UK perspective, analysing their successful business strategies and emphasising the relevance of the trade and business relations between the two countries. The speakers to date have been:

- Baldomero Falcones, Chairman and CEO of Fomento de Construcciones y Contratas (FCC), who spoke on

"Spain: a Business Challenge" in terms of the need for both economic competitiveness and social responsibility.

- Jorge Calvet, then President and CEO of Gamesa, who talked about obstacles to job creation, risk management and other challenges for Gamesa and the world as a whole in "The Energy Challenge".

- Antonio Vazquez, President of International Airlines Group (the parent company of British Airways and Iberia), who discussed the challenges facing airlines, the economic crisis and variable fuel prices in his talk on "The Future of the Airline Industry".
- Alex Cruz, CEO of Vueling, who spoke about how his young company is "Reinventing Air Travel".

Read more: bit.ly/enterprise2012strategy



Left to right: Victor Mallet, former *Financial Times* Spain Bureau Chief; Baldomero Falcones, Chairman and CEO of FCC; Fernando Pérez, President of the Spanish Chamber of Commerce in Great Britain; Adam Austerfield, Director of Spanish Projects, LSE Enterprise; Silvia Estivill-Tarragó, former Secretary General of the SCC in Great Britain.



Antonio Vazquez, President of International Airlines Group

"The crisis is a real opportunity – and responsibility – to change our environment and economy"

Baldomero Falcones, FCC

LSE Enterprise in Hispano America



Meanwhile the team is expanding their presence in the Spanish speaking countries of Latin America. LSE Enterprise has joined the British and the Spanish Chilean Chambers of Commerce and has begun

connecting with organisations in the region. The team is working with its newly-appointed Latin American representative Beatriz Lorenzo. Beatriz is a business and finance specialist based in Santiago.

"Why is this a good moment to start working with South America?", she asks. "The answer is simple: continuous growth and a positive economic forecast for the coming years. For instance the Chilean economy grew by 6.2 per cent in 2011 according to the OECD, and the forecast for 2012 is 5.1 per cent. The governments are immersed in structural and social reforms, the companies operating here are also engrossed in huge strategic issues, and many of them are in need of consultancy work and educational programmes. The opportunities for LSE are clear."

Read more at lse.ac.uk/enterprise/hispano

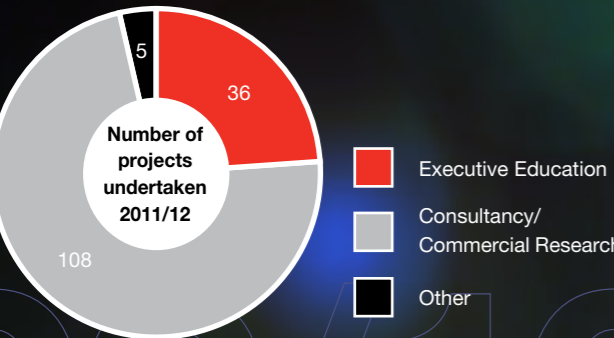
In the year since its inception, the LSE Enterprise in Spain blog has received 10,000 views from readers in over a hundred countries. Join them at blogs.lse.ac.uk/lseeinspain

Review of the year

Overview

LSE Enterprise continues to show real value in the delivery of LSE academics' research insights, both in their practical value to clients and in receipts to LSE and the academics engaged in the work. Over its lifetime, the company has returned almost £12 million in gift aid to LSE. In the last seven years it has transferred more than £17 million to the academic community as fees for consulting, commercial research and teaching. Involvement in our wide range of projects creates many new contacts and experiences for participating academics.

The company delivers its activities through its two trading operations, LSE Executive Education and LSE Consulting, as well as through its branch office in Madrid, which concentrates on the Spanish market. The company additionally has a longstanding commercial relationship with Duke Corporate Education (Duke CE) in the field of customised corporate executive education.



Value and principal activities

Our role is to facilitate interaction, on a commercial basis, between the School community and the outside world for the greater benefit of society, business and government.

Our aim in undertaking these activities is always to put our LSE academic colleagues in the forefront of our work, in order that their thinking and insight is there to guide the activity and drive the analysis and development of ideas. It is their expertise and foresight that is ultimately shared with the varied and disparate audiences that receive the output of our work, be it reports and analysis, executive seminars, or workshops and events.

Our aim is to work with all sections of the School's academic community, to apply their work which ranges from regulation of the City to post-election peace keeping in Southern Sudan. We post opportunities at lse.ac.uk/privatework and run introductory workshops describing our services and introducing our team to academics new to the School as well as to more established colleagues with whom we have not yet had the pleasure of working.

We hope that our continued success in the work we undertake will attract both organisations and more academics to join us in this endeavour.

Review of business and future developments

Despite the continued economic uncertainty in the western economy and particularly in the Eurozone nations, the company has managed to increase revenues by 12 per cent to £6.24 million from £5.58 million in 2010/11. Gross profit on operating activities was up to £2.8 million from £2.4 million in 2010/11, an increase of over 15 per cent on last year's performance.

The company's total transfer to LSE for the financial year will have been £3.18 million, comprising payments to academics and researchers as well as gift aid payments. After paying academics some £1.95 million for their work, an unrestricted gift of £753k will be made to LSE. A further £484k of research fund donations will be given to the School by way of gift aid.

Spain

As may have been foreseen, our operations in Spain were subject to some particularly poor trading conditions. However, even in light of these very difficult circumstances the operation continues to run well and has seen the development of strong new contracts. Our activity's strength lies in its diversified operations across the country in Cataluña, Pais Vasco, Valencia and Madrid, as well as the depth of the relationships we have built with all of our clients over the years.

See lse.ac.uk/enterprise/spain



Professor Stuart Corbridge, LSE's Pro-director for Research and External Relations and a director of LSE Enterprise, and Ms Roser Clavell of the Government of Catalunya sign an agreement for the third year of the Catalan Observatory

Germany



We have recently launched our German-based activity with the appointment of our first business development manager for the country, Christian Thiel. Based in offices in Berlin, we have already established good links with a number of activities in the capital as well as in regional centres. Some of our initial activities already link to significant investment in Berlin's sustainable city project. Here many organisations have come together to develop integrated solutions to address some of the world's environmental challenges.

See lse.ac.uk/enterprise/germany

Brussels

Our consulting and commercial research team is very busy in bidding for and winning work from the European Commission's Directorates General. With a strong international academic base whose policy work covers many of the areas of interest to the Commission, our operation has successfully developed a scanning and bidding function that competes with the best consulting companies across Europe.

Operations

At the time of going to press the company has 16 full time London employees and two further staff located in Madrid and Berlin. In 2011/12 we engaged a total of 375 researchers from within and beyond the School. We undertook 149 projects, 108 of those in consultancy and commercial research, with 36 executive education programmes, plus five other project initiatives.

Events

LSE Enterprise helps to fulfil a key strategic priority of the School by serving as an important channel of engagement with governmental, corporate and multilateral organisations around the world. This enhances knowledge transfer, increases LSE's impact in the social sciences sphere and often results in significant sponsorship activities. In 2011/12 we arranged and participated in 29 public and private events, predominantly in London, with other events in Brunei, Sao Paulo, Hong Kong, Croatia, Montenegro, Kazakhstan, Japan, Singapore, Spain and Taiwan.

LSE Enterprise and Duke CE – joint venture

The successful joint venture with Duke CE Ltd to supply customised strategy courses to multinational organisations continued well during the year with 17 per cent revenue growth. Duke CE has maintained its pre-eminent position in the custom executive education ranking of *FT* and *Business Week* for the tenth year in succession. The company draws upon LSE Enterprise to assist with the delivery of the broad socio-economic context in which many of their client organisations operate.

We look forward to an equally successful and productive year ahead.

Simon Flemington
Chief Executive Officer, LSE Enterprise

Facts and figures

Five year record

	2011/12	2010/11	2009/10	2008/09	2007/08
	£ 000	£ 000	£ 000	£ 000	£ 000
Revenue:					
Consultancy	3,582	2,665	3,760	3,608	3,720
Executive education	2,196	2,380	3,407	3,614	2,614
Other revenue	465	536	581	878	1,070
	6,243	5,581	7,748	8,100	7,404
Cost of sales	(3,440)	(3,153)	(4,788)	(5,104)	(4,739)
Gross profit	2,803	2,428	2,960	2,996	2,665
Net profit for the year, before gift aid	1,354	447	1,674	1,975	1,850
Gift aid payment per statutory accounts	(1,237)	(445)	(1,662)	(1,979)	(1,845)

	2011/12	2010/11	2009/10	2008/09	2007/08
	£ 000	£ 000	£ 000	£ 000	£ 000
Academic salaries	3,087	3,349	3,482	2,925	2,635
- Internal	1,948	1,788	2,160	1,769	1,436
- External	1,139	1,561	1,322	1,156	1,199
Number of academics	375	463	480	467	393
- Internal	188	215	266	200	166
- External	187	248	214	267	227

Profit and loss account

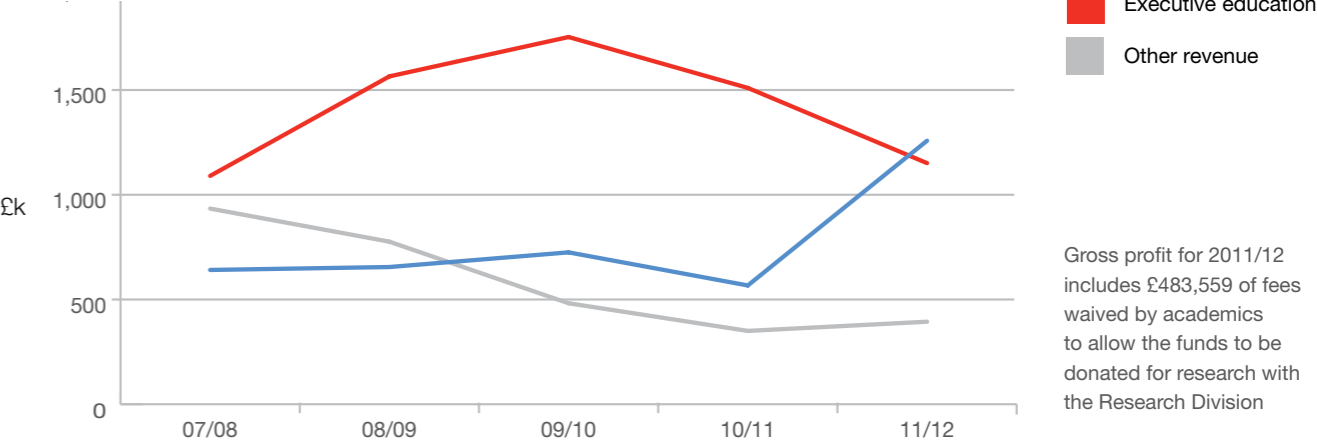
	2011/12	2010/11
	£ 000	£ 000
Turnover	6,243	5,581
Cost of sales	(3,440)	(3,153)
Gross profit	2,803	2,428
Administrative expenses	(1,456)	(1,994)
Operating profit	1,347	434
Interest receivable	7	13
Profit on ordinary activities before gift aid and tax	1,354	447
*Gift aid payment to LSE	(1,237)	(445)
Tax on profit on ordinary activities	(27)	0
Profit on ordinary activities after gift aid and tax	90	2

*2011/12 gift aid payment to LSE includes £483,559 ring fenced for academic research within the Research Division

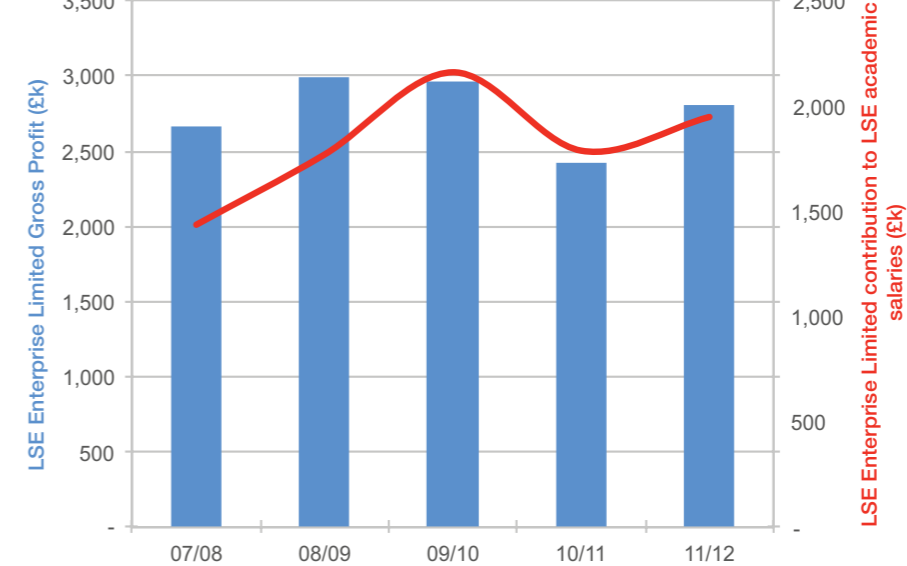
Balance sheet

	2011/12	2010/11
	£ 000	£ 000
<u>Assets (fixed and current)</u>		
Tangible assets	8	15
Debtors	1,722	1,764
Cash at bank and in hand	2,497	2,328
Total current assets	4,219	4,092
<u>Creditors</u>	(4,074)	(4,044)
<u>Net assets</u>	153	63
<u>Capital funds</u>		
Share capital	150	150
Profit and loss account	3	(89)
<u>Shareholder funds</u>	153	61

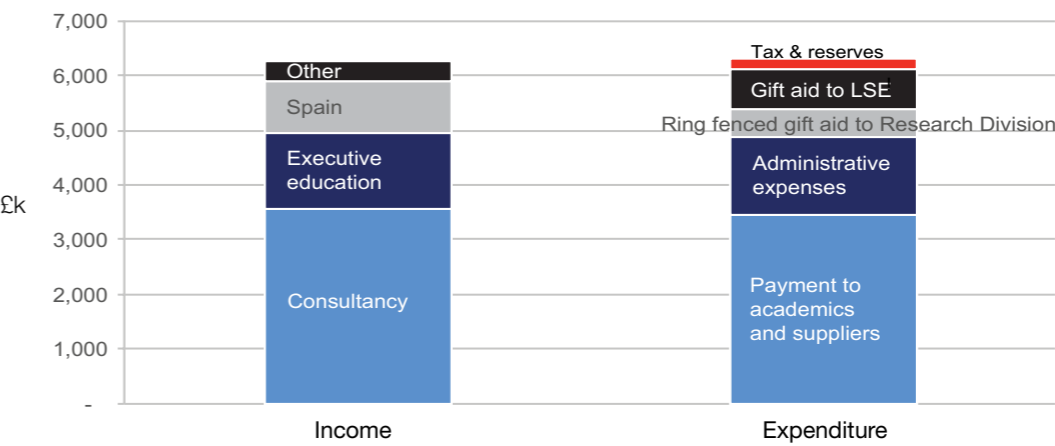
Five year overview of gross profit



Gross profit and contribution to LSE academic salaries



Income and expenditure for the year



Facts and figures

LSE Enterprise around the world

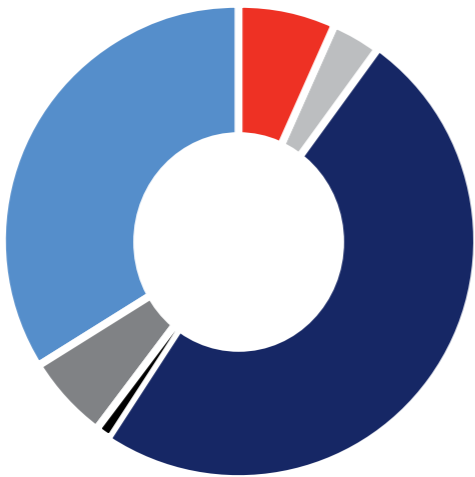


- The 85 countries in which we have worked to date
- A few projects from 2011/12 that we had no room to feature

See bit.ly/globalenterprise for more projects

Income split by continent 2011/12

- Africa
- Asia
- Europe excluding UK
- South America
- North America
- UK



LSE Enterprise board members

Roger Mountford (Chair)
Governor, LSE

Stephen Barclay
Governor, LSE

Professor Stuart Corbridge
Pro-director (Research and External Relations), LSE

Andrew Farrell
Director of Finance and Facilities, LSE

Neil Gaskell
Governor, LSE

Adrian Hall (retired June 2012)
Secretary and Director of Administration, LSE

Professor Peter Miller
Department of Accounting, LSE

Professor Andrés Rodríguez-Pose
Department of Geography and Environment, LSE

Bryan Sanderson, CBE
Emeritus Governor, LSE

Susan Scholefield, CMG
(appointed June 2012)
School Secretary, LSE

Departments / centres featured in this report

The 187 LSE academics who worked with us this year came from over 40 departments, centres, groups and units. Some of them feature on the pages below:

Centre for Economic Performance.....	3
Department of Economics	6
Department of Finance	7
Department of Geography and Environment.....	11
Department of Government.....	7
Department of International Development.....	12
Department of International Relations	7
Department of Law.....	9
Department of Management.....	4
Department of Mathematics	4
Department of Media and Communications.....	5
European Institute.....	7, 9, 11
Grantham Research Institute.....	7
Institute of Social Psychology	6, 12
LSE Cities	11
LSE Health	3
LSE London.....	3
Social and Cohesion Policy Unit.....	8
Teaching and Learning Centre	7

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