

## UKBB 116 March 2008 Analysis

In the March edition of the Barometer survey, we asked for views on the increasing turbulence in global financial markets, credit card operators, family businesses, bank services, the 'sick note culture', the government's 'Train to Gain' initiative, training provision, amendments to the rights of agency workers and 'follow up calls'.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the March 2008 survey, 114 respondents were drawn with the following population characteristics:

Sector			
Production & Manufacturing	Distribution	Services	Total
22.8%	9.6%	67.5%	100%

Turnover (£)			
< 1M	1M - 3M	> 3M	Total
66.7%	19.3%	14.0%	100%

Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
59.6%	25.4%	7.9%	2.6%	4.4%	100%

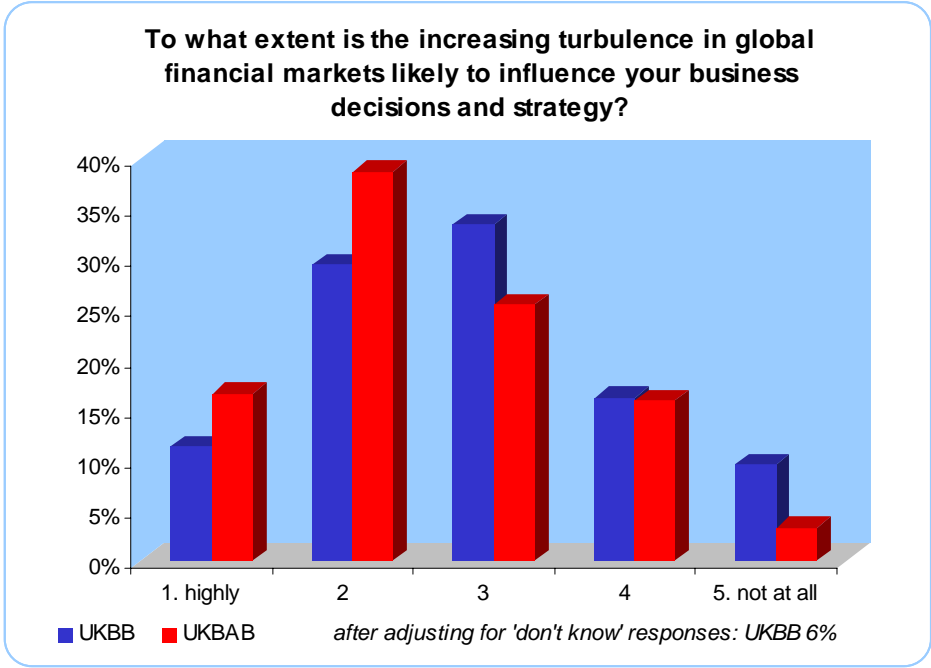
### Survey findings

#### **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.

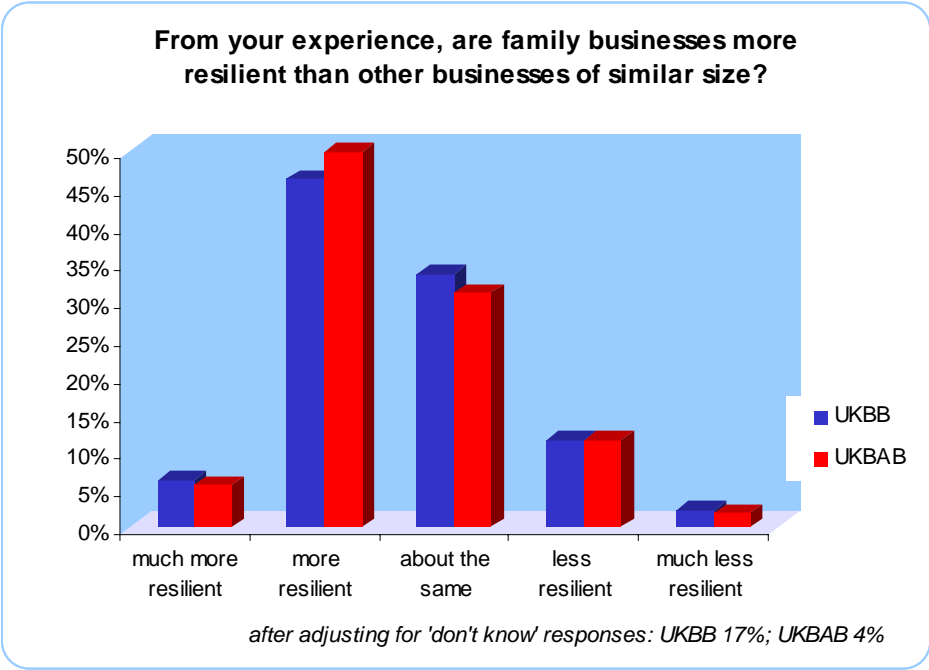
The situation is one of concern to most respondents to the UKBB. Only 9% said it would be unlikely to influence business decisions and strategy, although 6% didn't know how much it would affect them. After adjusting for 'don't know' responses, 38% said that they would be highly or to a considerable extent influenced, and another 32% chose category 3, the mid-point option, indicating a moderate extent of concern. In the parallel survey of business advisers, panellists were surveyed to see how much they thought their clients' business decisions and strategy would be affected by the increasing turbulence in global financial markets. 17% of respondents to that 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.



### 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.



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', 53% of respondents to the UKBB said that from their experience,

family businesses are more or much more resilient than comparably-sized non-family businesses, while 34% thought resilience is about the same whether family run or not. Business advisers were asked the same question in the UKBAB survey. Slightly more, 55%, thought that family business were more or much more resilient, while 31% thought resilience is about the same whether the business is family run or not.

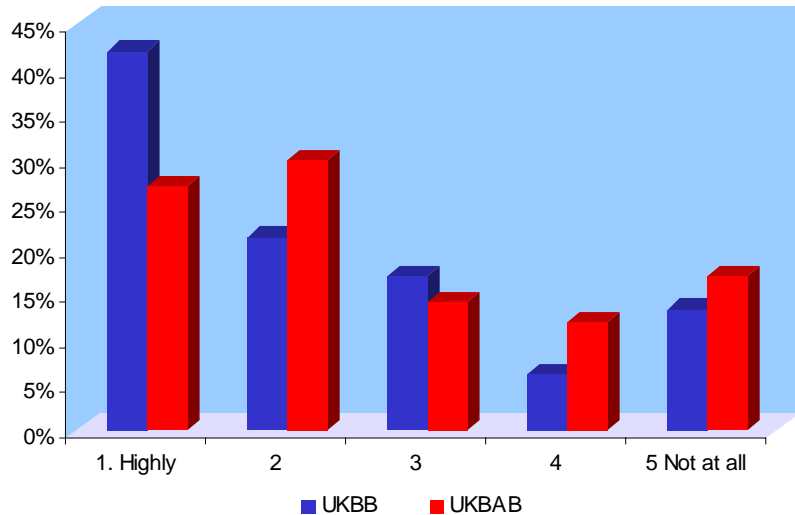
## The 'Sick Note' Culture

On March 18<sup>th</sup> 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 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 63% of UKBB and 57% of UKBAB saying that such a change would be highly or to a considerable extent beneficial.

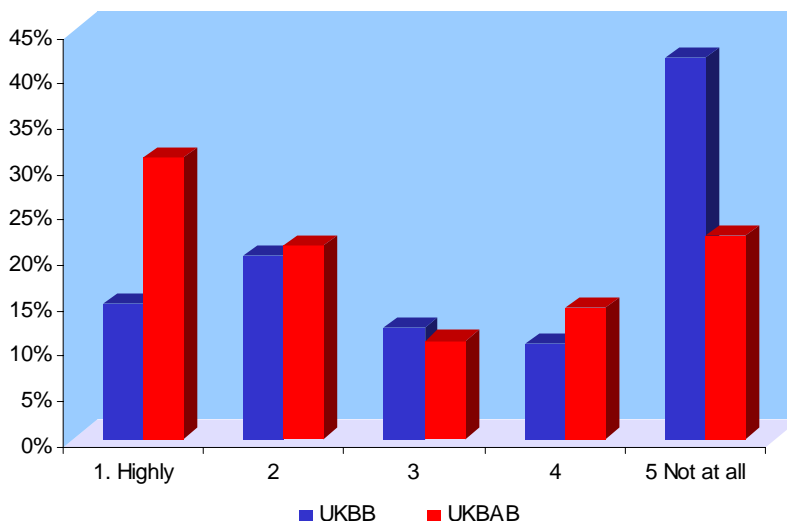
**To what extent do you feel it would be beneficial for GPs, to issue, 'fit notes', which would detail what a person can do, rather than sick notes signing them off work?**



## Training Issues

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 7<sup>th</sup> 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.

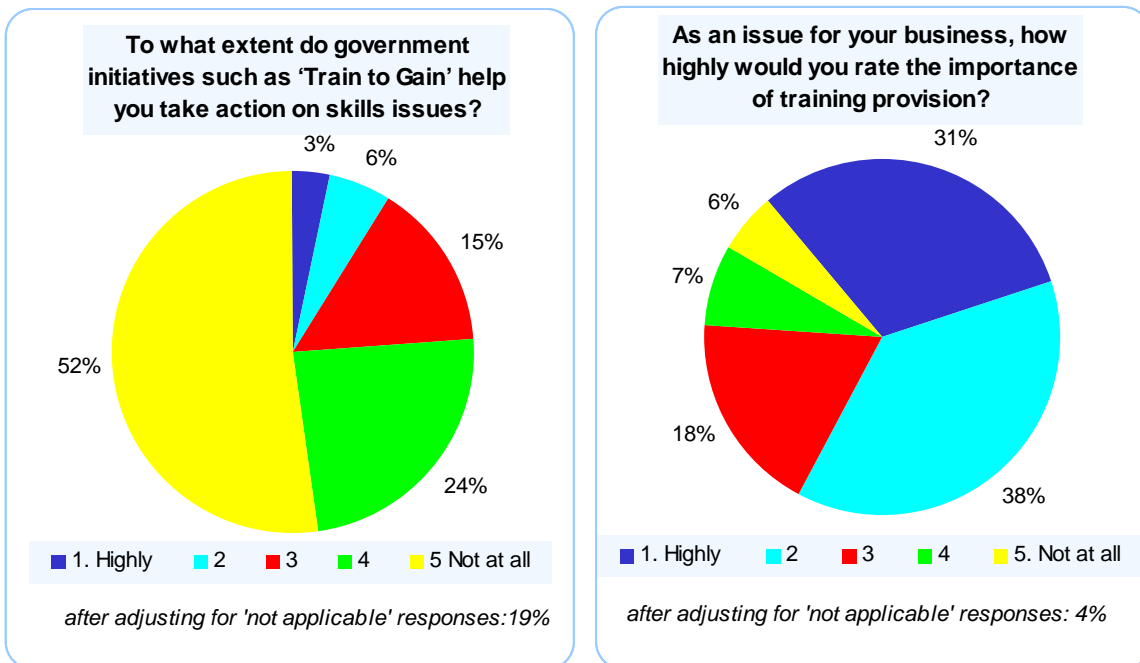
**To what extent are you aware of the 'Train to Gain' initiative?**



The March 2008 UKBB and UKBAB surveys asked panellists how aware they now are of the Train to Gain initiative. 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. Amongst the business advisers

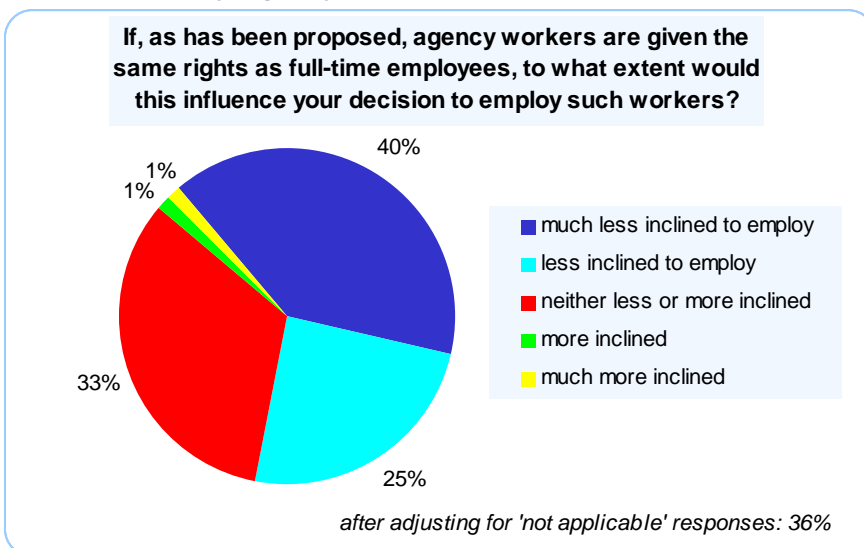
responding to the UKBAB survey, over half (52%) report that that they are highly or reasonably highly aware, while 37% say they are not at all or hardly aware of 'Train to Gain'. After adjusting for 'not applicable' responses, only 9% of all remaining respondents find that 'Train to Gain' and similar initiatives help them to take action on skills issues to a high or reasonably high extent. However, amongst those who are highly or reasonably highly aware of the 'Train to Gain' initiative, 19% find that such initiatives are highly or reasonably highly helpful towards taking action on skills training but unfortunately even amongst this group of 'well aware' respondents, 50% do not find these initiatives at all or even slightly helpful (again after adjusting for 'not applicable' responses).

It is not that respondents don't see the need for training: 69% rate the importance of training provision highly or reasonably highly and 71% conduct a regular analysis of their business's training needs, including their own needs.



### Employment Rights for Agency Workers

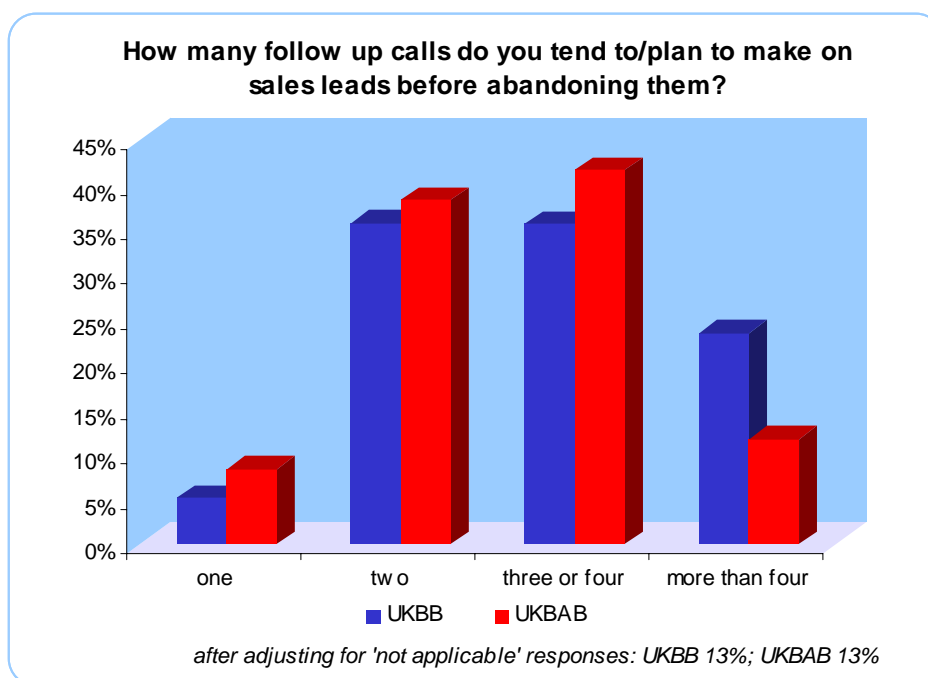
The Temporary and Agency Workers (Equal Treatment) Bill 2007-8 passed its second reading on 22<sup>nd</sup> February this year. As a private members bill, it still has a long way to go before becoming law, but has strong support from backbenchers. It is estimated that there are 1.4 million temporary/agency workers in the UK.



Since 60% of respondents were firms with 10 or fewer full-time employees, it is not surprising that a substantial proportion found this question not applicable. Of the remainder, 64% reacted by saying that they would be less or much less inclined to employ agency workers if they are given identical rights to those of full-time employees, although one third said it would make no difference.

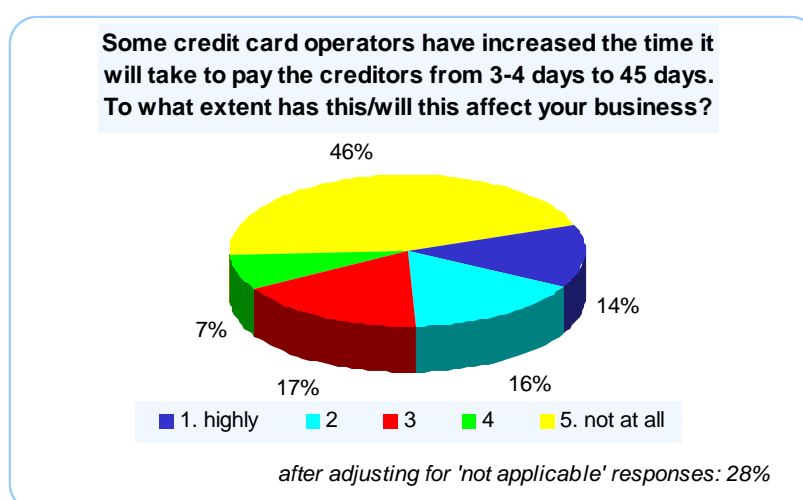
## Follow-up calls on Sales Leads

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 business advisers, the UKBAB, panellists were also asked the same question. The two surveys produced results showing that 2 – 4 follow-up calls were most common, covering 71% of UKBB respondents and 80% of UKBAB respondents, after adjusting for 'not applicable' responses. 24% of UKBB respondents were more persistent, making more than four calls, compared to 12% of UKBAB respondents.

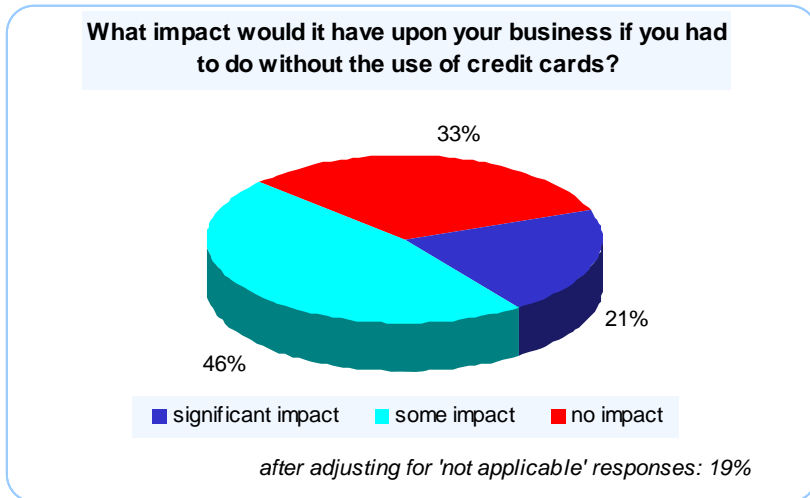


## Credit Card Operators

The 'credit crunch' ripples continue to spread, with impacts on credit card companies including announcements of staff redundancies and high levels of refusals to new applicants for cards. Lengthening payment dates to suppliers is another means of easing cashflow problems, and at least one credit card operator has been said to have taken this option. Payment timescales can vary between the different settlement systems, from up to 60 days by a bureau to only 3 days for a PSP (Payment Service Provider)-acquirer. Nearly one third of UKBB respondents, after adjusting for 'not applicable' responses, say that such an action by credit card operators will/would affect their business highly or to a considerable extent and one respondent commented that their business would fold if it happened to them.



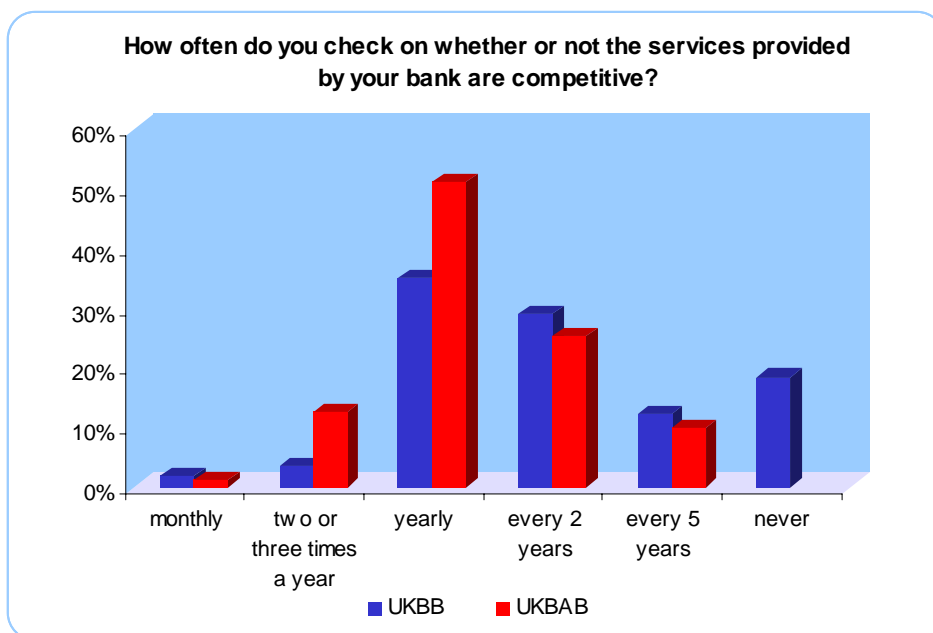
Panellists were asked to consider whether there would be an impact on their business if credit cards were not available. After adjusting for 'not available' responses, only one fifth of respondents thought there would be a significant impact on their businesses, and while 46% would expect some impact, 33% said there would be no impact for 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. 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.

In the parallel survey of business advisers we asked 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.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB 116 March 2008  
Views expressed are those of individual panellists and may not represent those of the University.

- I think the sick note question is misleading in the context of small business (in my personal case no employee in my company would ever be required to produce a sick note as a reason for not working). Equally I don't doubt that many GP's would simply write whatever the patient asks for making the whole thing futile anyway. I think if employee relationships are so poor that sick notes are required then there is more at fault than the health of the employees. I suspect that this is a question for the bloated public sector rather than small firms!
- I am concerned that we are being talked into recession. 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.
- 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.
- Re Q9 - **How many follow up calls do you tend to/plan to make on sales leads before abandoning them?**- I make up to 3 calls on 6 separate days before I abandon a lead. This presumes I am getting through to a human being, but just not the right one. If I get four separate days of No Reply, I abandon the lead at that point.
- Train to Gain's big weakness is that it equates eg 5 O levels obtained by someone now 50+ with an NVQ2 obtained recently ie both exclude my staff from access to the scheme. For older staff we would like to access eg IT related training, but cannot because 5 O levels were passed in an era when computers were barely in use!  
Changing the eligibility criteria to exclude those who have achieved NVQ2 equivalent in say last 10 years or have achieved it in a related subject ( eg an NVQ equivalent in fabrication would still allow you to access training in eg IT) would greatly widen access & benefit business