

UKBAB 65 March 2008 Analysis

In the March edition of the Barometer survey, we asked for views on increasing turbulence in global financial markets, the use of credit cards as a source of finance, family businesses, bank services, the 'sick note culture', the government's 'Train to Gain' initiative, Social Enterprises and 'follow up calls'.

The total number of respondents taking part in the UKBAB Survey was 277.

Survey Findings

Global Financial Turbulence

Speaking at the March 2008 EU summit, Gordon Brown promised that Britain and other EU countries will "lead the way" in fighting "global financial turbulence." He told MPs that an EU summit had agreed "coordinated action at a European and global level."

One way in which the problems being faced by many banks and financial institutions are surfacing is through increases in LIBOR rates – the rates which banks charge for lending each other money. These rates are used as reference rates for many financial market transactions and run above the Bank of England official rate by varying amounts – during most of March 2008 the gap has increased as LIBOR rates rise. It is the LIBOR rates which directly influence the cost of borrowing money for both businesses and individuals. The Bank of England is now looking at offering loans to banks to help meet their current financial commitments, thus reducing the strain on their liquidity by making more cash available to them in the short term. This would help to restrain upward movement in LIBOR rates.

The situation is one of concern to most respondents to the UKBAB. 17% of respondents to the survey thought clients would be highly influenced and 39% thought they would be influenced to a considerable extent, while 26% thought they would be influenced to a moderate extent. Only 3% said it would be unlikely to influence their clients' business decisions and strategy. In the parallel survey of smaller businesses, the UKBB, panellists were surveyed to see how much they thought their own business decisions and strategy would be affected by the increasing turbulence in global financial markets. After adjusting for 'don't know' responses, 38% said that they would be highly or to a considerable extent influenced, and another 32% chose category 3, the mid-point option, indicating a moderate extent of concern.

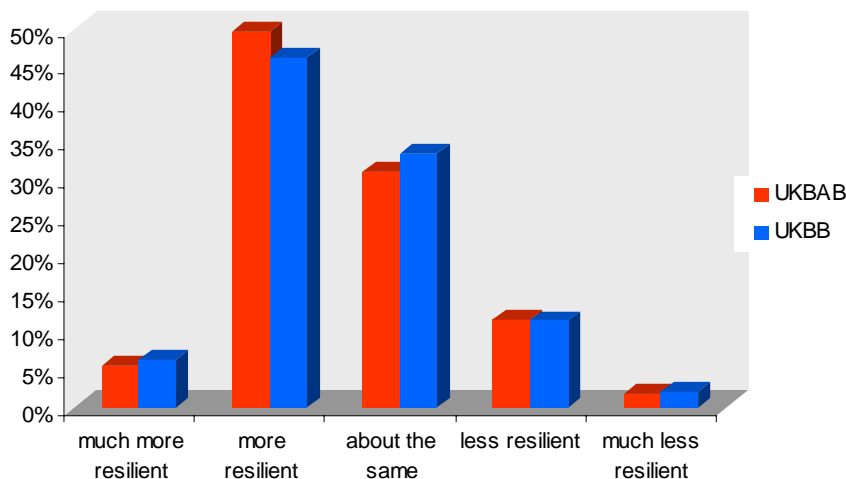


Family Businesses

According to the government's business advisory service, the benefits of family-run businesses include, amongst other things, common values, strong commitment, loyalty, stability and decreased costs.

The BERR Annual Survey of Small Businesses' Opinions, published in February this year, estimates that 68% of all smaller (SME) businesses are family-owned and within that, 51% of medium sized businesses (with between 50 and 250 employees) are family-owned. Family businesses therefore constitute the vast majority of all private sector businesses.

From your experience, are family businesses more resilient than other businesses of similar size?



after adjusting for 'don't know' responses: UKBB 17%; UKBAB 4%

Resilience is the quality of being able to recover readily from setbacks and to react successfully to potential crises. The characteristics of family-run businesses cited by the business advisory service, listed above, are ingredients that support resilience but are not necessarily sufficient to guarantee it.

After adjusting for those who responded with 'don't know', 55% of respondents to the UKBAB said that

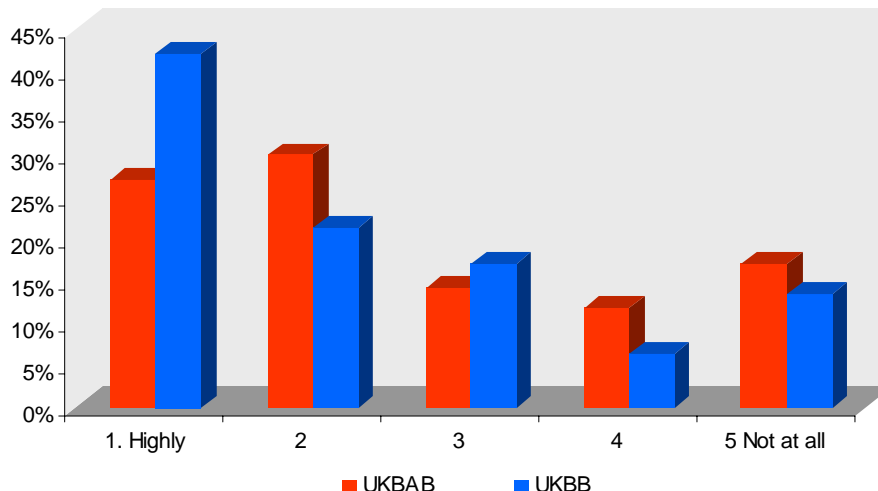
from their experience, family businesses are more or much more resilient than comparably-sized non-family businesses, while 31% thought resilience is about the same whether family run or not. Businesses were asked the same question in the UKBB survey. A slightly smaller percentage, 53%, thought that family business were more or much more resilient, while 34% thought resilience is about the same whether the business is family run or not.

The 'Sick Note' Culture

On March 18th 2008 the National Director for Health and Work, Professor Dame Carol Black, published the first review into the health of the working age population – Working for a Healthier Tomorrow – calling for urgent and comprehensive reform and a new approach to health and work. Among other conclusions, Dame Carol said that sick notes need to be reformed to suit the modern world. "The process labels individuals as ill and re-enforces the 'sick note culture'" she said.

Panellists of both the UKBAB and the UKBB were asked to assess the extent to which they feel it would be beneficial for GPs, to issue, 'fit notes', which would detail what a person can do, rather than sick notes signing them off work. Both groups of respondents were mainly supportive of the proposals, with 57% of UKBAB and 63% of UKBB saying that such a change would be highly or to a considerable extent beneficial.

To what extent do you feel it would be beneficial to businesses for GPs, to issue, 'fit notes', which would detail what a person can do, rather than sick notes signing them off work?

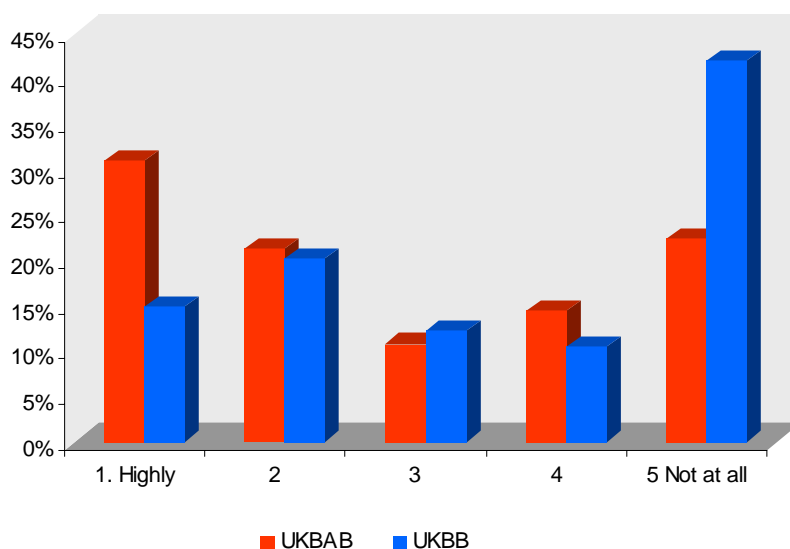


Train to Gain

The 'Train to Gain' scheme is viewed as crucial to the government's bid to meet its Leitch Review target of increasing the proportion of adults holding Level 2 qualifications to 90% by 2020. - January 7th 2008 saw the start of a 3 weeks National 'Train to Gain' advertising campaign using TV and radio, and extensive poster coverage was used in the latter half of 2007. In February reinforcement took place using journal and magazine advertising.

The March 2008 UKBAB and UKBB surveys asked panellists how aware they now are of the

To what extent are you aware of the 'Train to Gain' initiative?



Train to Gain initiative. Amongst the business advisers responding to the UKBAB survey, over half (52%) report that that they are highly or reasonably highly aware, while 37% say they are not at all or hardly aware of 'Train to Gain'

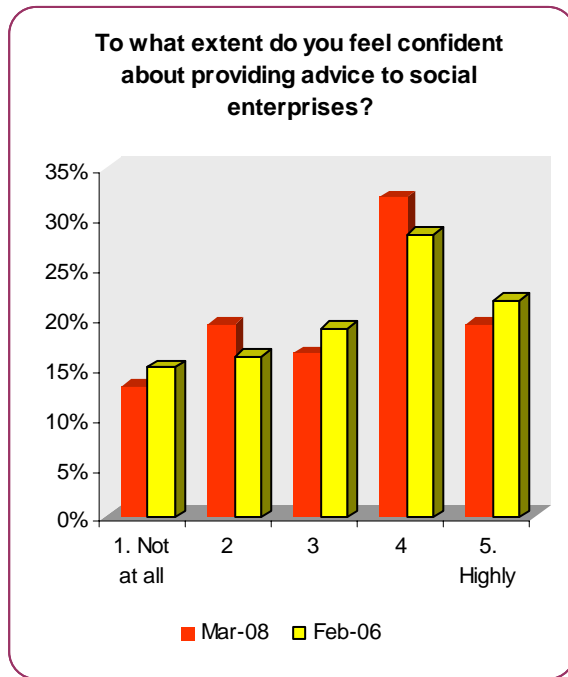
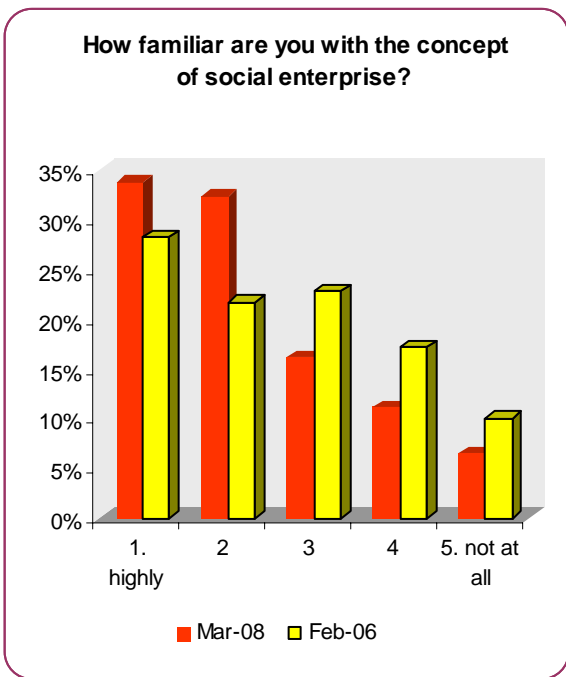
Just over one third (35%) of respondents to the UKBB say they are highly or reasonably highly aware of the initiative, but 53% are not at all or are hardly aware of it. .

Social Enterprise

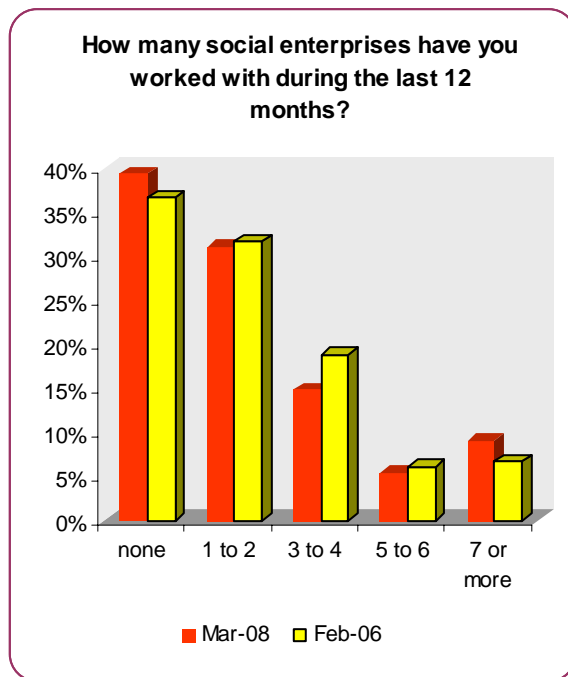
Social enterprises are businesses with a social purpose designed to deliver lasting social and environmental change. They incorporate social costs and benefits as well as financial ones in their accounts and often rely on an element of grant support and donation. The term social enterprise is relatively new but this type of business has existed for at least a century.

Familiarity with the concept of social enterprise has increased since these questions were last asked, in February 2006, so that now 66% were highly or relatively highly conversant with the concept of social enterprise compared with 50%, while the percentage that had little or no knowledge about it has decreased from 27% then to 18% now.

In terms of providing advice to social enterprise, 51% would feel highly or relatively highly confident, while 32% would feel little or no confidence in doing so. This result is overall very close to that obtained in February 2006.

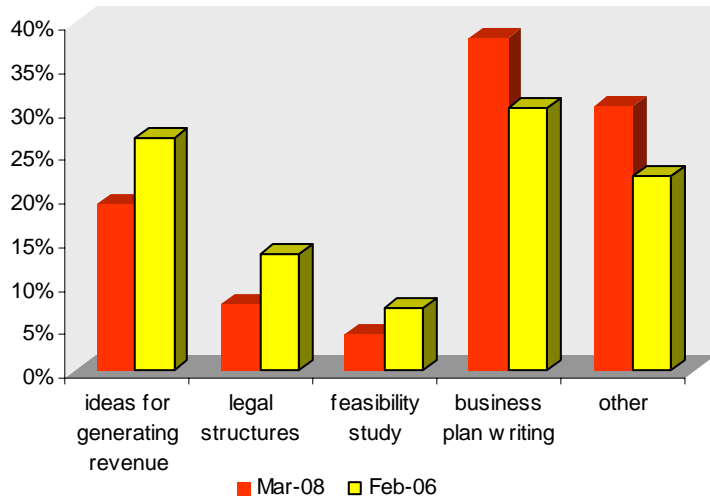


In the last 12 months, 61% of responding advisers have worked with social enterprises at least once, and 29% have seen at least three social enterprise clients over that period. These figures are not substantially different from the February 2006 results.



The range of support provided has included advice on business planning, revenue generation, legal structures and feasibility studies, but a substantial proportion was on other matters. After adjusting for 'not applicable' responses, the greatest change since February 2006 was in the percentage providing advice on business planning, 38% now compared to 30% in 2006, and the percentage of advice on other matters also increased from 22% to 30%.

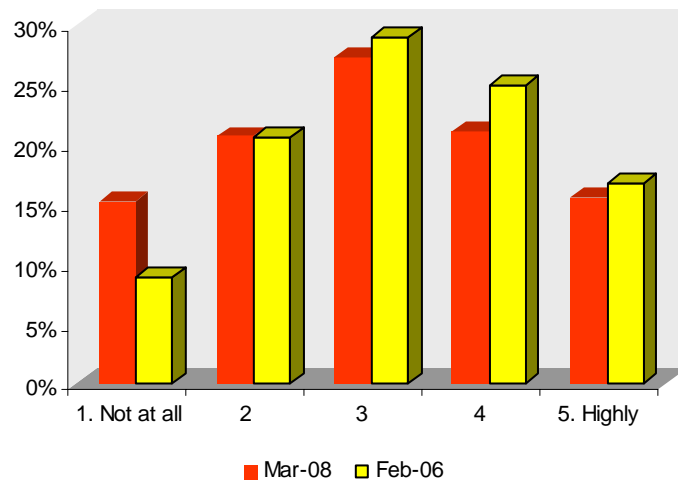
If you have advised social enterprises, what support have you provided?



after adjusting for 'not applicable' responses: Mar 08 37%; Feb 06 22%

About 37% of respondents would still very much like the opportunity to increase their understanding of social enterprise compared with 42% in February 2006, although 36% are not very interested, compared with 30% last time.

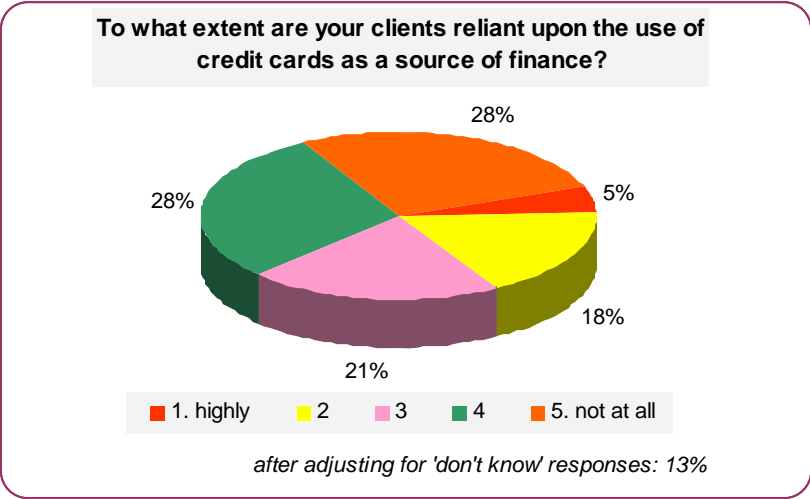
To what extent would you appreciate the opportunity to improve your understanding of social enterprise?



The use of credit cards as a source of finance

There is a trend amongst credit card companies to reduce credit limits and in some cases withdraw the use of cards. Panellists were asked to what extent their clients are reliant upon the use of credit cards as a source of finance.

While 23% of respondents think that their clients are highly or to a considerable extent reliant on credit cards for finance, well over half, 56%, say that their clients are not at all or are hardly reliant on them.

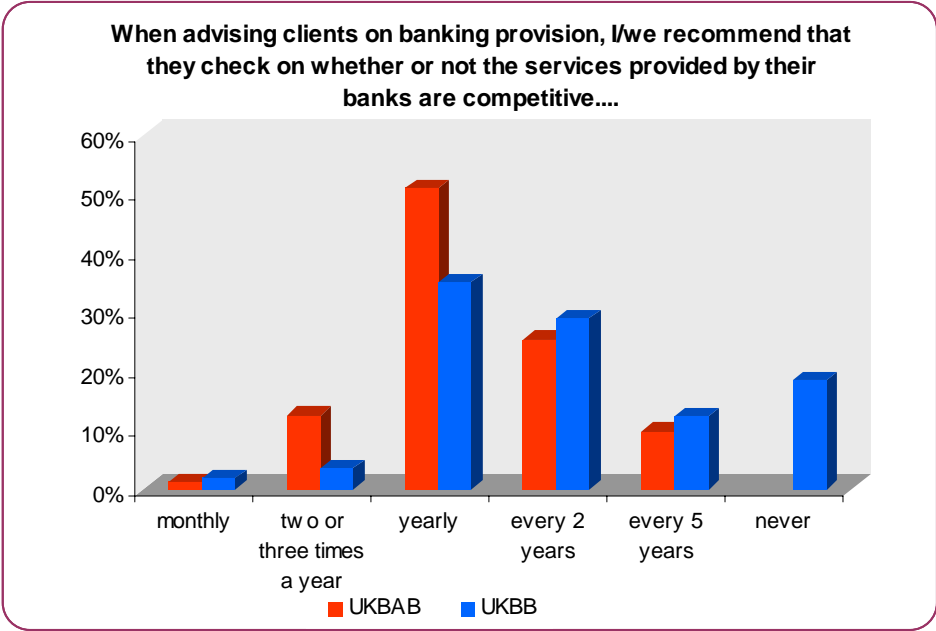


Bank Services

Banks need to sell their business customers follow-up services such as loans and insurances as well as to hold their cash balances, and therefore there is competition for business accounts with terms and conditions frequently changing. Once tied in by buying such services, the incentive may diminish and the effort increases for a business to move banks.

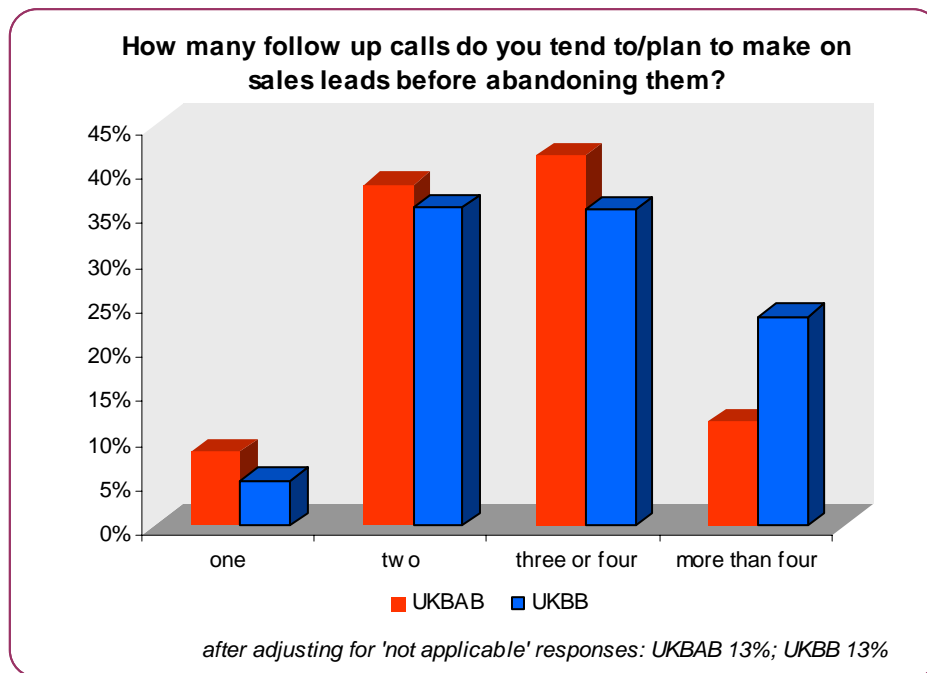
We asked panellists how frequently they recommend that their clients check on bank services. 51% of UKBAB respondents recommend checking annually and 25% recommend checking every two years while 13% recommend checking two or three times a year.

In the parallel survey of smaller businesses, we asked how frequently businesses check whether or not the services provided by their bank are competitive. Few UKBB respondents check on the alternatives very frequently: only 5% check more frequently than annually and 18% never check. However, 35% check every year and 29% check every two years.



Follow-up calls on Sales Leads

The nature and number of follow-up contacts to sales leads are clearly very dependent on the type of business being undertaken. Panellists were asked how many calls they made before abandoning sales leads and in the parallel survey of smaller businesses, the UKBB, panellists were also asked the same question. The two surveys produced results showing that 2 – 4 follow-up calls were most common, covering 80% of UKBAB respondents and 71% of UKBB respondents, after adjusting for 'not applicable' responses. 12% of UKBAB respondents were more persistent, making more than four calls, compared to 24% of UKBB respondents.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BAB 65 March 2008
Views expressed are those of individual panellists and may not represent those of the University.

- ...The Global financial issues, and discussions with me on their implications, I have found that several clients are becoming more focused and very aware of the impact any financial decisions will make on their business. This has increased significantly with family run businesses.

I have found that many charities who already meet the needs of the community are considering have a Social Enterprise business arm to their work to help with the funding required.

Clients in the retail marketplace who get business and clients through telesales need training in telephone techniques to complete sales by the 2nd call. This challenge is growing especially with the younger generation.

I have never agreed with sick notes from the doctor, and it will be a welcome change for people to receive a "Fit note" from their GP, encouraging the employer to have them back at work with limited capabilities. It also gets the employee into "getting back to work" thinking mode at their own pace, without feeling guilty and pressurised.

- ...Re: Question 10:- **There is a trend amongst credit card companies to reduce credit limits and in some cases withdraw the use of cards. To what extent are your clients reliant upon the use of credit cards as a source of finance?** I have, say, 20% of my clients who rely (too) heavily on Credit Cards, forced by the problems of financing/funding in the £0 - £250000 range. This area has been and continues to be a real problem for SMEs, not tackled effectively by Business link, SBS etc nor the Banks. The balance of my clients use CCs only as useful short term expense coverers, not day to day funding support.
- ... With regard to Q5 [**Social enterprises are businesses with a social purpose designed to deliver lasting social and environmental change. They incorporate social costs and benefits as well as financial ones in their accounts and often rely on an element of grant support and donation. How familiar are you with the concept of social enterprise?**]: Just try to obtain funding through the government departments for a social enterprise. They leave it to banks to provide the money under the Loan Guarantee Scheme and the banks are not interested, especially in today's market instability. So it is nonsense for the government to pretend they are providing 'risk capital', it is easier to go to a Venture Capital organisation, even with their high return on capital invested.

- ... I work with a few Social enterprises and do feasibility work, business planning, and advising on lots of business issues. Social Enterprises are still businesses and general business advice needs to be passed on. The only difference is the profit motivation. They still need to be sustainable.
- ...The main payroll purpose of the "sick note" is for SSP payment, so of course it labels people as sick. When they are well again, they will no longer be labelled as sick. What's the problem with that? Either they can come to work and do their job, or they can't. If they can, the "fitness" note would serve no useful purpose as far as I can see.
- ...Apart from fuel costs I do not believe the full impact of the current global financial upheaval has filtered through yet to the majority of my clients.
I usually tailor the number of follow up sales calls I make to the size of outcomes I might potentially get from a client. However, I am increasingly making it clear to clients at our initial face to face meeting that when I get back in touch at the agreed date, I prefer a straight, 'no' to all the stringing it out excuses that lead to umpteen call backs without a result, i.e. the, 'we've been busy, we haven't had a chance to consider it properly yet' type responses. I have yet to form a judgement as to whether this tactic will have a positive effect.
- ...The sick note culture is mainly a civil servant issue, the rest of us can't afford to be permanently sick. Those that are sick in the private sector probably are!
Family business is more resilient because the labour force (family members) often work many hours that are either unpaid or poorly paid, and the workers have a commitment to the continuance of the enterprise.
- ...clients are complaining about the punitive levels of taxation.
- ...My response to Q4 [**awareness of Train to Gain initiative**] has nothing to do with Government Initiatives or Advertising Campaigns. I happened to go to a very interesting talk by the "feet in the real world" Principal of my local Regional College, who explained what it's all about from my clients' perspective.

In answering Q10 **There is a trend amongst credit card companies to reduce credit limits and in some cases withdraw the use of cards. To what extent are your clients reliant upon the use of credit cards as a source of finance?**, the majority of my clients who have credit cards on their business accounts use them as charge cards and pay them off in full at the end of each month.

Re [Q12] Follow-Up-Calls, one of the early lessons I learned when I became a Business Adviser is where to draw the line between tenacity and flogging dead horses. For what it's worth, I will call up to three times a day on six separate days, trying to get to speak to the MD or Owner, before I decide to abandon the lead. However, four days (not necessarily consecutive) in a row of getting diverted to voicemail (or not!) on No Reply, makes me wonder if I want this business as a client, so I abandon them at that earlier stage

- Social Enterprises we view as a growth market with potential.
- The ramifications of the Credit Crunch will seriously affect consumers, retailing, leisure, probably travel - house prices nationwide will fall, the £ will fall further against the Euro, the 'feelgood factor' will continue to fall - but we don't worry, we just plan accordingly ahead.
- ...Your question on Train to Gain is very narrow. Whilst aware, do not think it is working on the ground. It is too focussed on paper based targets and ticking boxes, not on REAL achievements by learners and added value for Employers.

Q5-8 [**Social Enterprises**] I am opposed to the state putting social services into either the business or the third sector. Profit takes away funds for the social service. That does not stop our working with them (it is not their fault). The third sector was not established to take over government work or to absolve government from its responsibilities by shifting accountability.

- ...The acceptance of team working, lack of hierarchy, flexibility, multiskilling and responsive decision making are ever more essential for survival in today's business markets.
- ...Question 4 [**Train to Gain**] - my knowledge of T2G. You might like to know that it is my impression that clients do little more than pay lip service to the subject when I raise it with them. People feel they know more about training needs of their staff than outside agencies and don't actually believe it is an attractive proposition for them to get involved with to any large extent. Mostly people do not know about it before I raise the subject and I don't have much evidence of them taking up offers to have T2G advisers visit them.
- ...The whole area of social security needs to be looked at from the perspective of ensuring that it is always better to be working than accepting benefits.
- ...My comment is the difficulty doctors will have in providing 'well notes' instead of sick notes. I am not sure whether doctors are qualified to tell employers which duties an employee is able to do. I would question whether doctors understand enough of companies to make this decision.
- ...Q3: I don't believe the notion of 'fit notes' will get off the ground in any meaningful way. There is a massive difference between highlighting one or two conditions which temporarily prevent someone working, and specifying what they should be capable of despite their condition. Yet another example of Govt. micromanaging something it doesn't understand in order to present an artist's impression of progress - a flimsy initiative from which taxpayers (inc. businesses) will get little return.

Q12: Depends on value of sale, eg £1K = no follow up; £20K = maybe 2 calls; £50K+ = as many as it takes.

- ...Question 2: In my opinion family firms are resilient but not necessarily efficient and effective.
- ...On the social enterprise issue, I think most advisers feel the same in that legal status is the hardest topic to cover but there are very few (if any) other agencies that can actually cover that topic in detail. Training courses for advisers always cover things like 'identifying social enterprises', 'definitions of social enterprise', etc. But of all the courses I have been on (perhaps 10 or more), none have ever covered legal status in real detail and I have to signpost clients to company formation agents. Perhaps specialist solicitors are the only people who really understand SE legal status (rather than agencies) and perhaps they should do the courses for advisers.
- Re Q12: [**How many follow up calls do you tend to/plan to make on sales leads before abandoning them?**]
the answer depends on the size of opportunity.