



BUSINESS ADVISER BAROMETER

monthly brochure

> MAY 2008 EDITION — KEYNOTES FROM MARCH 2008 - BAB65

Financial Turbulence — LIBOR rates rise!

What are they and how do they affect the cost of borrowing?

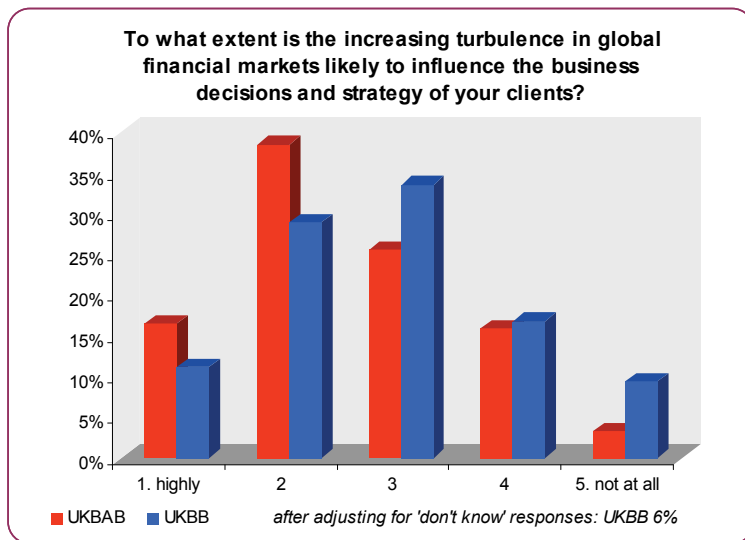
One way in which the problems being faced by many banks and financial institutions are surfacing is through increases in LIBOR rates* – the rates which banks charge for lending each other money. These rates are used as reference rates for many financial market transactions and run above the Bank of England official rate by varying amounts – during most of March 2008 the gap has increased as LIBOR rates rise.

**London Interbank Offered Rate*

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.



Panellists' views

Apart from fuel costs I do not believe the full impact of the current global financial upheaval has filtered through to the majority of my clients.

Whilst it is good that companies are making more considered decisions and being more disciplined about debt, we need to continue to invest and encourage businesses to grow and develop. Stagnation makes recession a self-fulfilling prophecy ... I think banks need to be more creative in how they help companies to invest in a less risky way.

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As the government's business advisory service, the benefits of family-run businesses, we ask are they more resilient than other 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. Whilst the characteristics of family-run businesses as detailed by the business advisory service are ingredients that support resilience, they are not necessarily sufficient to guarantee it.

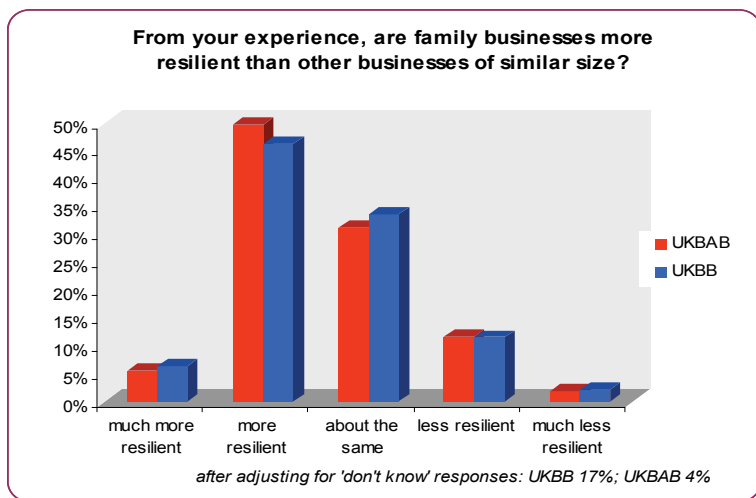
Panellists' views

Family businesses may share common values and ethics, but this does not make them resilient. Keeping the business within the family can only strengthen it if the individuals have external experience to call upon.

However, small businesses can often offer a more flexible and reactive response to its customers than larger organisations and of course, have lower overheads.

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. In my opinion family firms are resilient but not necessarily efficient and effective.

Comparing family businesses to others is misleading—I have considerable experience of working with large private businesses and they have different problems to other businesses.



The panels' verdict:-

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.

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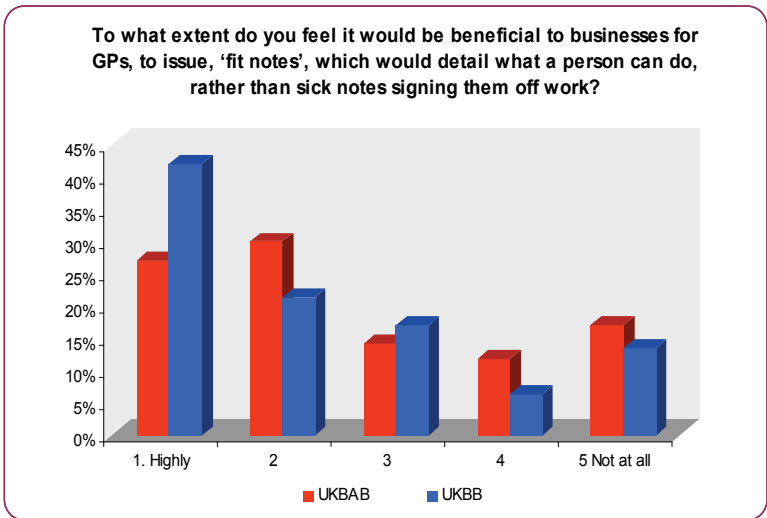
“Sick notes need to be reformed to suit the modern world” - your verdict on the thoughts of Dame Carol Black.

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.

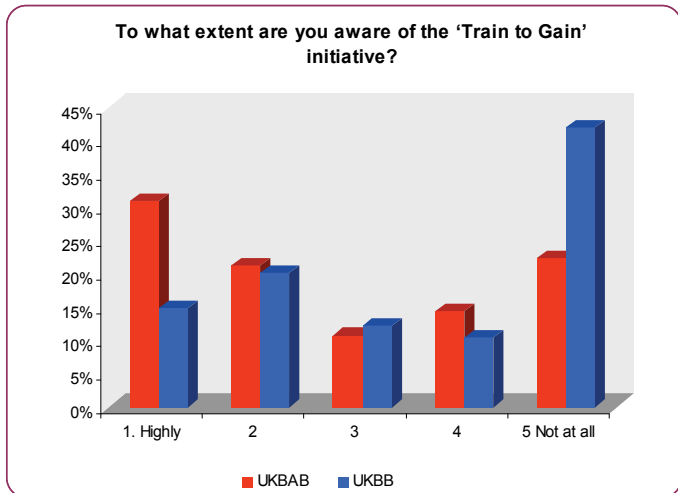
Panellists of both the UKBB and the UKBAB were mainly supportive of the proposals, with 63% of UKBB and 57% of UKBAB saying that such a change would be highly or to a

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!

Panellists' views



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.



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.

UKBAB and UKBB panellists were asked how aware they now are of the Train to Gain initiative. Of 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.

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- Q1.** To what extent is the increasing turbulence in global financial markets likely to influence the business decisions and strategy of your clients?
- Q2.** From your experience, are family businesses more resilient than other businesses of similar size?
- Q3.** 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?
- Q4.** To what extent are you aware of the 'Train to Gain' initiative launched?
- Q5.** How familiar are you with the concept of social enterprise?
- Q6.** To what extent do you feel confident about providing advice to social enterprises?
- Q7.** How many social enterprises have you worked with during the last 12 months?
- Q8.** If you have advised social enterprises, what support have you provided?
- Q9.** To what extent would you appreciate the opportunity to improve your understanding of social enterprise?
- Q10.** To what extent are your clients reliant upon the use of credit cards as a source of finance?
- Q11.** When advising clients on banking provision, I/we recommend that they check on whether or not the services provided by their banks are competitive....
- Q12.** How many follow up calls do you tend to/ plan to make on sales leads before abandoning them?

To view the complete set of results for this and for previous surveys, follow this link:

www.ukbab.ac/UI/surveys.aspx

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