BUSINESS FIRST

COVER STORY:
RACING'S BEST
JOHN BEST AND THE BUSINESS OF TRAINING RACEHORSES

JON MOULTON:
THE PROPHET OF DOOM WHO GOT IT RIGHT

MILTON KEYNES:
CITY OF AMBITION AND GROWTH

ACCESS TO JUSTICE:
AN IDEAL THAT CREATED AN INDUSTRY

FORTNUM & MASON:
HOW A 300 YEAR OLD BRAND MANAGED TO SURVIVE - AND THRIVE

AND...THE PASSIONATE ART OF FETISH PHOTOGRAPHY

PLUS THE KPMG SPECIAL REPORT:
THE LONG, HARD ROAD AHEAD

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Cover Picture:

Early morning training at John Best's Hucking Stables in Kent.
Picture by Chris Harmer, Innovation Images www.innovationimages.co.uk

Green Shoots…?

Dear Reader,

This has been one of the worst periods for business people in living memory.

The credit crunch led inexorably to a banking crisis then deep recession, unemployment, bankruptcies and above all, a great deal of fear. And it is fear that has paralyzed so much of business. As Jon Moulton of Alchemy Partners advises in this issue, survival is key. Forget anything else, hunker down and see it through. Of course, as he acknowledges, this is paradoxically also a recipe for deepening the recession. If we don't invest, don't train, don't market, we and everybody else stand still at best, or even decline.

Above all this mayhem looms the spectre of a government lurching from crisis to crisis, undermined by corruption, sleaze and intellectual exhaustion. Their determination to hang onto power at any cost produces uncertainty and only serves to increase the nervousness and fear of those whose daily purpose is to generate the wealth of this country through profit and employment.

All that gloom notwithstanding, the much-derided green shoots of recovery are visible amongst the rubble. The confusion for business lies in not knowing which statistics are accurate and also in recognizing that even if statistics offer true hope, the slingshot nature of recession means the effects of prior disaster will become worse even as the underlying picture improves.

While Jon Moulton may have a point, perhaps the best course for business people is to trust in themselves, deepen alliances with trusted suppliers and clients, network as much as possible in order to test the temperature among peers and be aggressive in spotting real opportunities for swift growth, either organic or through acquisition.

Far be it from us to second guess Jon Moulton. While he is something of a Jeremiah for our times, his dazzling track record speaks volumes for his canniness and skill. Yet we would argue that a cautious approach does not necessarily mean sitting tight in your foxhole, tin hat on your head, eyes shut tight, waiting for the sound of battle to recede before emerging blinking into the daylight.

For when you do, you may well find the most advantageous territory you once thought of as your own has been occupied by those who saw opportunity in disaster and took steps, albeit cautious ones, to achieve it.

Kind regards,

NICK PETERS
Editor-in-chief and Publisher

Success for Academic-Business Cooperation

The Oxford Brookes team and OMG being congratulated by Lord Paul of Marylebone, Chancellor of the Universities of Westminster and Wolverhampton

One of the government's most effective and least-heralded business initiatives is the Knowledge Transfer Partnership (KTP) scheme by which academic excellence is married to companies' specific project needs in order to exploit the rich expertise in the country's universities.

A KTP project between Oxford Brookes university and Vicon, an Oxford company that is part of OMG plc, won a national award earlier this year from the government's Technology Strategy Board, which sponsors KTP's, for creating a world-leading development in video motion-capture technology. It was judged the best KTP project in the country.

KTP funding allows the employment of students from universities under the supervision of their departmental head, in this case Professor Phil Torr, head of the Computer Vision department at Brookes. As a result, the two Brookes graduates who worked at Vicon now have senior jobs in the company which itself is set to make significant profits from increased turnover of over £1m.

Vicon's technology already lies behind Hollywood special effects used in films like Harry Potter, Beowulf and Spiderman. Until this breakthrough, video motion involved actors in studios wearing special suits from which computers could generate the animation (think Gollum in LOTR). This pioneering technology allows the motion capture to happen in real-time and in daylight.

We will report in depth on the project in our next issue.

Source: Knowledge Transfer Partnerships www.ktponline.org.uk
Oxford Brookes University www.brookes.ac.uk
Oxford Metrics Group plc (OMG) www.omg3d.com

The return of the local bank

It is one of the ironies of the current crisis that banking models of old that were swept away by the race for streamlined growth by the high street mob are now being seen as thoroughly virtuous.

The Federation of Small Businesses has made an urgent call for the big banks to devolve power back to local branches as part of an attempt to mend what they call the broken relationship between banks and business.

All of which is being greeted by something of a satisfied grin by the Swedish bank Handelsbanken, which has been very quietly but effectively setting up branches throughout Great Britain based on a business model that is completely in accord with what the FSB is calling for.

Essentially, a Handelsbanken branch is a business in its own right, responsible to head office for the bottom line as you'd expect, but otherwise only responsible to its local depositors and customers.

"Our branch network is thus not a distribution channel like any other. Customer responsibility at Handelsbanken always lies with a branch office. Our branches are the Bank," is how the CEO Pär Boman puts it.

Handelsbanken has worked like that since the 1970's and has earned a Moody's credit rating of Aa1, a stronger rating than any of the high street Banks *(Source: Moody's 30/3/2009).* With no hint of the credit crunch damaging their balance sheet the way it has decimated the others, Handelsbanken is in an enviably strong position.

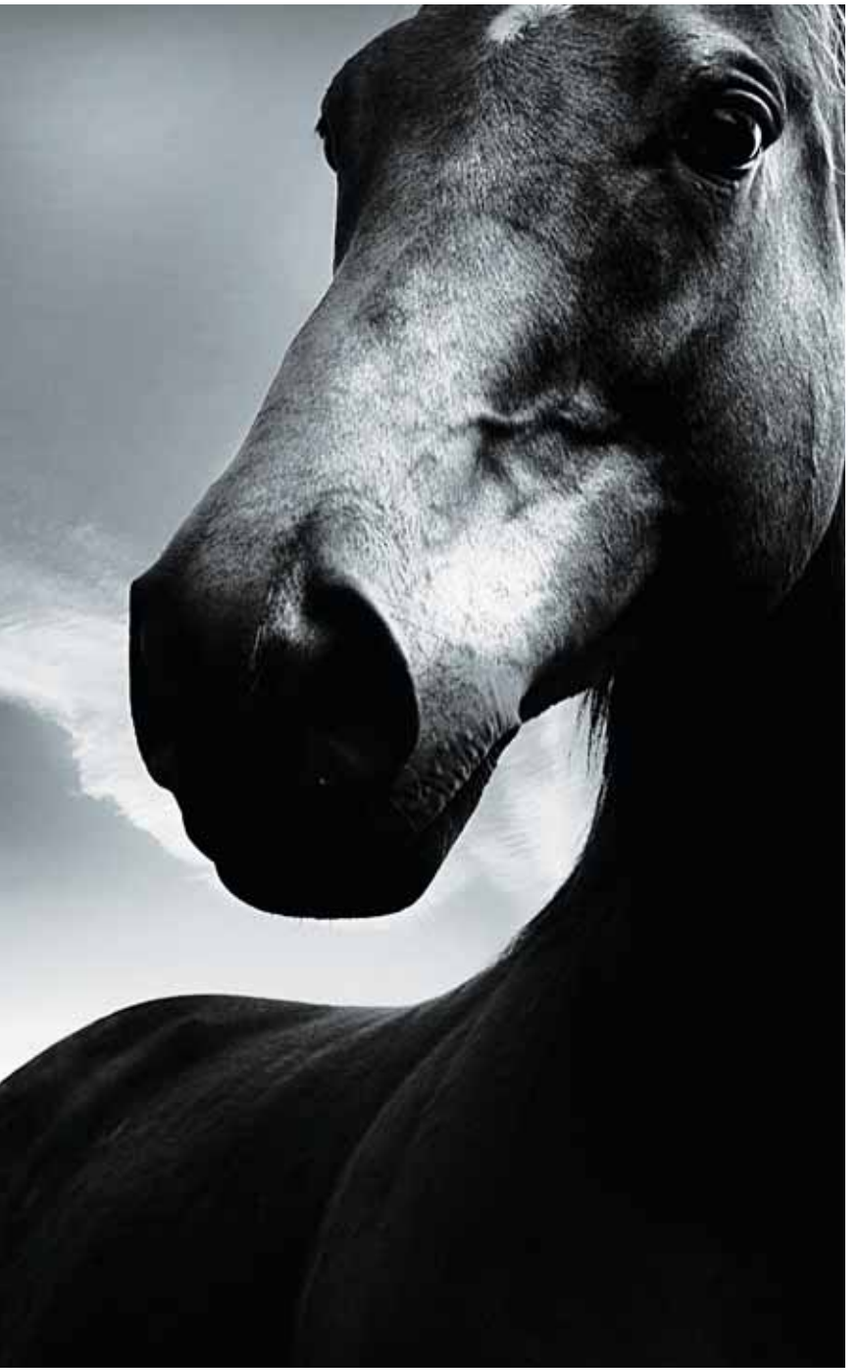
Staff at Handelsbanken are celebrating the fruits of this policy after having topped a national poll for customer satisfaction. The poll, by EPSI, is the first of its kind in the UK but has been in use for 20 years on the Continent where it is used to benchmark banks in 11 other countries.

"We believe in growing our business in a safe and considered way with the emphasis on a very personal relationship with individuals and businesses," said Simon Briggs, Branch Manager of Handelsbanken Crawley which opened in March 2008. "The fact that we're a large Swedish bank with stable finances and a good credit rating by international rating agencies also gives comfort to our customers."

Simon Briggs and his team at Handelsbanken, Crawley

The bank now has 62 branches in the UK, 13 of them in the South East. Outside Crawley, this includes branches such as Guildford, Maidstone, Brighton and recently opened Dartford, Kingston and Tunbridge Wells.

Source: www.handelsbanken.co.uk



Fine Art Photography

We were proud and delighted to learn that our staff photographer, Chris Harmer, was shortlisted in the fine art category for Professional Photographer of the Year 2008 (Professional Photographer, magazine). As this picture and his fine work for this magazine demonstrate, Chris has a unique eye for bringing depth and meaning to his subjects.

Source: Chris Harmer www.innovationimages.co.uk

Virtually Face-to-Face

As the recession squeezes overheads such as travel costs, more and more companies are holding meetings online, bringing participants together from across the globe (or just the other side of town) via their PC's and laptops. All it takes is for each participant to have a PC/Laptop and a broadband connection.

This is not a new concept and you would think there were enough services out there to manage the demand. But, as always, there are entrepreneurs who bank on the fact that a better deal will always win them market share, no matter how large the competition. This was the bet for James Salisbury; James had five years experience working for one of the industry's bigger providers until, 18 months ago, he saw a market-niche for a low-cost, high-quality service.

"So many of these online meeting companies expect you to sign up for expensive long term contracts," James says. "I believe that offering flexibility through either a pay-as-you-go system or a month-by-month contact is more attractive." His search for this product led him to America's fastest growing online meeting service, MegaMeeting. James was drawn to MegaMeeting not only because of its value but also by its range of applications.

James and his investor, a former City executive, flew to LA to negotiate the UK and European license, giving MegaMeeting a global presence. Within weeks of setting up their UK base at Shoreham Airport, MegaMeeting UK were attracting clients from every sector – not just cost-conscious SME's and individuals working from home offices, but also plc's and government departments.

"As always, if you are offering better value and personal service, you will succeed," James says. "The days of downloading expensive systems that require dedicated IT support are numbered. MegaMeeting iis Flash-based, requiring no download to enter a meeting and is cost effective. Flexibility, value and service are what clients want above all."

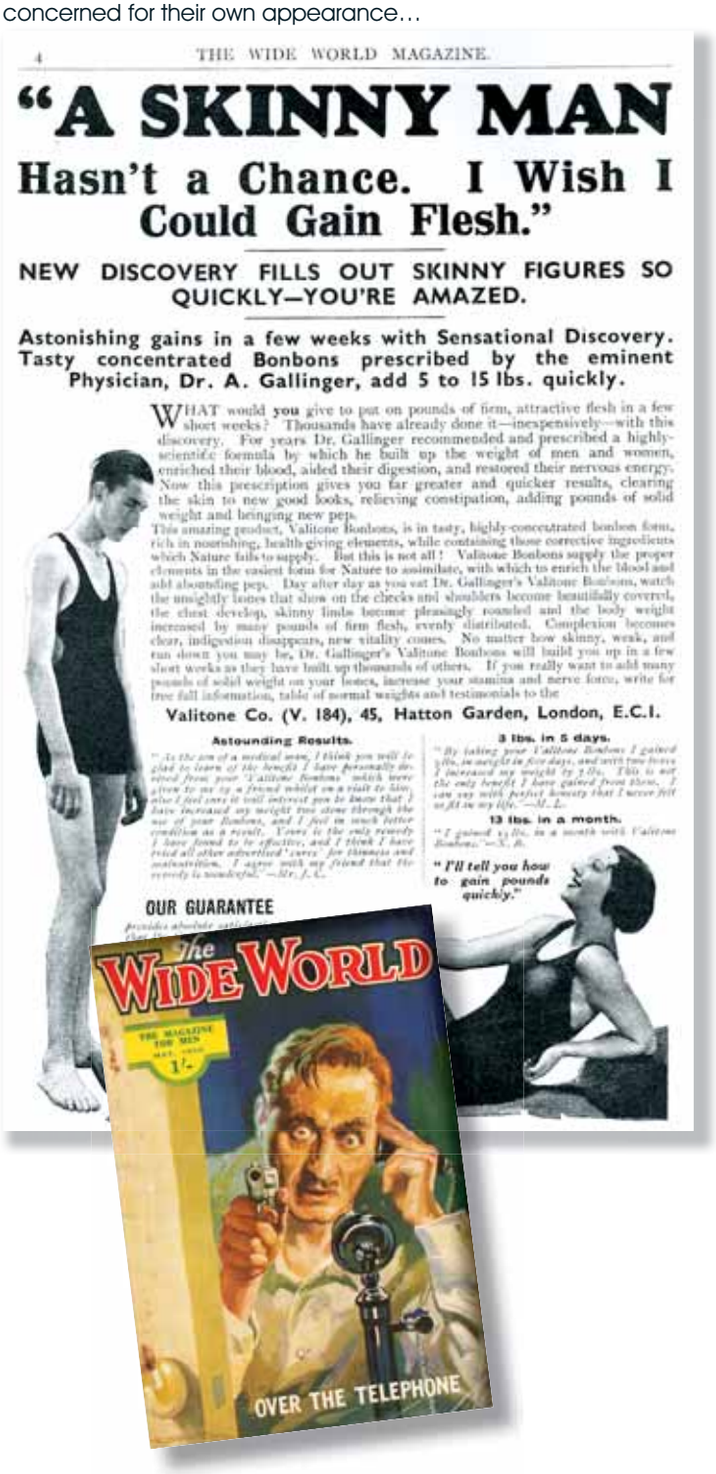
(The move towards agile, on-demand services, away from cumbersome fixed-price, fixed-term contracts, is a growing phenomenon, not just in IT but in human resources too. See Page 47 for more.)

Source: MegaMeeting UK www.megameeting.co.uk

Hard Times…

It is a delicious irony of the current recession that we are still being warned that obesity is a major threat to our health and constitutes a ticking time bomb for the finances of the NHS. This advert from *Wide World* magazine in May 1935 demonstrates what a real economic depression does to the population; it leads to malnourishment and an entire industry devoted to helping thin people put on weight.

Wide World's strapline was The *Magazine for Men* but that had nothing to do with today's top-shelf fodder that may call themselves something similar. Wide World was published from the late 1890's until the mid-1960's, and represented an era when young men were enthusiastic, adventurous and by and large innocent compared with the postmodern cynicism of today. But as the adverts demonstrate quite hilariously, young men were no less concerned for their own appearance…


4 THE WIDE WORLD MAGAZINE.

"A SKINNY MAN Hasn't a Chance. I Wish I Could Gain Flesh."

NEW DISCOVERY FILLS OUT SKINNY FIGURES SO QUICKLY—YOU'RE AMAZED.

Astonishing gains in a few weeks with Sensational Discovery. Tasty concentrated Bonbons prescribed by the eminent Physician, Dr. A. Gallinger, add 5 to 15 lbs. quickly.

WHAT would you give to put on pounds of firm, attractive flesh in a few short weeks? Thousands have already done it—inexpensively—with this discovery. For years Dr. Gallinger recommended and prescribed a highly-scientific formula by which he built up the weight of men and women, enriched their blood, aided their digestion, and restored their nervous energy. Now this prescription gives you far greater and quicker results, clearing the skin to new good looks, relieving constipation, adding pounds of solid weight and bringing new pep.

This amazing product, Valitone Bonbons, is in tasty, highly-concentrated bonbon form, rich in nourishing, health-giving elements, while containing those corrective ingredients which Nature fails to supply. But this is not all! Valitone Bonbons supply the proper elements in the easiest form for Nature to assimilate, with which to enrich the blood and add abounding pep. Day after day as you eat Dr. Gallinger's Valitone Bonbons, watch the unsightly bones that show on the cheeks and shoulders become beautifully covered, the chest develop, skinny limbs become pleasingly rounded and the body weight increased by many pounds of firm flesh, evenly distributed. Complexion becomes clear, indigestion disappears, new vitality comes. No matter how skinny, weak, and run down you may be, Dr. Gallinger's Valitone Bonbons will build you up in a few short weeks as they have built up thousands of others. If you really want to add many pounds of solid weight on your bones, increase your stamina and nerve force, write for free full information, table of normal weights and testimonials to the

Valitone Co. (V. 184), 45, Hatton Garden, London, E.C.1.

Astounding Results.

"As the son of a medical man, I think you will be glad to learn of the benefit I have personally derived from your 'Valitone Bonbons' which were given to me by a friend whilst on a visit to him. Also I feel sure it will interest you to know that I have increased my weight two stone through the use of your Bonbons, and I feel in much better condition as a result. These is the only remedy I have found to be effective, and I think I have tried all other advertised 'cures' for thinness and malnutrition. I agree with my friend that the remedy is wonderful."—Mr. J. C.

3 lbs. in 5 days.

"By taking your Valitone Bonbons I gained 3 lbs. in weight in five days, and with two boxes I increased my weight by 5 lbs. This is not the only benefit I have gained from them. I can say with perfect honesty that I never felt so fit in my life."—M. L.

13 lbs. in a month.

"I gained 13 lbs. in a month with Valitone Bonbons."—X. B.

"I'll tell you how to gain pounds quickly."

OUR GUARANTEE

In June, there will be a special event at one of Brighton's architectural landmarks, Eastern Court, a 1930's jewel on the seafront that has been completely refurbished and restored by Conran and Partners. The event will celebrate the coming year's activities in the city with a special presentation by Brighton and Hove City Council who are marking the occasion in association with Arts and Business South East.

Two hundred guests from the world of business and the arts will be at the reception on June 18th and will have the opportunity to view a stunning exhibition of contemporary art by some of the region's top artists and will be given a tour of the building to get an insight into how the Conran team went about the restoration.

If you and your business would like to be involved, get in touch with Emma Jacquest at Arts & Business South East. Current supporters include RIBA, Richard Wolfströme Design, QED Structures, Brighton and Hove City Council and Business First. As well as the opportunity to be associated with such a prestigious event, sponsors will also be featured in all pre and post-event publicity, including late coverage here in Business First.

CONRAN&PARTNERS

QED STRUCTURES
Consulting, Structural & Civil Engineers

Arts & Business

BUSINESS FIRST

Arts and Business is a world leading national membership network and consultancy with over 30 years of experience in fostering innovative partnerships between business and the arts. Their core belief is that the arts have the power to transform and change lives on both an individual and corporate level.

Contact: Emma Jacquest emma.jacquest@AandB.org.uk 01273 738 333

THE SCEPTIC

A Bad Hair Day Every Day

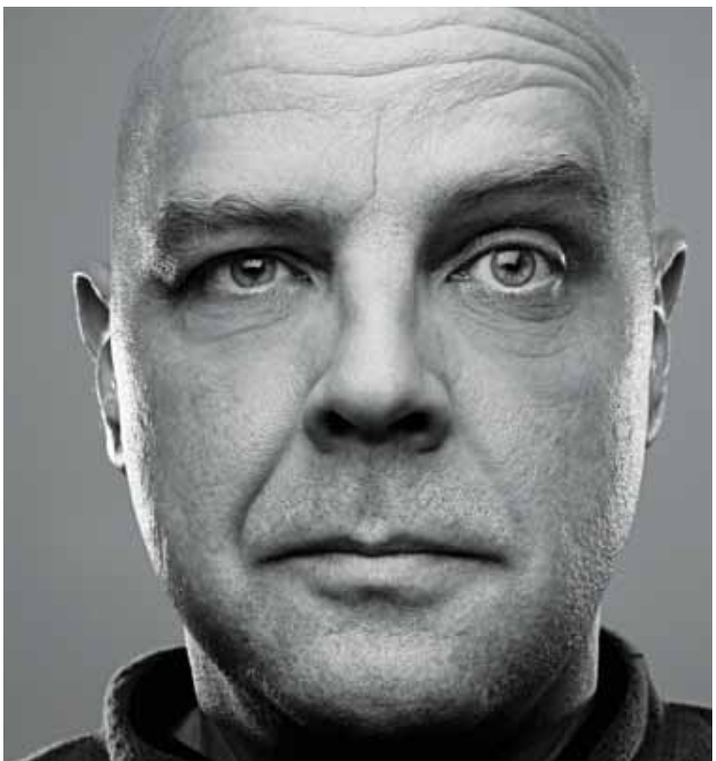
In my last column I said that we should not be too quick to blame the bankers at the centre of what was then a gathering storm but is now a fully-fledged hurricane. We had asked them to provide us with cheap credit and we shouldn't be too harsh when what we wanted blew up in everyone's faces.

Reflecting on these words in the light of recent events has led me to some sober conclusions, and not one of them is pleasant.

It all starts with a society that has been fundamentally infantilised. Not just selfish, but infantile in its behaviour. Or rather, our behaviour. 'I want it all, and I want it now!' (Or else toys will be flung from pram.) We relied on our institutions – government, civil service - to protect us, much as we expected our parents to do when we were children. But our institutions are run by us, or people like us. They, too, want it all, and pander to our needs to get it.

A few years ago, the veteran American journalist Tom Brokaw wrote a book called *The Greatest Generation* in tribute to those men and women who fought World War II. His heroes were, understandably, American. But each of us in this country can think back to our own greatest generation, those close to us or those we read about, whose astonishing fortitude and courage led this country out of its darkest hour. How quickly they all grew up, and how many of them, just as quickly, died for a cause that transcended their own individual needs or wants. Indeed, it was not particularly the done thing in those days even to have one's own needs and wants. What mattered were the needs of others and the needs of our nation.

Inevitably, among the heroes were the scallywags and shirkers, the wide-boys and the barrack-room lawyers whose negative chipping away at all our nation stood for aroused – indeed, arouses still – the anger of those who honoured the cause and the sacrifices it demanded. Looking back down the decades one can see that the wide-boys and the barrack-room lawyers finally won, the former running our economy, the latter our government. How else to characterise the way our politicians, from Gordon Brown downwards, shirk personal responsibility for their deeds, weaselling their way to what they hope is the safety of their rat-holes. And how else to characterise the grotesque bonus-grabbing, responsibility-free way in which so many of our largest businesses, particularly banks, have been run.



But I repeat. Whatever we may think, all of this is a mirror in which we must recognise ourselves, if only we have the courage to accept the consequence.

Which is that we must change the way we act as citizens and the way we behave as business people.

Honour, courage, integrity, responsibility, compassion. How quaint those virtues seem in the let-it-rip 21st century.

Yet how sorely we need them all.

Should have known there was something going wrong with the banks back when ordinary tellers tried to sell us insurance, loans and mortgages. No doubt they had to fill sales quotas, which must have dismayed any teller who was extremely good at customer service and accurate cash management but for whom selling was an alien, even embarrassing task. So the best teller could conceivably end up with less pay than the worst, who just happens to have the gift of the gab and a bonus to show for it.

HBOS turned into a rubbish bank when the salesmen took over from the bankers. Happened in most banks, I reckon. People talk about greedy bankers fleecing the system, but that is an insult to people who actually are proper bankers. The vast majority of the guilty ones were nothing more than spivs trying to flog shiny new products dreamt up by financial engineers who in turn were trying to find a way of burying the crap investments other spivs had sold them. Think of it as a chop shop. Bits of smashed up cars are nailed together in some backstreet workshop and made to look like new, to be flogged by a man in a shiny suit and stale aftershave to some poor unsuspecting customer. They're all just spivs. The problem is not too many bankers but far too few real ones.

Anyone familiar with this column will know that on occasion I am long on attitude, short on facts, pregnant with opinions. So you won't be surprised by me asking what the bloody hell actually goes on in the City? As far as I can make out, there's a load of money racing round the world as a result of gobby oiks, fuelled by ultra-caffeinated drinks, and no doubt Colombian marching powder too, yelling down telephones in a frenzy of trading. The money

continued over

they're shifting doesn't actually seem to do anything productive except make a few people very rich for not having done anything particularly useful other than watch a bewildering array of screens, scream a bit, drink gallons of expensive champagne, throw up in a lap dancing club and collect a fat bonus at Xmas.
I often wonder if this money actually exists. Is it anything to do with what's in my admittedly threadbare bank account? Is it the same stuff? When the government says the financial services industry pays hefty taxes into the national exchequer, where did the money come from? If the same money had actually been invested in making things instead of just servicing a gigantic game of Monopoly (or Risk…) for a tiny minority of badly dressed and badly behaved spivs, would we all as a nation be any better off? What an unholy pact between City and Treasury…you get to play your casino games so long as we get the tax to pour down the public sector sinkhole.
Of course I have not the first idea what I'm talking about.
But it don't half smell.

Some days I get so depressed by the avalanche of bad news that I venture, blinking, into the daylight outside and take an unaccustomed walk, more often than not down to the quietude of the local library. Absent-mindedly fingering through books on matters economic, in the hope perhaps of gaining some deep insight, I stumbled across *Capitalism, Socialism and Democracy* by the Czech economist Joseph Schumpeter. This was the guy who coined the phrase *creative destruction,* and predicted the success of capitalism would sow the seeds of its own demise. As prosperity grows, he says, so does the intellectual class that is not involved in the actual mechanics of production but is all too ready to pass criticism on it. These same intellectuals speak on behalf of sections of society from which they themselves do not actually come. Discontent is fomented and increasingly social-democratic governments are elected, which build ever-bigger welfare systems and lay restrictions on capitalism in the interests of greater fairness for all. Eventually business crumbles. Sounds familiar, doesn't it? Funny that he wrote that in 1942. I read it with a profound sense of disbelief at how accurately he had predicted our country's descent into moral disease and apathy. If today's news is depressing, history is even worse.

If you want to take something positive out of the current mess, then there is something encouraging in what Schumpeter says about creative destruction.
He says it is "the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one."
Not dissimilar to a snake sloughing its skin. Let's just hope we're not down to our last skin.

Nothing affected me quite as profoundly in recent weeks as an article that the children's author Philip Pullman wrote for The Times to mark the Convention on Modern Liberty. Here is an extract from the article. I urge you to search the Times website (www.timesonline.co.uk...search terms 'Pullman, Liberty' should do it) to read it in its entirety. The fate of Ian Tomlinson, the ambition of this government to catalogue all our electronic communications, the use of anti-terror laws by local councils to snoop on residents and the dysfunctional disconnect between society, politicians and the police make one shudder for our future. This is a potent reminder, should we need one, that literature and poetry are potent, if oft underestimated weapons in the arsenals of the angry.

Malevolent voices that despise our freedoms

by Philip Pullman *(extracted from The Times)*

Are such things done on Albion's shore?

The image of this nation that haunts me most powerfully is that of the sleeping giant Albion in William Blake's prophetic books. Sleep, profound and inveterate slumber: that is the condition of Britain today.

We do not know what is happening to us. In the world outside, great events take place, great figures move and act, great matters unfold, and this nation of Albion murmurs and stirs while malevolent voices whisper in the darkness - the voices of the new laws that are silently strangling the old freedoms the nation still dreams it enjoys.

We are so fast asleep that we don't know who we are any more. Are we English? Scottish? Welsh? British? More than one of them? One but not another? Are we a Christian nation - after all we have an Established Church - or are we something post-Christian? Are we a secular state? Are we a multifaith state? Are we anything we can all agree on and feel proud of?

The new laws whisper:

You don't know who you are

You're mistaken about yourself

We know better than you do what you consist of, what labels apply to you, which facts about you are important and which are worthless

We do not believe you can be trusted to know these things, so we shall know them for you

And if we take against you, we shall remove from your possession the only proof we shall allow to be recognised

It is inconceivable to me that a waking nation in the full consciousness of its freedom would have allowed its government to pass such laws as the Protection from Harassment Act (1997), the Crime and Disorder Act (1998), the Regulation of Investigatory Powers Act (2000), the Terrorism Act (2000), the Criminal Justice and Police Act (2001), the Anti-Terrorism, Crime and Security Act (2001), the Regulation of Investigatory Powers Extension Act (2002), the Criminal Justice Act (2003), the Extradition Act (2003), the Anti-Social Behaviour Act (2003), the Domestic Violence, Crime and Victims Act (2004), the Civil Contingencies Act (2004), the Prevention of Terrorism Act (2005), the Inquiries Act (2005), the Serious Organised Crime and Police Act (2005), not to mention a host of pending legislation such as the Identity Cards Bill, the Coroners and Justice Bill, and the Legislative and Regulatory Reform Bill.

Inconceivable.

And those laws say:

Sleep, you stinking cowards

Sweating as you dream of rights and freedoms

Freedom is too hard for you

We shall decide what freedom is

Sleep, you vermin

Sleep, you scum.

Pullman's words (again, this is only an extract) deserve the widest possible audience. But will we wake up? Will there be a reckoning? Can there ever be?

A spot of evidence that the animus against business has taken deep root in this country. A letter in The Times reads:

Sir, Russell Prior makes a good case for businesses to be socially responsible, in terms of increased staff and customer loyalty. However, his arguments rely on the ultimate benefits to business, implicitly accepting that its foremost goal — even if concern for social justice can be instrumental — is profit.
Ben Hoskin, St Leonards-on-Sea, E Sussex

One assumes that the means by which Mr. Hoskin houses, feeds and clothes himself (and his family too if he has one), is some form of income. Whether that be derived from a salary or a benefit or any form of unearned income, the brutal truth that he does not seem capable of acknowledging is that without someone, somewhere making a profit there could be no salary nor taxation to pay benefits nor provide cozy state employment (sounds like that's where he belongs).
I don't know what distresses me most: this man's bonkers, sneering delusion or the fact that The Times would give such idiocy an airing.

A new book out at the end of April offers a very entertaining discourse on the degree to which we are controlled by luck, and the degree to which we can control it. In *Dance With Chance (Harnessing the Power of Luck)* the authors (Spyros Makridakis, a professor emeritus from INSEAD, Robin M Hogarth, a professor from Universitat Pompeu Fabra in Spain and Anil Gaba a professor from INSEAD in Singapore) basically say we tend to operate under the illusion that we can control events that are actually beyond controlling. There is the classic example of Americans who, after 9/11, abandoned air travel in their hundreds of thousands, only for 5,000 or more of them to die on the roads, while only 22 people died in the following 12 months as a result of air travel. They thought they could control their fate but they couldn't. Medical testing is another area of illusion. They say research shows that a new proposal in America for testing for Downs Syndrome on all pregnant women would actually lead to greater harm, including deaths to babies from unnecessary deliberate abortions or miscarriages from the amniocentesis test itself, than not testing. That's down to the false positives so many medical tests produce but that we ignore in our belief in the validity of the outcomes. In fact they produce reams of research that suggest all this testing probably makes people worse, not better and certainly doesn't guarantee longer life. Experts generally, and in particular financial advisers, come in for stick – monkeys throwing darts at the financial pages have a better record than most share tippers. More at www.oneworld-publications.com.

Heard someone say the other day that we are walking around with holes in our souls, desperately trying to fill them with IPods. Sounds like a good description of the manic consumerism that has held us in its grip for the last few decades.
Begs the question, though. If not IPods, what?

A joke for our times . . .
Denzil Penberthy, an elderly Cornish farmer, received a letter from the Department for Work & Pensions, stating that they suspected he was not paying his employees enough and they would send an inspector to interview them.
On the appointed day, the inspector turned up.
"Tell me about your staff," he asked Penberthy.
"Well," said Penberthy, "there's the farm hand. I pay him £240 a week, and he has a free cottage.. Then there's the dairymaid. She gets £190 a week, along with free board and lodging. There's also the half wit.. He works a 16 hour day, does 90% of the work, earns about £25 a week, along with a bottle gin every week, and, occasionally, gets to sleep with my wife."
"That's who I want to talk to," said the inspector, the half wit."
"That'll be me then" said Penberthy.

Ever get the feeling you've been cheated?

by Tim Price

"Get a grip on financial regulation! Hedge funds, short selling, spread betting, leveraged buyouts must be curtailed. Regulate them hard ! Better, ban them !"

Reader's post *(PCMyrs, Tonbridge)* on the BBC web site's G20 weblog.

Where to start? With all due respect to PCMyrs, the financial crisis was not caused by the activities of hedge funds – a disparate and fast dwindling band of asset managers in any case, following myriad trading approaches. It was not caused by short selling, either. For every short seller, there has to be a buyer taking the other side of the trade. One might as well suggest banning equity purchases, on the basis that they involve somebody else selling stock. This crisis was not caused by spread betting. It was not even caused by leveraged buyouts – although the recent rapid impoverishment of private equity fund holders was. If one can identify just one proximate cause of the Panic of 2007, it was the uncontrolled growth of credit nurtured by weak regulators, fanatical central bankers and conflicted politicians, and supercharged by banks and, yes, greedy homeowners and investors. To suggest that ineffectual financial regulation should be replaced by the effective closure of free markets is akin to saying that because swimmers occasionally drown, water should be made illegal.

Meanwhile, the G20 summit, in time honoured fashion, gave rise to all sorts of ludicrously unrealistic hopes of some "coordinated solution" by the participants. And workers in the City were obliged to co-exist, briefly, with a handful of yobs comfortably outnumbered but nevertheless goaded on by press photographers.

But to anyone with a hammer, all things look like a nail. And to a political establishment (and a largely fawning or unquestioning media), a witch-hunt against evil bankers has the expediency of drawing fire from problems altogether closer to home.

Banks collectively stampeded over a cliff due to a surfeit of animal spirits and a flawed belief in the primacy of flimsy risk modelling. We can debate the latter until the cows come home; animal spirits, on the other hand, is what capitalism does best. And while the outcome is often ethically fraught, as it is now, one has to say: compared to what? At least banks and their employees are profit-seeking entities. Politicians can't claim that; their primary objective is simply to be re-elected. The money they spend is not theirs to spend; it is appropriated from taxpayers, both current and prospective. To that end, they will say and do, ultimately, anything and everything that appeals to the perceived majority of voters.

Politicians will no doubt take credit for the equity market rally that accompanied the G20 meeting. But, again, politicians do not create wealth; at best, they can only redistribute it. This is a point well made by Luke Johnson writing in the Financial Times:

"Unfortunately, there is a rising chorus that free enterprise is at the root of all our economic problems. Union leaders, leftwing politicians and activists are using the downturn to attack free markets and extend their socialist franchise. As ever, they want more regulation, more state intervention and higher taxes on the rich. But, just as protectionism in the 1930s helped turn a recession into the Depression, so adoption of these anti-business policies will ensure this downturn becomes a slump. My profound concern is that risk-takers are being assaulted on all sides: lack of credit, lack of demand and armies of anti-capitalists out to demonise the private sector."

The private sector did not cause this crisis. A relatively small coterie of ostensibly regulated financial interests (mostly commercial and investment banks, and most expressly not hedge funds) managed to persuade the executive branch that the financial system could not survive without taxpayers' money being funneled toward them. A few trillion dollars, pounds and Euros later, we seem no closer to resolution, because the prices of malinvestments entered into by those financial interests remain frozen or otherwise distorted, due to the lack of free market discipline. If you don't like the prices, simply don't accept them. Nationalisation of insolvent banks appears unacceptable to the US administration. So the regulators who were complicit in the problem are now complicit in its perpetuation. And many senior rent-seeking executives complicit in the problem, by and large, remain in position. This is not exactly free market capitalism.

Gillian Tett, also writing in the Financial Times, cites an unnamed 'global policy official'. Despite the cloak of anonymity, the conclusion hits the mark:

"The Americans are hiding behind stimulus and the Europeans are hiding behind regulatory reform. But that misses the real issue."

In Gillian's words, the reluctance to debate the issue, or alternatively to obfuscate it, or simply lie about the issue, reflects "a desperate attempt to avoid telling taxpayers how much it might really cost to remove the toxic rot."

In other words, we are being lied to by our elected representatives. Ms. Tett points out that the IMF a year ago predicted $1 trillion in


No fun…no future

credit losses. Their forecast today is $2.2 trillion. That figure is itself more than 20 times bigger than the US government's initial estimate of the prospective credit losses. We have no special reason to trust the banks. But why on earth are people so keen to believe the politicians who created and then oversaw the regulatory environment that failed (including one G. Brown) or who allowed themselves to be blinded to the bonfire of problems being stoked by casino capitalism, courtesy of well-funded lobbyists (for example, the Republican Party)?

True markets and a freely functioning pricing mechanism allow capital resources to be distributed efficiently to those most deserving of them. What passes for market capitalism in the US is now, through the so-called Public Private Partnership Investment Program, allowing a narrow coterie of financial interests to profit from preferential access to distressed assets and artificially cheap leverage. Sound familiar? Nice work when overly easy credit can be both cause and remedy to an intractable problem of denial on the part of both government and Wall Street.

Tax havens, bankers' pay, new improved regulation (meet the new boss: same as the old boss) – all gigantic red herrings from the G20.

At the end of a Sex Pistols tour in January 1978, at the Winterland Ballroom in San Francisco, the band played precisely one number – a cover version of "No Fun" by the Stooges. The band had been formed in an economy beset by 'trash on the streets, total unemployment'. Finishing the song, Johnny Rotten addressed the crowd:

"This is no fun. No fun. This is no fun – at all. No fun…"

And just before he walked offstage:

"Ever get the feeling you've been cheated?"

Source: Tim Price, Director of Investment, PFP Wealth Management Email: tim.price@pfpg.co.uk Weblog: http://thepriceofeverything.typepad.com

Recession: A Morality Tale

In the first a brand new series of columns, Roger Steare, Professor of Organizational Ethics at Cass Business School, looks deep behind the statistics and the political blame game to understand how we got into this mess.

My work as a Corporate Philosopher takes me all over the world. This column is being written in Shanghai where I'm helping senior executives in a global energy corporation make tough decisions about what's right. This of course is different from what a lawyer might tell you is legal. Doing what's legal will keep you out of jail. But this may not be the same as doing what's right.

Let me give you an example. Losing billions of pounds lending money they don't have, to people who can't afford to repay it, to buy rubbish they don't need was not only legal, it was widely accepted to be the right thing to do for at least the last 10 years. Most voters, politicians, journalists and of course most bankers believed this to be the right thing to do - until the music stopped and the parcel of empty promises was unwrapped. Now of course most politicians, egged on by the media, are hunting the guilty. Senior bankers, their bonuses and pensions are an obvious and easy target. But as the saying goes, when you point the finger, three fingers are pointing right back at you. Few people are talking about our shared responsibility for this mess. Few are examining what makes our behaviour right or wrong. Few are honestly thinking about what "good" looks like.

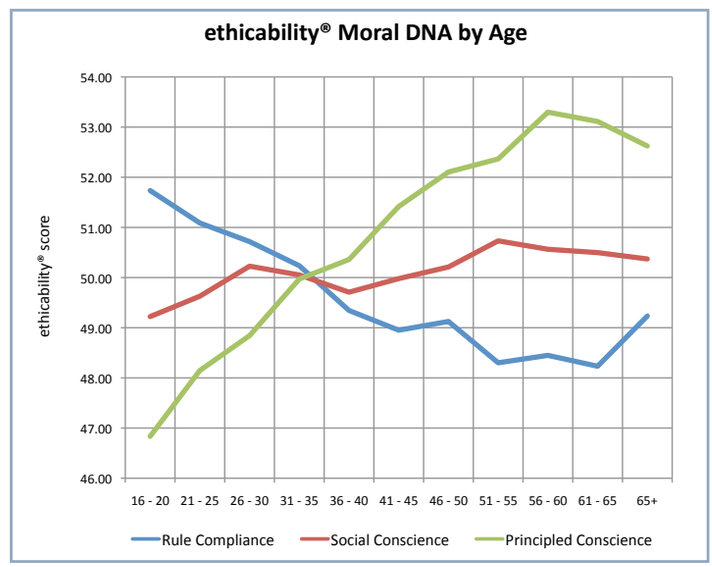
So what does the financial crisis tell us about how we decide right from wrong? Well, the way I explain it is to ask people to think about how we learn right from wrong from the day we're born.

The first stage in our moral development is "Ego". As babies, we're born with an overwhelming, simple and primitive will to survive. We are greedy, selfish and fearful. If we are not, we will die. And not only do our parents tolerate this behaviour, they positively encourage it.

At about the age of 12-18 months, we begin to communicate verbally with our parents and they then begin to tell us what's right and wrong and reward and punish us accordingly. This second stage is "Rule Compliance". Doing what's right means simply doing what you're told. Don't think, just obey. This stage in our moral development will normally evolve by the time we go to primary school.

At the same time, another process begins as we begin to sense another dimension in doing what's right. This is "Social Conscience", when doing what's right is doing what's best for others, the common good. We can also understand this in terms of friendship, altruism and compassion and this stage is normally evolved by the time we become teenagers.

The final stage is "Principled Conscience", the development of an internal moral compass based on character traits such as courage, fairness, willpower, love and hope. What is right may not be what's best for us, or indeed what's best for others - in the short term at least. What's right is about living our lives according to these principles, tough though they are. Moral grown-ups understand that life is not about achieving personal happiness or material success, it's about well-being. We see this most clearly in the self-sacrifice of parents or friends. We see this in the devotion of healthcare workers or the bravery of fire fighters.



Source: ethicability® Moral DNA Report 2008: www.rogersteare.com

So let's now return to the current financial and economic crisis and ask ourselves how the behaviour we've witnessed over the last few years fits into this model? Well for me it's pretty obvious that the financial and economic boom was a product of Ego, moral infancy and the belief that we can have whatever we want, without consequence.

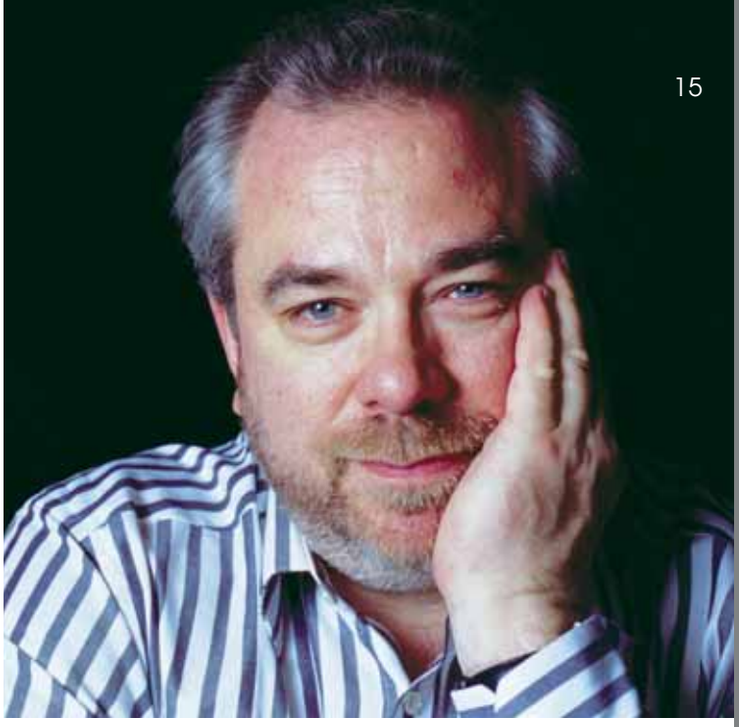
What's equally depressing for me is to witness a media and political response based on the assumption that the behaviour of mature adults can be changed by a simple reliance on Rule Compliance, i.e. "tougher regulation" and the moral philosophy of the school playground. Where is belief in the common good and shared responsibilities? What's happened to courage, self-

discipline and compassion?

For me, this financial and economic crisis is a gentle warning of yet more devastating consequences for all of us if we continue with this childish philosophy of indulgence, tempered by blind obedience to Big Brother. Yes, we're all rightly concerned about unemployment and repossessions, but global warming, poverty and social injustice pose a greater and yet more fundamental threat to our civilization and the fate of billions. We can only confront these challenges as moral grown-ups. We need to combine tough stoic virtues with a sense of shared responsibility and compassion for all humanity and all life on this planet.

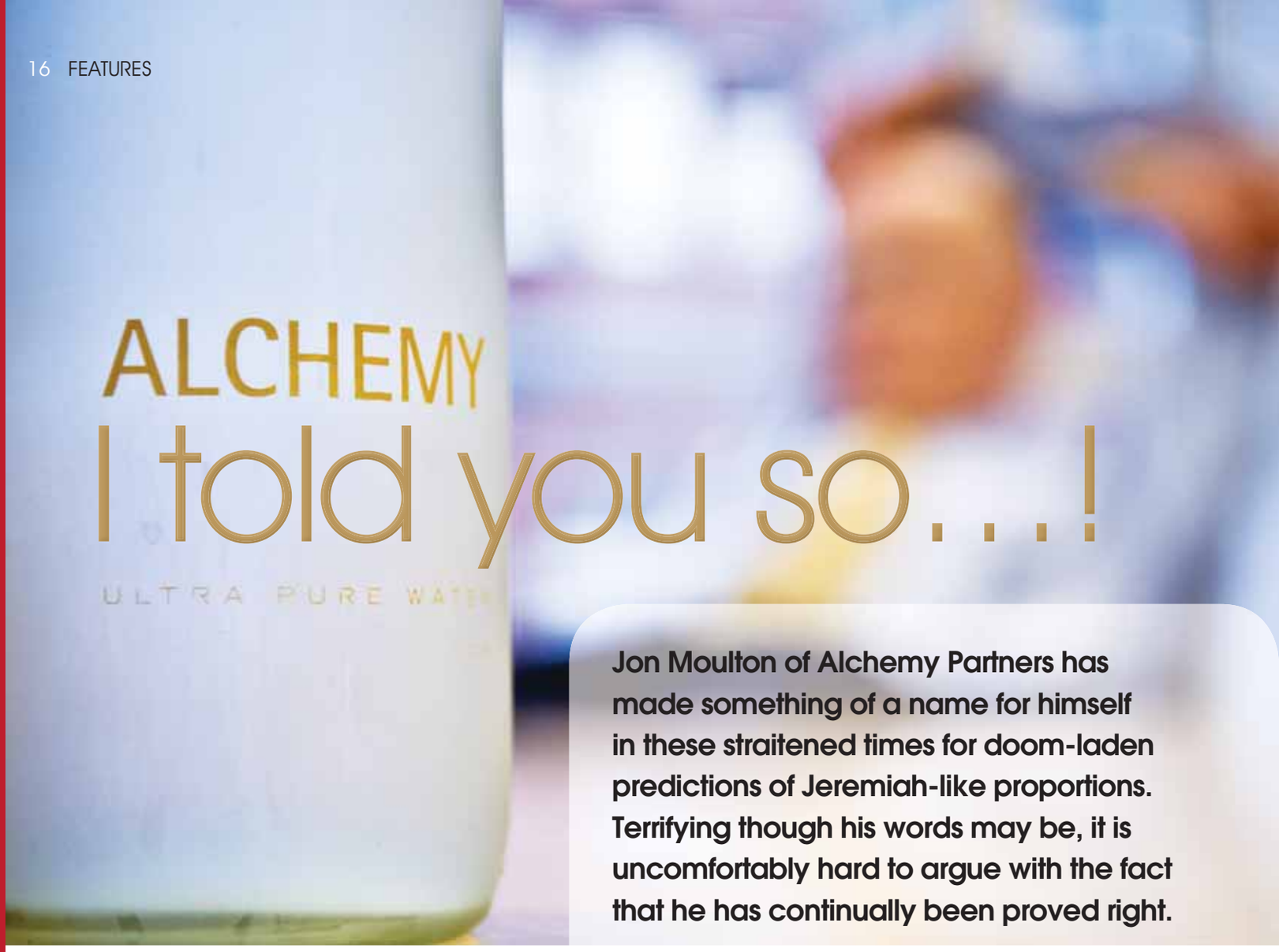
For the cynics out there, this isn't simply wishful thinking. This philosophy already underpins our family lives and the way we are with our friends. We rally round when a child dies or when it snows. At work, we simply need to approach our working lives as human beings first and business people or public servants second. I know this sounds like motherhood and apple pie, but I've never understood why people sneer at this wholesome philosophy. The words "economy" and "ecology" are both derived from "oikos" the ancient Greek word for home. Ecology means caring. Economy means less not more. We forget that most human beings on this planet are peasant farmers, crafts people or shop-keepers, all businesses based on the family unit and the home. On the other hand, most of our multinational corporate organizations resemble machines that suck in, process and then dump "human resources" in the pursuit of relentless material growth, the philosophy of the cancer cell.

Returning to Shanghai, this is a city that epitomizes the philosophy



of the cancer cell. The high-rise construction, the freeways and its coal-fired power stations are monuments to a philosophy that is unsustainable. Deep down, the Chinese know this. Their own philosophical traditions of Confucianism and Taoism are in tune with our own ancient traditions of virtue and the common good. The challenge for all of us is to confront the brutal realities and consequences of the lives we lead. Truth hurts, but denial kills. We need to return to the true meaning of the word "economy" and the philosophy that less is more.

Source: Roger Steare www.rogersteare.com



I told you so...!

Jon Moulton of Alchemy Partners has made something of a name for himself in these straitened times for doom-laden predictions of Jeremiah-like proportions. Terrifying though his words may be, it is uncomfortably hard to argue with the fact that he has continually been proved right.

It would be unfair and wrong to suggest Jon Moulton takes pleasure in being right on an issue as awful as this country's devastated economy. But he doesn't exactly exude an air of gloom either, and why should he? Predicting disaster while everyone else was embarked on a grotesque orgy of debt meant his company is now ready to make hay while everyone else is reaching for the sick bag.

"There's no doubt there's going to be a lot of forced sales out there," he says, "and people are going to be prepared to accept prices much lower than they would six months ago."

> *Survive. That's all. Play it safe, postpone investment and innovation and store your cash.*

Alchemy of course is one of the nation's top private equity investment houses, one that came very close to buying Rover from BMW. Moulton's certainty that the economy was heading for a cliff led him over three years ago to develop a distressed debt fund that would enable him to move in on over-leveraged companies, buy their debt for a percentage on the pound and help them rebuild their balance sheets in return for equity.

"There are a lot of decent companies out there with lousy balance sheets. Our job is to convert them back to health again with new money, new management and a new direction."

But no matter how canny Moulton may be – and canny is possibly the first description that springs to mind when you talk to him – you sense he knows his company's future success will ring somewhat hollow if it is raising its flag atop the pile of smouldering rubble that the British economy is on course to becoming.

"I was accused of being pessimistic before," he says, "but what I was saying then was positively optimistic by comparison with what's happening. Of course it is difficult to tell what's going on with new government policies pouring out almost every day, but I can tell you it can only get much, much worse. GDP will decline further and faster than forecast and we are about to witness one of the most scary scenarios in history, in which future economic growth will not keep pace with the interest the country has to pay on its debt. That means no growth, and that means no way out."

Moulton does not pretend to have any easy answers to the crisis, but he is absolutely certain he knows that what is happening now in the corridors of power is woefully inadequate.

"What is grossly lacking is any concept of where we're heading.

We're just patching holes in the boat until the time will come when all we can do is stick our bottom in it, and that won't be enough. It is about the quality of the information and the management. Alastair Darling said in March last year that economic growth would continue through 2008-2009. How can anyone have any confidence in what is going on at the top when people like him are saying things like that? And don't be under any illusion about what's happened to the banks the government now effectively owns: it's a one way street. The pension fund liabilities will make it impossible to sell back into the private sector."

Talking of pension funds, Moulton makes one point that nobody else has made much noise about, namely the quiet way that the Bank of England's own pension fund switched all of its assets into gilts last September, a highly significant move.

"The Bank of England's own pension fund is now entirely invested in the lowest-returning assets you can find, but the safest. They effectively bailed out of the British economy because they had no faith in its future."

Needless to say, nor does Jon Moulton. He sees in the language of Mandelson, Darling and Brown a return to the kind of state control of the economy that Tony Benn (Anthony Wedgewood-Benn as he then was) tried to implement with his National Economic Development Council when he was Minister of Technology in Harold Wilson's first government.

"Although the good news is we won't see any of it happen before the next election!" he adds with a grin.

While the prospect of a change in government might mitigate some of the worst excesses of the current regime, Moulton stresses the absolute need for clarity and tough action that a new government will have to provide.

"The first thing is to persuade people you have clear objectives. People don't mind how bad the news is so long as you tell them the truth. The Swedes got out of their banking crisis that way and by slashing public expenditure – as they said they would. The British public have largely tuned out of what is going on now. Boredom has set in. But we are on course for the public sector to occupy 50% of our economy and we haven't seen that since the 70's. The only way we can make a difference is to accept some very sharp, intense pain in the form of massive cuts in public expenditure, the way Margaret Thatcher did it. The sooner we grasp that nettle, the sooner we'll be out of it."

Any advice for company directors and owners?
"Get close to the government – they're the ones printing the money. But above all, survive. That's all. Play it safe, postpone investment and innovation and store your cash. The sensible will do nothing and just try to ride it out. Of course," he adds ruefully, "that guarantees the recession will be even deeper because no one will be spending any money…"

Cheerful to the end, then…

Source: Jon Moulton www.alchemypartners.co.uk

Racing's Best

The sport of kings has for centuries been a magnet for money as well as a wonderful spectacle. But as Nick Peters discovered, the business imperatives behind it today are as fresh and innovative as any.

Turn off the M20 just north of Maidstone, follow a couple of country lanes and soon you are in the gentle North Downs of Kent where John Best and his Hucking stables make their home. The day we arrived was one of those winter rarities…gentle mists in the valleys, the sun straining to come out, the air cool enough to see your breath but holding the promise of warmth to come.

For all that, the evidence of recent downpours was underfoot in the thick claggy mud that sucked at every step. John Best greeted us as we splodged across the stable yard. He stopped to talk to a veterinarian about a racehorse he had been examining.

"He's monorchid," was the diagnosis. At my obvious incomprehension, John said, "It means he only has one testicle or only one has dropped," and went on to explain the significance of this in the bloodstock business, while my mind wandered ungenerously in the direction of Mr. Hitler and his particular experience of this problem.

We hopped into his truck and headed for the gallops to watch the morning exercises and sat chatting while the horses and riders thundered past us, John watching all the while for any information he could gather from an animal's performance.

I had come to visit John Best because he typifies the kind of entrepreneurial flair that takes an established business model, turns it on his head and becomes hugely successful as a result. He really attracted attention last year by winning more prize money at Royal Ascot than any other English trainer, the high point being Kingsgate Native winning the Gold Jubilee Stakes at an outrageous 33-1.

Like any trainer, John loves his horses to win. It makes the owners happy because of the prize money and it keeps potential owners interested in what John is up to. Most importantly, a successful race pumps up the price of the winning horse, for to John Best, unlike most other trainers, racing is not the be all and end all of the sport of kings. For him, the money is in horse trading and it is something he does exceptionally well.

"I can buy a horse – untried, unraced, unbroken, a baby really – for £15,000 and in a year he could sell for £1,000,000," John says. "That is exceptional obviously, but the point is I will always sell a successful horse. If I paid £20,000 and get offered £30,000, I will take it. If it goes on to win races and be worth £500,000, so what? I don't worry about that at all; you have to take your profit the moment it's there."

It is a hard-headed, simple formula that brooks no second-guessing. Anyone thinking Best has got to be barmy not to squeeze as much profit from each horse, as one might a non-animate asset, doesn't understand the racing business.

"It is difficult to make a profit just out of winnings, but that is what most trainers focus on. Added to which, prizes in the UK are pretty bad, so I concentrate on the horses themselves. Most of the time, owners take my advice about buying and selling," John says, "but racing is a tremendously emotional business. People get attached to things. I know which races will suit a particular horse and give it a chance to raise its sale price, and I also know which ones will not. But if an owner is wedded to the idea of running his horse in a particular race, there's not a lot I can do to stop that, even if I know he doesn't stand a chance of winning and that by losing he could be worth hundreds of thousands less than if he'd stayed at home. It

John Best with Kingsgate Native

happens a lot."

It isn't just owners who can scupper John's plans; fellow trainers are known to have done it too. Last year he sent some horses to the United States for a few races and ultimate sale. They are under the care of an American trainer who was entrusted with implementing the John Best formula.

"One of the horses, Flashman's Papers, had already won two races, including a big one at Ascot," John says, "so he could have been worth £300,000. The trainer decided to run him in a race with a $75,000 prize fund. It was a different distance from what the horse was best at and on a different, synthetic surface. If he had won, it might have added £50,000 to his selling price, but if he lost it would reduce it to about £150,000. The upside was £50k, the downside £150k. It just wasn't worth it, the risk was too great."

The horse lost, and while some more decent performances might bring his price back up, it is unlikely ever to be worth more than £300,000.

"Nine times out of ten," John says with a rueful grin,"if people don't take my advice, it goes wrong."

When an owner does give John 100% control, it pays off. John Mayne knows something about racing, given he has retired after a lifetime in business as a bookmaker. Mayne is the owner of Kingsgate Native, last year's Ascot star.

"The first horse I trained for John Mayne cost £26,000 and was sold later for £230,000. We then bought two more, one of which was for £32,000, going on to sell for £260,000. Kingsgate Native was bought for £20,000, won over £400,000 and was bought by a stud for a seven figure sum. The thing is, the money the horses win means they don't cost anything to keep, and while we make major decisions between us, he doesn't really interfere at all."

Given the money being made on his behalf, one can see why.

John got into the business as a point-to-point jockey and in 1997

A great win: Kingsgate Native

became a National Hunt trainer. He got his flat licence in 1999, since when he has concentrated solely on flat racing. He was swiftly spotted as the one to watch and has not disappointed those who say he has the capacity to become one of England's best ever trainers.

Being camped out on the North Downs make seem a bit remote, given that the two key racing centres in this country are Newmarket and Lambourn, but John likes to be far away from the madding crowd. "It's a very small industry and everyone knows, or wants to know, what everyone else is doing. Out here at Hucking we can get on with it on our own."

The process of training a winner starts at the sales. Best has always bought half his horses in the UK and Ireland and half in the USA, although the plummeting pound has made anything outside the UK unusually expensive and explains why he put some horses in the US last year. He buys half on his own account, which is on spec really, and half on commission from owners and it is a long, hard slog.

"There are generally 300 horses on sale in any one day. I look at two thirds of them, winnow that down to 50, have 30 of them vetted so I end up with a choice of 15, then buy one or two of them. It takes a lot of patience and hard work."

John has ambivalent feelings about the growing influence of owners from the Middle East. "They don't really have much influence over what I do, but they have a massive influence in racing generally. They are actually propping up the market this year. But you can't beat them in the sales. You've got to be very careful…if you do beat them, you've paid too much. As soon as you know they're in the game, stop."

The thing about owning racehorses these days is that not only can it be a very profitable enterprise in the hands of someone like John Best, but it is possible to get into the game for as little as £400.

As well as offering syndicate ownership in particular horses, John has created joint syndicates that spread the cost – and the risk. The top one is Kent Bloodstock, which invites 8 investors to put in £50,000 each which will be used to buy at least 8 horses. The first such syndicate has already made £400,000 guaranteed profit after five horses were raced and sold for £650,000 and there are still four horses left in the pool, including Flashman's Papers which even if he doesn't make it back up to the £300,000 mark is still a very valuable asset.

The second tier is Hucking Horses, where 14 investors own three horses for an investment of £10,000 each. And then there is GG Racing where £400 could buy you a piece of a horse…not a very big piece, granted, but enough to add a touch of spice to your day at the races.

Source: John Best Racing
www.johnbestracing.com

A Very Different Kind Of Day Job

The Intelligent Sport World Series has been harnessing the energy, passion and intelligence of corporate teams for some years now as Victoria Mechlin reports.

"I am looking for the answer to the following equation," shouts the man into the megaphone. "What is 264 times 34 minus 7?" He continues to shout this question over and over again as he strolls along the edge of a large swimming pool at a beautiful resort in Cyprus. It is currently11:00 in the evening.

Are these the ravings of a corporate accountant gone bonkers whilst on holiday? No, this man is simply doing his job: he continues to scream at the men and women who have huddled around in groups around the pool in order to distract them from the larger task at hand, which is for each to build a canoe out of two pieces of wood, some plastic and some duct tape. Once they feel confident that their "canoe" will float, their next task is to place one team member into the canoe and, if he or she manages to keep from sinking, they must then paddle the length of the pool in order to win the competition. How hard could that be?!

Even harder than you might think, considering these people have been up since the crack of dawn. Their day began with a run up a chilly mountainside, followed by a tricky bicycle ride, and a tortuous swim in the ocean. A typical day in the life of an athlete, perhaps, but not for these folks. Their typical day usually consists of carrying computers and mobile phones, not maps, trainers and survival gear. So what exactly is going on here?

The winning Airbus team at the finish line

This is the "grand finale" of the Intelligent Sport World Series Final 2008, held in Paphos, Cyprus last December. The global competition began earlier in the year with over 750 teams from some of the world's leading businesses including HP, Motorola, Merrill Lynch, Cisco, Accenture and Logica. Participants are taken out of their comfort zone into an environment where skills are stripped bare of workplace and competitive situations. Activities vary from hour to hour as teams run, swim, kayak and mountain-bike their way across challenging terrain whilst having to think logically, crack codes and solve puzzles. Smart planning, tough decision making and effective communication become the key requirements for success at this event, which is designed to test mind, body and spirit by offering a unique team experience to inspire and motivate employees. Working together day and night teams are tasked with overcoming the course, the terrain and other companies as they race against the clock – and it's full of surprises as well.

Like the time when teams learned that they had the opportunity to get an advance copy of the next day's challenges. All they had to do was show up at a designated location to receive the information….at 3:00 in morning! The choice was clear: either get some sleep and be physically prepared for the next day's challenges, or sacrifice sleep, but get the information. Out of 130 teams, 129 of them showed up at the designated site at 3:00am to get the next day's map. The principle that "knowledge is power" still dominates in business.

"We see ourselves as a tonic," says Andrew Finan, founder of the Intelligent Sports program. "We need to start putting smiles on people's faces if we want to get productivity up. Attitudes will then go up too even though the economy is vulnerable. These events give staff a chance to get away from their corporate hierarchy. Senior people step back and let junior staff take the lead. People then have a real opportunity to shine in front of their bosses. Unlike corporate retreats, which are more internally driven, this program is designed so that teammates look towards each other for the real data and the real proof of success. They cannot hide behind the data because it is real numbers."

In the early days, Andrew and his team worried if they'd be able to attract companies back for the next competition after they had come in last or near the bottom. But what amazed them most was that instead of getting discouraged, company teams saw the experience as a learning tool – an opportunity for them to improve.


The VT Group's improvised canoe

So they do come back, again and again.

Teams such as the group from Southampton-based VT Group, who returned for a second run at the championship. After several rounds of biking and running they knew they had a chance of winning. In fact they were in first place overall at the start of the last stage. Although they ultimately placed a respectable 7th place in the final, having the winning spot within their grasp has given them more motivation and confidence to go for the gold again next year. Global aircraft manufacturer Airbus took first place for the fifth year in a row. "We work hard at the non-physical side of the sport – the teamwork, strategy and puzzling to make sure that on the day we are at our best and are hopefully the team to beat," said Team Captain Tom Gibb, a cost engineering specialist at the company.

Lloyds TSB team on the Rock of Aphrodite

So has all this winning had an effect on Airbus's business performance?

"Our company is a massive international organization employing many thousands of people so I don't think you can point to a single thing as a direct consequence of us winning the event," says Gibb. "However we do believe it helps us with morale and pride in the company and is very much used in our internal promotional material. It is also used as part of recruitment, especially of younger engineers, and in improving the company image."

The all female team from Lloyds TSB relished the challenge as well. Two years ago they came 2nd in the Intelligent Sport World Challenge. Last year, they had four new member of the team. By applying some strong principles and best practices, they were able to continue operating at a high standard and won the Ladies cup at the Microsoft UK Challenge (15th overall), Cisco Euro Challenge and Intelligent Sport World Series Final.

The 2009 Intelligent Sport World Series kicks off in June with the Microsoft UK Challenge, now in its 19th year. Microsoft has been raising money for the NSPCC through the event for nearly 15 years. The partnership has helped it grow from a relatively small affair held in a field to a national event with over 130 teams participating last year. Over £3million pounds has been raised for the children's charity since 2000, and by creating a multiplier fundraising effect, Microsoft's long term vision is to get more companies involved in developing the skills of their employees while raising funds beyond what one company could ever achieve alone.

The 2009 Microsoft UK Challenge is the UK leg of the Intelligent Sport World Series team development concept for business people, and takes place over three days and four nights in the Cambrian Mountains in Wales between 10th-14th June 2009.

Think your business team might be interested? To find out more go to: www.ukchallenge.co.uk.

A typical riddle posed to the teams in Cyprus:

8 GREEK GODS AND A BUS DRIVER GET ON A BUS.
EACH GREEK GOD HAS 8 BACKPACKS
INSIDE EACH BACKPACK THERE ARE 8 BIG CATS
FOR EACH BIG CAT THERE ARE 8 LITTLE KITTENS

HOW MANY LEGS ARE THERE ON THE BUS INCLUDING THE BUS DRIVER?

ANSWER: 18,450 LEGS ON THE BUS

features

About Passion...

We always say it takes courage to develop a business that reflects the passion that drives us. And it does, particularly if it means giving up a regular income for the uncertainties of self employment. But sometimes one has to just stand back in amazement at what that actually means for some people.

I met Angelica at a networking event in Sussex. I was gradually becoming brain-numb from maintaining my rictus networking grin and probably from the red wine too.

"And what do you do?" I asked, bored, for the 35th time that evening.

"I'm a fetish photographer."

"Excuse me? Did you say fetish photographer?"

"Yes, I have a dungeon on a trading estate and I take photographs of clients acting out their fetish fantasies. And you can close your mouth now."

My mouth had indeed fallen wide open.

"And you don't mind telling people this?"

"Not at all. I have a full commercial photography business, but I always felt I was living a lie when people asked me what I did, because I was hiding the part of me that actually makes me happiest. So I decided to tell the truth."

This is Angelica's story.

My background is in wedding and commercial photography. I had been doing that for ten years before deciding that I needed to be true to myself and do something I was really passionate about. It was a tough decision; there is good money to be made in wedding photography!

Yes, some people have thought I was mad to give up a 'safe' style of photography, but I've never been someone to take an easy path in my life! I was a pirate DJ out in the North Sea on Radio Caroline many years ago and just getting to and from the ship the Ross Revenge would give any Health and Safety representatives kittens these days!

Fetish has become fashionable these days – you only have to open the latest copy of a glossy fashion magazine to see a model clad in a latex cat suit or sporting the latest in diamond dog collars, which means my work has become more 'visible' and acceptable to a much wider market. Having said that, I must stress that I do not photograph models. All my customers are 'real' people, and many of them have never been photographed in a professional studio before. Part of my job is to make my customers feel at ease in front of a camera. Relax and have fun!

My work is very varied. For example, on one day last year, in the morning I photographed a postmistress who liked the idea of a photo shoot but had never dressed up in a fetish style outfit before, and then in the afternoon I did a photo shoot for a well known TV celebrity!

In 2006 I was delighted to be asked to submit a piece of work for a charity auction at Bonhams to raise money for Help the Hospices (a charity close to my heart having lost a close friend to cancer the previous year). I was thrilled when they asked me back again the next year and selected my work to be part of a special 'silent auction'.

I am the first fetish photographer to ever have a piece of work selected by the Royal Photographic Society to be one of one hundred displayed at their annual exhibition. This piece of work was also displayed at the RAC Club in Pall Mall.

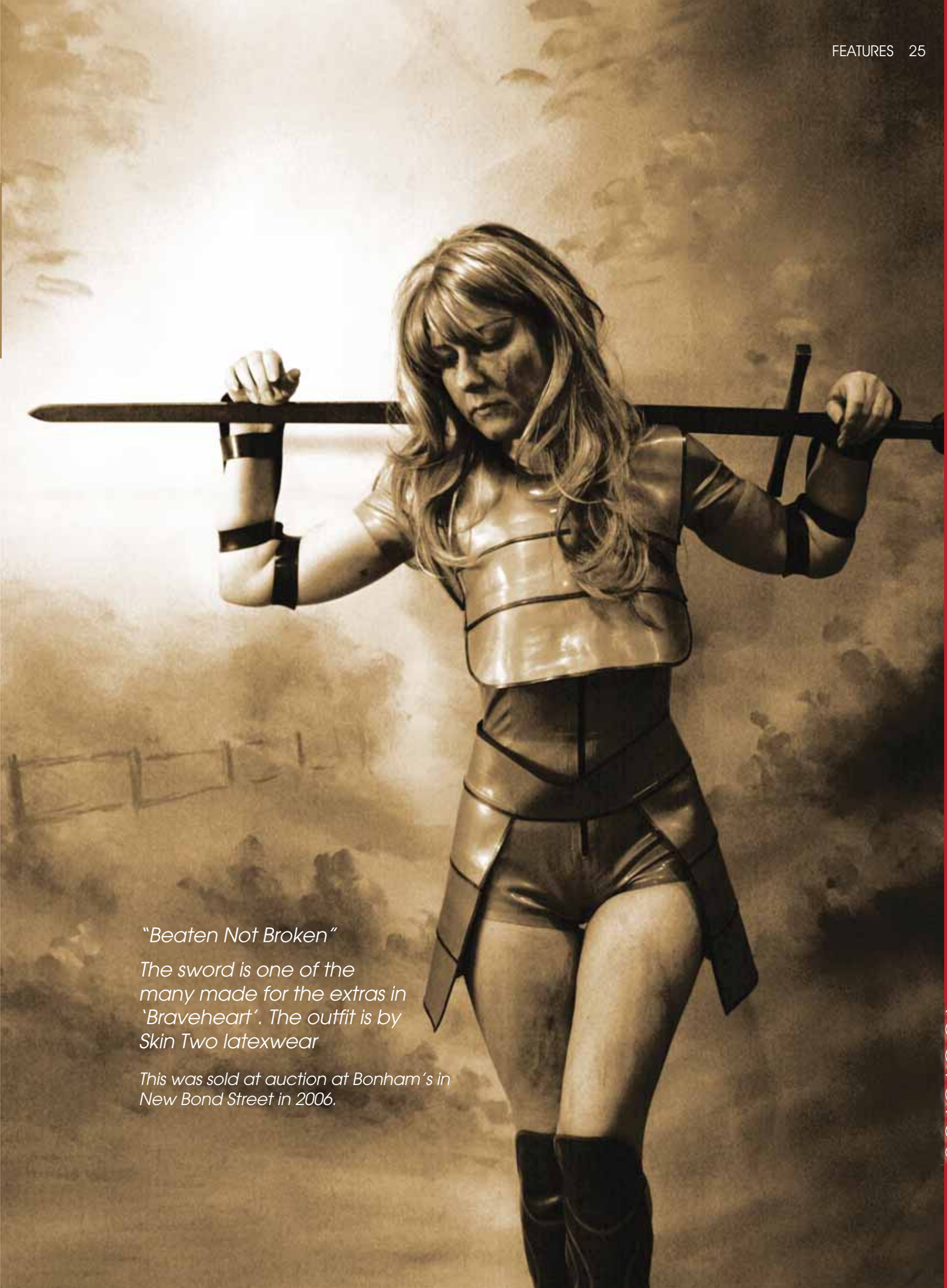
I am proud and passionate about what I do, and very open about it in front of complete strangers at networking events which gains me respect and helps people to feel more relaxed and open up to me about themselves and the sort of art they would like me to create for them.

I feel honoured to capture a private part of people's lives and make them go 'wow' when they see the finished artwork.

Any anecdotes? Well, the postman came in to get a signature for a parcel recently and took a photo of my dungeon on his mobile phone (with my permission, of course!). When I asked him why, he said "Because my mates will never believe me when I tell them!". For some reason he has stopped putting my letters in my post box outside the studio and now insists on delivering them by hand to me. That's customer service for you, I guess...

So, should others play it safe or "go for it"? That's a tough question to answer, but personally I feel that the nagging "what if?" feeling can leave a lot of people feeling unfulfilled. If you don't try, you'll never know!

Source: Angelica www.deam-visions.co.uk



"Beaten Not Broken"

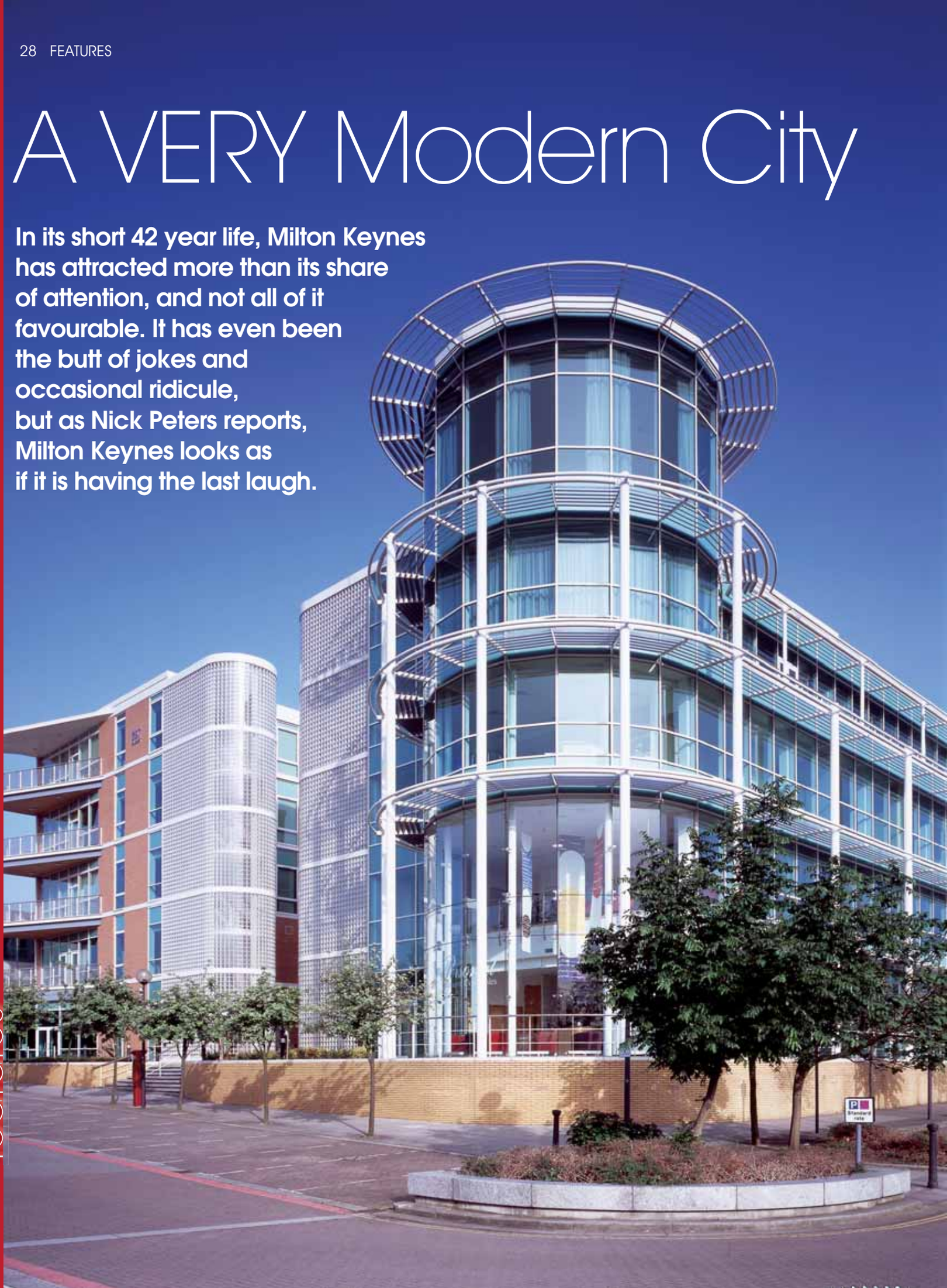
The sword is one of the many made for the extras in 'Braveheart'. The outfit is by Skin Two latexwear

This was sold at auction at Bonham's in New Bond Street in 2006.

Featured at the Royal Photographic Society annual exhibition. Angelica is the first fetish photographer to have a piece of work displayed in public by the RPS. This photo has also been shown at the RAC Club in Pall Mall.

A VERY Modern City

In its short 42 year life, Milton Keynes has attracted more than its share of attention, and not all of it favourable. It has even been the butt of jokes and occasional ridicule, but as Nick Peters reports, Milton Keynes looks as if it is having the last laugh.



There is a rather unpleasant whiff of snobbery in much of the criticism levelled at Milton Keynes. It is to the credit of those who live and work in the city that far from being disheartened by this, they strive even harder to reinforce the positive benefits of this most unusual place. Unusual because any town built from scratch will inevitably reflect modernist thinking (modern, that is, in 1967 terms) rather than the organic approach that governed the centuries-long growth of all other British villages, towns and cities. It was the modernism that ruffled feathers. Traditionalists mocked the American-style grid system on which the plans were based. The architecture was, in places, dramatically bold. In others, granted, it was as bad as any of the other 60's creations that blight our cityscapes – remember the 'concrete cows' jibes? – but the mistakes are being rooted out and replaced, in some cases with buildings and homes incorporating cutting-edge design and energy standards.

To understand the thinking behind Milton Keynes's creation is to recognise quite how radical and modern the concept was. Traditional communities start with a heart or focal point and grow outwards from there. It could be a river, a port or a strategically important crossroads. Milton Keynes is different. The grid system comprises 11 roads that run vertically north-south and ten that run horizontally east-west. The roads are a kilometre apart, to allow a reasonable walk to the nearest bus stop, and in the squares formed by the roads are to be found the multiple communities that were designed to provide a sense of local cohesion. The architects who planned this recognised that telecommunications combined with a swift road system would hold the key to efficiency, and how right they are. Driving along the uncluttered roads, numbered H1 to H10 and V1 to V11, at 60 or 70mph is a delight compared with the torture we endure on clogged roads elsewhere in the country (at the height of the rush hour, the commute from one end to the other is no more than 20 minutes). And the M1 sits just a mile or so to the east, allowing immediate access to the country's motorway system.

Needless to say, it is business that has benefitted as much from this as residents. Milton Keynes was designed to be equidistant from London, Birmingham, Leicester and Oxford and with the M1 alongside, the city became a magnet for UK and foreign businesses. Siemens, Santander, BP, the Open University, Red Bull Racing, Deloitte Touche, Denton Wilde Sapte, even the Foreign Office all maintain major bases in the city.

The drive to entice more companies to the city is as enthusiastic as it is relentless. There is no doubt in the Invest Milton Keynes team that theirs is the city of the future, where people can live and work in beautiful surroundings, their communications facilitated by lightning fast networks and open plan roads.

"You know, even Canadian town planners come here to see what we've done," says Grant Seeley, Invest Milton Keynes' director of investment. "So do Saudis and the Germans."

It is no accident that about 320 businesses in the city are foreign owned, many of them German, Japanese and Taiwanese with a health smattering of American firms in there too. The thriving business core of Milton Keynes gives the lie to any concept that it is simply a fancy commuter town feeding London, although its proximity to the Smoke is an undoubted asset…you can get to the West End by train faster from Milton Keynes than you can from Canary Wharf.

"We are close enough to attract investors, but far enough for us not

to be just a suburb of London," Seeley says. "We are indeed a net creator of jobs in the sub-region. Forty thousand people come in here to work daily, twenty thousand leave. We are intent on adding to the number of jobs by attracting companies – and their workforces - to settle here."

The population of the new city is around 230,000 and the aim is to double that as quickly as planning, house building and of course the economy will allow. For those who live in Milton Keynes there is plenty on offer from the social and lifestyle point of view. The city was deliberately laid out to make the most of the existing rural landscape as possible. There are 4,500 acres of parks and over 22 million trees. The entire landscape is beautifully maintained, unusually so for a British city, and that is down to the foresight of its founders back in the 60's who established the Milton Keynes Parks Trust with an investment of £50m, the interest from which pays for the upkeep. A 180-mile network of 'Redways' – literally red pathways – for the use of cyclists follow the road system and weave through the parks, with underpasses at every junction to allow free flow. It is theoretically possible to ride to work on horseback, though nobody has been known to try it.

There is a new football stadium for the MK Dons, a well-patronised theatre and of course Xscape, the futuristic silver building which houses the UK's largest indoor ski slope, skydiving and a variety of other pursuits from rock climbing to shopping, dining and cinemas.

There is also a growing imperative to provide jobs for the graduates the region's schools and colleges produce each year.

"We build on average 2.4 schools a year and have done for 20 years," Grant Seeley says proudly. "That's faster than anywhere in the UK. And we are working with the universities of Bedfordshire, Northampton, Oxford Brookes and the OU to create a new University Centre here in Milton Keynes (UCMK). We are building communities here in Milton Keynes, not just houses."

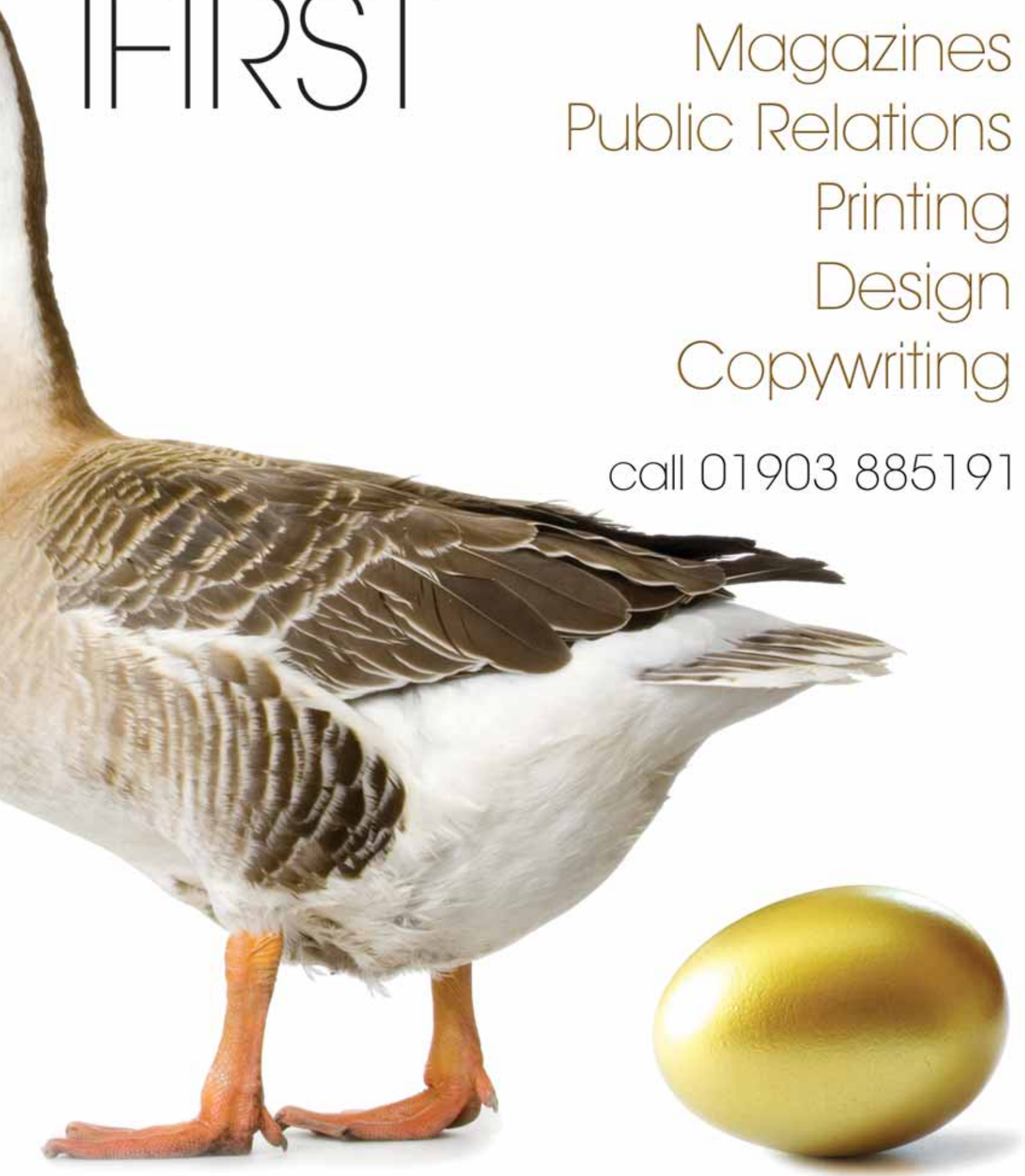
If, as you drive round (which you can – there are programmes that encourage business owners to come and "test drive" the city for a weekend or two), you think to yourself, hang on, this doesn't feel very British, you're right, it doesn't. There is a sense of American optimism about it. It represents a vision of the future that is a great deal brighter than that currently being faced by most of the UK. That it is growing in popularity as a place for companies to invest in and for people to live and work is evidenced by the strength of commercial and residential rental rates and house prices, all holding quite steady in troubled times.

But as the ever-keen investment team will tell you, there's plenty of room for more companies and more people. Forty two years may feel like a long time to us, but to a city as young and vibrant as Milton Keynes, life has only just begun.

Source: Invest Milton Keynes
www.investmiltonkeynes.com

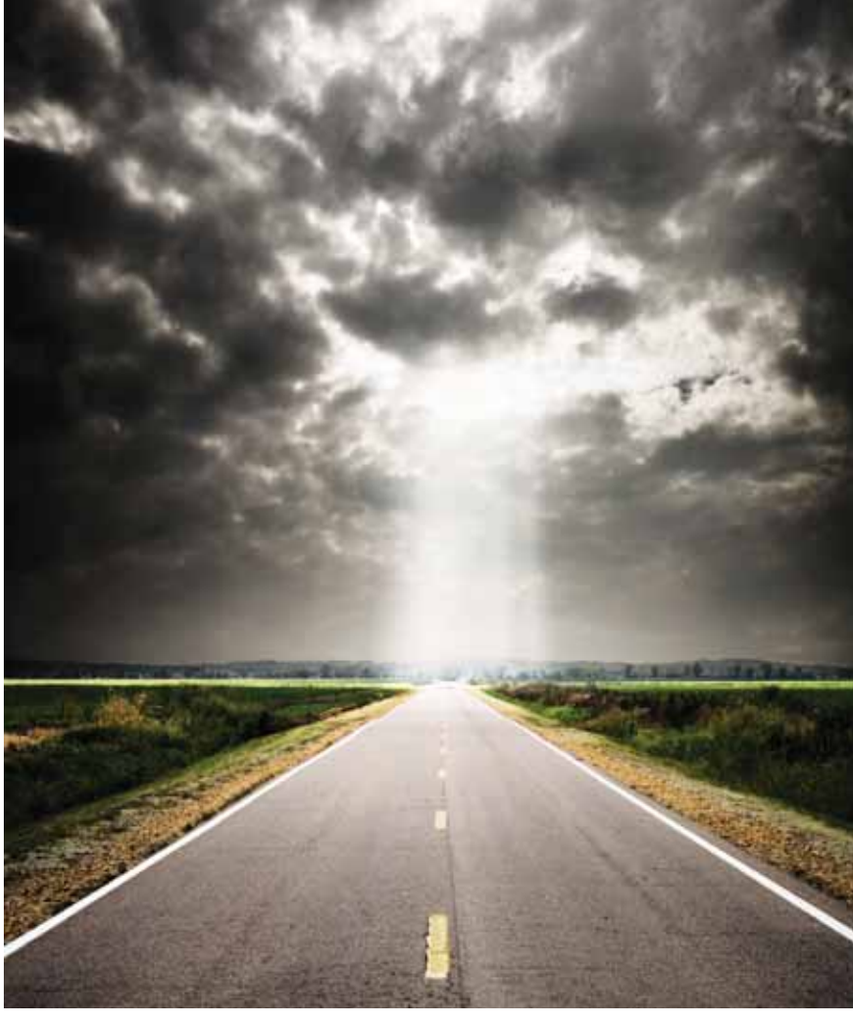
In the name of Milton Keynes, and the prejudices it arouses, perception is everything, just as it is with most things. Because it was the name given to this new town/city, Milton Keynes became among traditionalists a byword for the grottier side of all that was modern. But that ignores the fact that the village of Milton Keynes is actually entered in the 11th century Domesday Book. The village is one of 13 that have been absorbed into the modern grid, but their hearts have been left untouched. It is one of the slightly bizarre features of MK that you can be driving along very futuristic-feeling highways and byways, take a turn off the main road and suddenly find yourself in a quaint olde Englishe village. Also to be found inside the grid is the village of Bletchley and the famous Bletchley Park, home to the wartime Enigma code-crackers.

Making its way through the centre is the Grand Union Canal that links London and Birmingham, allowing Milton Keynes to boast not only that it has a variety of water sports including cable-tow water skiing, surfboarding and sailing, but it also has its own marina.



A KPMG Special Report:

The Long, Hard Road Ahead



In our last Business First special report we warned that the scale of the global economic turmoil meant that the world was changing – and it was changing fast. Little did we realise how right we were! Fast forward just a few months and it's clear that British businesses are well and truly in the doldrums, with little hope of an early recovery from this recession.

KPMG Head of Markets, Malcolm Edge, starts this report with an assessment of the current climate and some of the options open to hard-pressed businesses.

In a survey we recently commissioned with Opinion Leader Research, 81 percent of senior executives questioned view the prospects for the UK economy as either 'bad' or 'very bad' – a significant fall in confidence from the final quarter of 2008, when 60 percent claimed that prospects were poor.

Fears that the recession may prove to be longer and deeper than first anticipated were also voiced by respondents, with 87 percent believing that the outlook for the British economy will only get worse before it gets better. However, there was a faint glimmer of optimism to be found as two thirds of businesses believe that the worst of the crisis will soon be over, albeit that recovery is one to two years away.

From our work with clients across the country we know that businesses are increasingly struggling as the UK falls deeper into recession, and our research revealed that almost a third (31 percent) of respondents admitted experiencing financing difficulties over the last 12 months – almost twice the number who claimed to have encountered such problems in the final quarter of 2008. There is also an indication that recent measures announced by the government to help stimulate bank lending do not yet appear to have cascaded down to UK plc, with more than half (51 percent) of businesses experiencing tighter borrowing requirements and 41 percent seeing an increase in the cost of credit.

EMPLOYMENT COSTS UNDER PRESSURE

It's certainly no surprise that the brakes remain firmly on corporate expenditure while companies seek to cut costs; and once again, it is employment costs that remain under the spotlight. Over the last twelve months, we have seen a steady increase in the number of firms implementing recruitment freezes or embarking on redundancy programmes in the wake of the downturn. However, for the first time, we are also seeing a large proportion of companies looking at greater flexibility of their workforce as something that could potentially result in cost savings. Almost two thirds (60 percent) are now actively looking at this as an issue, which may indicate that businesses are realising that redundancies are not the first, or only, option available to them.

The way in which executive remuneration packages are structured is also coming under close scrutiny by businesses. As stock markets across the world experience turmoil not seen in years, the issue of whether share schemes remain a valuable tool to recruit and retain good managers – or whether they just encourage short-term thinking and excessive risk-taking – has never been more hotly debated.

GETTING THE STRATEGY RIGHT

As businesses continue to seek means of tackling the recession head on, it appears that the way in which companies are making strategic decisions is changing. Indeed, a total of 89 percent of firms in our survey have already changed their approach to strategic planning in response to the economic crisis, with more than half (54 percent) now considering new options for the future of their business.

Business modelling has been thrust to the top of the agenda for companies who now find themselves depending on data which is broader and more flexible then could previously be provided by the finance team. Management teams are under pressure to use a wider range of data such as detailed competitor analysis and the cost and availability of credit to build forecasts to help them to develop robust strategies to guide their company through these turbulent times.

In addition to cost reduction and cash generation strategies, quantifying the impact of the risks associated with this economic downturn is absolutely mission-critical for businesses right now. In our day-to-day conversations with clients, we are asking them to consider extreme scenarios – for instance, what would happen to your business if your sales fell by 50 percent? What if your biggest supplier became insolvent? Some of our clients may think we are being overly dramatic, but in fact we are only asking them to model scenarios that are actually happening across the marketplace.

THE BRIGHT SPOT

Despite the gloomy outlook, however, there are some crumbs of comfort to be found, particularly in terms of the outlook for British exporters. The weakness of the pound against the dollar and the euro means that three quarters of our respondents felt that UK businesses are now competitive in Europe, while 67 percent believe that they are competitive vis-à-vis the US.

Of course, these economies are mired in recession, too. But as and when the upturn arrives, and confidence and demand return, at least British exporters should be in a better competitive position to take advantage.

HARD TIMES

UK Prospects bad or very bad	**81%**
Get worse before it gets better	**87%**
Recovery in 1-2 years	**66%**
Financial difficulties	**31%**
Borrowing tougher	**51%**
Borrowing more expensive	**41%**

Poll of Senior Executives by Opinion Leader Research, commissioned by KPMG

Uncertain Times Put Forecasting in the Spotlight

The impact of the recession is such that business directors are making critical strategic decisions in an economic environment that they have never before experienced and which is changing at an unprecedented pace. Fiona McDermott, Business Modelling Partner from KPMG, looks at how business directors are changing their approach to strategic planning.

Forecasting is now on board agendas as management information, previously collated and used by the finance function, is no longer necessarily flexible or broad enough to guide those responsible for developing strategy and communicating with stakeholders. In a world where lenders and investors may need reassurance and the business may have to react quickly to continued market fluctuations, board level involvement in a process that can help to produce informed decisions is more appropriate than ever.

Accurate and relevant forecasting has been a victim of the credit crisis, as the usual variables that previously went into a forecast are shrouded in uncertainty. Sales volumes, prices and availability of finance can all change dramatically in a short time. Businesses can't even be confident that their main suppliers and customers will be around for very long.

This has a dramatic impact on a business's ability to develop strategy. After all, it's pretty hard to look six months or a year ahead, when you're not even sure what the next day is going to bring.

KPMG's research found 61 percent of business directors are responding to the uncertainty in which they are operating by interrogating their data much more frequently, while 50 percent are using different information to help guide them.

Our experience with clients supports these findings. We are being asked to build forecasts for companies that incorporate a wider range of data which may include more detailed competitor analysis; customer viability studies; energy, raw material and labour costs; as well as market demand, prices and the cost and availability of credit.

We're even looking at macroeconomic trends, such as data from previous recessions. This may help in predicting the type of ripple effects that followed the initial sub prime collapse in the US.

At the same time, streamlining and simplifying the data gathering process is extremely important to enable the resulting planning process to be fleeter of foot, which is not always possible given the unwieldy nature of many companies' forecasting processes. Projections often involve pulling together large and incompatible chunks of data from around the business, which must somehow be consolidated

into a useful tool. This is especially trying when you're a huge, complex multinational. So we are increasingly involved in designing and building bespoke forecasting models that can fit into existing systems.

All the above factors have meant that forecasts have tended to follow rather than precede major decisions, whereas increasingly business directors are recognising that a dynamic, flexible forecasting process can help to shape both immediate and longer term decision-making – and enable them to react swiftly to a constantly changing environment.

For example, company directors may need to make some tough decisions about how to respond to falling sales. Scenarios ranging from cost cutting and cash maximising, to site mothballing and closedown may need to be examined, each with their own series of follow-on questions such as what are the costs of a redundancy programme; how much could be raised by the sale of an asset or part of the business; what actions are our competitors taking; what are the fixed costs of a mothballed operation and how easy would it be to restart production when the upturn comes?

After two decades of planning for growth many directors have no blueprint to help them answer the 'what ifs' involved in decision making in a downturn, but those that can draw on up-to-date data, and use this to create realistic scenarios, will have a sounder base on which to build future plans.

Rewarding through shares - is it the right strategy for your business?

How businesses choose to reward their executives has never had more scrutiny than in recent months. Choosing the best way to reward your key staff, especially management teams, is also raising questions in the boardroom, in particular in those companies who choose to reward staff via share schemes. Vanessa Cundy-Cooper, a Director with KPMG's People Services group, explains.

In the current climate, companies who use share schemes as part of their remuneration strategy should be asking themselves some important questions:

- **Are our options underwater?**
- **Are our performance targets likely to be met?**
- **Does it align with our business strategy?**
- **Is it sufficiently flexible and competitive in the market?**
- **Will our current plans meet our objectives of retaining and incentivising our people in the medium term?**

A well thought through remuneration strategy is key in helping a business to meet its commercial objectives. It allows a business to recruit the right people and to motivate, direct and retain them.

In today's environment however, can you be sure that your remuneration package is still appropriate for your business?

As the liquidity markets are near dry, all businesses should be focused on cash management and keeping vital cash in the business. In working with many FTSE SmallCap and AIM companies we have found that companies are still using market value options as part of their executive remuneration package. However, as stock-markets across the globe rise and fall, these could potentially be worthless. We have seen several clients whose plans are at risk of underwater option and have worked with them to identify scope for surrender and re-grants and manage the potentially tricky accounting issues that result, thereby reinstating the value and effectiveness of equity incentives as a retention and incentivisation tool.

An additional consideration with underwater options is the potential ability to claim a corporation tax deduction where the company has suffered IFRS 2/FRS 20 'share based payments' profit and loss charges.

Circumstances in which such claims may be possible are, for example, where:

- **Your company has share option schemes which have vested but the options have/are likely to have lapsed without being exercised due to share options being underwater as a result of falling share prices;**
- **awards have failed to vest due to the non satisfaction of market based performance targets such as TSR; or**
- **share options were exercised in any of your portfolio companies but no corporation tax relief was available due to the relevant conditions not being met at the time shares were acquired;**

SHARE-SCHEMES – REPORTING COMPLIANCE IS ESSENTIAL

Share plan awards can give rise to different Pay As You Earn (PAYE) and National Insurance Contributions (NIC) withholding obligations on the dates of grant, vesting, exercise and, in certain instances, sale of the underlying shares. These obligations can be further complicated by the tax residence status of participating employees at different points in time. We know that HMRC are currently investing additional resource in this area and we can expect them to extend their risk-based approach from the largest employers to mid-tier employers.

Form 42 reporting needs to be completed by 6th July and annual employment related securities returns are also being reviewed by HMRC in order to identify instances of likely non-compliance.

The disruption involved in dealing with an HMRC compliance review and the financial costs of non-compliance can be significant. In addition to the cost of settling PAYE and NIC, interest will normally be due on late payment and penalties may be imposed.

Share plan reviews by HMRC can also lead to a review of the employer's wider PAYE and NIC compliance systems. This can lead to increased disruption and demands on management time. To avoid the disruption, companies should consider a share scheme health check to identify and correct any areas

of exposure before HMRC come knocking.

Employee share plans can be crucial tools for recruiting and retaining key talent. In the current extraordinary climate, it is crucial businesses have the right reward plans in place that benefit both the business and its staff.

Keeping it in the family

Just like any other business, family-owned businesses will be impacted by the current recession and in light of some of the more complex challenges they face such as ownership structure, remuneration and succession issues, tax planning should be top of their agenda write Brian Jackson and Kevin Meehan of KPMG's tax team in Gatwick.

The modern family-owned business sector is very much alive and kicking and makes an important contribution to the UK's economic health. According to the Institute of Family Business, family firms account for 65 percent – the vast majority being small and medium enterprises - of the 4.5 million companies in the UK; account for 40 percent of private sector employment and contribute more than 30 percent of Gross Domestic Product.

The influence of the family business sector also has an important impact on the Exchequer, contributing around £47bn per annum in tax revenues, equivalent to almost 10 percent of the Government's total tax receipts. If you include tax paid by employees, this raises the contribution to £73bn or 15 percent of total tax receipts. So for the family-owned business looking for ways to keep valuable cash locked in their business, taking time to introduce careful tax planning could be one answer.

The tax environment has generally been supportive of family businesses, but we still often see organisations not taking advantage of the opportunities to make the business more tax efficient.

The list of tax considerations is long, but for family businesses there are areas where careful tax planning could deliver considerable savings, such as the taxation effect of large commercial transactions or commencement of an export business. There are also many measures available like capital allowances, research and development tax credits, and favourable Inheritance Tax and Capital Gains Tax Reliefs can also help to lessen the tax liability for the business.

However, the biggest complications often arise around the issues of ownership and remuneration and most importantly of all, succession issues. Understanding how owners perceive the commercial objectives of the business is essential; is it as an extension of their own pocket, maximising what they take out, or do they wish to re-invest and build value? These will have huge implications on the tax strategy they adopt, especially in light of the changes proposed in recent budgets around personal income tax and capital gains tax rates.

Then there is the issue of succession, where often the transition of the business to the next generation is not planned early enough. While many family-owned businesses would traditionally have passed ownership on to the next generation, that practice is rapidly changing. Therefore, effective succession planning can take several years to come to fruition and failing to prepare adequately can put the business at risk, with the potential for it being under-valued.

If strategies around inheritance tax and succession have not been addressed the tax liabilities could be considerable. In the case of firms who opt to keep ownership and management within the family, it is no longer simply a case of handing over control; from a tax planning perspective, many companies are now developing effective structures to ensure the family business is transferred to the next generation in the most efficient means possible.

Also, if the plan is to sell the business or change the status and management structure, careful tax planning will be required.

Viewing tax just as a burden can be short sighted. So think of tax as a means to make cost savings and as a way to inject valuable cash back into the business. A review of the full array of taxes which businesses contend with helps to highlight the impact it has upon a business. It's not just corporation tax which needs to be taken into account – there's also stamp duty, capital gains tax, PAYE and business rates to be aware of, all of which affect businesses.

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Essence of the Entrepreneur

Essence of the Entrepreneur is an annual award run by BT Business to highlight some of the extraordinary, exciting, innovative and creative things going on in the world of enterprise.
This year, to try to distil that essence, the legendary photographer Rankin was brought in to photograph the winners.

And here is a selection of the winners.

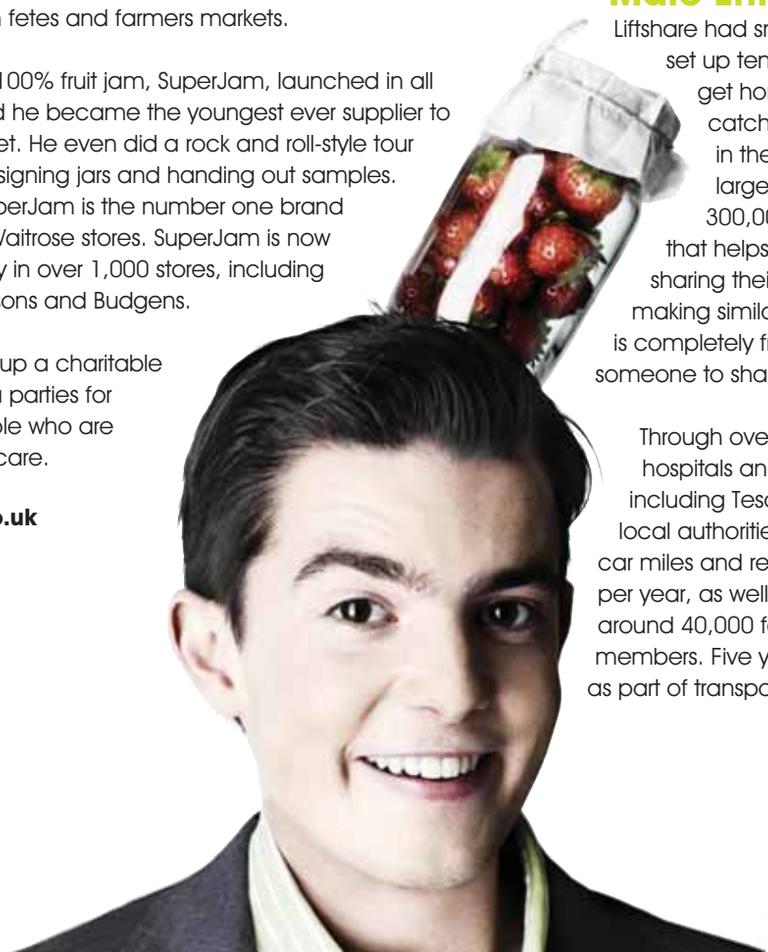
SUPER JAM – Young Entrepreneur of the Year

Fraser Doherty set up SuperJam at the age of 14 after being taught to make jam by his grandmother and got it going by selling jam to neighbours. Fraser expanded the business and within a few months was selling homemade produce at church fetes and farmers markets.

In March 2007 his 100% fruit jam, SuperJam, launched in all Waitrose stores and he became the youngest ever supplier to a British supermarket. He even did a rock and roll-style tour of Waitrose stores, signing jars and handing out samples. Two years later, SuperJam is the number one brand of jam in Scottish Waitrose stores. SuperJam is now available nationally in over 1,000 stores, including Tesco, Asda, Morrisons and Budgens.

Fraser has also set up a charitable project running tea parties for lonely elderly people who are housebound or in care.

www.superjam.co.uk



LIFTSHARE.COM LTD – Male Entrepreneur of the Year

Liftshare had small beginnings as a university notice board, set up ten years ago by a student who just wanted to get home for the holidays. The idea took time to catch on, but today Ali Clabburn's passionate belief in the benefits of car-sharing has made Liftshare the largest car-sharing network in the country, with over 300,000 individual members. It is a social enterprise that helps individuals to travel more sustainably by sharing their journey. The online network matches people making similar journeys so they can travel together. It is completely free to use and you can also use it to find someone to share a taxi, bike or walking journey with.

Through over 1,000 schemes for councils, businesses, hospitals and community groups throughout the UK including Tesco, the Environment Agency and 85% of local authorities, Liftshare currently saves around 70 million car miles and reduces CO2 emissions by over 20,000 tonnes per year, as well as bringing communities together. Everyday around 40,000 fewer car trips are made, because of Liftshare members. Five years ago, car-sharing was never talked about as part of transport policy; today it forms a vital part of most successful travel plans.

www.liftshare.com

YOUNG MARMALADE – Most Original Concept

Young Marmalade was developed in 2005 to fill a niche in the young driver sector. Prior to that the owners ran a business offering motoring benefits to companies. A client had relocated and members of staff were then forced to drive to work - often in older cars filled with colleagues and with inadequate insurance. In developing a solution, Young Marmalade's founders hit upon the formula that now serves young people who need wheels. They created a unique fixed-price insurance policy and linked this to the purchase of a new car with modern safety features, upon which discount terms were negotiated with a manufacturer. Some of the discount subsidised the insurance premium, creating the Young Marmalade combined car purchase and insurance scheme. A further seven car manufacturers signed up and offered discounts, increasing the choice to 24 makes/models covering the majority of cars that are popular with young drivers.

The combination of a newer car with improved controls, additional tuition and a different attitude to driving has reduced crashes from a national figure of 22% to 8% for this age group and any drivers that do crash are better protected in modern cars with high Euro NCAP safety ratings. Operating exclusively via a sophisticated website, Young Marmalade offers young drivers (and their parents) a one stop solution that links the purchase to competitive finance terms, if required. To reduce costs further, Young Marmalade also sells nearly new cars that retain the safety benefits. This has created situations in city/urban locations where the cost of a modern, safer car and the unique insurance policy is less than the cost of traditional insurance on its own.

Young Marmalade has received the congratulations of the House of Commons for its work in young driver road safety – an extremely rare public accolade for a private company.

www.youngmarmalade.co.uk

BLACKCIRCLES.COM – Most Outstanding Entrepreneur of the Year

In 2001 Michael Welch, then 23 was asked by the Marketing Director of Kwik-Fit what he wanted to do. "I want to become the Chief Executive of Kwik-Fit", came the confident reply. Told that unless he could wait 30 to 40 years, it was never going to happen, Michael made up his mind on what he wanted to do that week. He was leaving Kwik-Fit to set up his own company.

Blackcircles.com was founded by the Liverpool-born entrepreneur in 2002 and today it is the UK's largest online tyre retailer. The company's unique online call centre service allows customers to order either over the phone or via the web in a few easy steps, delivering savings of up to 40% off the high street prices for the same brands and tyre sizes - and through a network of 987 independent tyre franchisees customers can have their tyres fitted at a locally convenient location. Blackcircles.com sells to around 250,000 customers in the UK and Michael aims to make it the UK's biggest tyre retailer and create an international brand.

www.blackcircles.com

BECAUSE - Female Entrepreneur of the Year

In 2003 Sharon Richey set up BEcause, an agency that specialises in experiential marketing, creating face-to-face brand experiences so consumers can interact with brands in memorable ways. Award-winning campaigns such as Pampers' "Sleep Like a Baby" included the creation of 'The Pampers Sleeper' (a walk-through toy train enabling parents to experience the world from a baby's perspective). Sharon created BEcause to respond to the change in consumer marketing as she believes people are looking for brands that speak to them at a more personal level and that brands need to capture people's attention and engage them in memorable ways at relevant times and places. In the space of 5 years, the company has grown into a pioneering force, employing 50 people and turning over £9.2 milllion.

www.becauseexperiential.com

Source: If you would like to see all of the winners, or would like to learn about this year's BT Business Essence of the Entrepeneur Awards, please visit www.bt.com/entrepreneur

All for one and one for all…

The recession is prompting companies to shed employees through redundancy programmes aimed either at survival or reorganisations-of-convenience. For some of the newly released, it means joining the ever-growing dole queue, for others it means a new life as a freelancer-for-hire. Since selling his top-rated email marketing company PURE last year for close to $8 million, entrepreneur Darren Fell has been on a mission to help this growing community of individuals harness the power of their collective but disparate mass, to create the human component of the emerging Cloud economy.

The recession is only accelerating a phenomenon that has already been gathering pace for years – the emergence of the freelancer as an important player in companies' employment policies. Historically the freelancer has been a creature of the traditional and digital media industries, a free-floating ad-hoc stop-gap. In other industries such as IT, freelancers have gone under the guise of contractors but increasingly rigid employment legislation, particularly the Transfer of Undertakings (Protection of Employment) Regulations, known as TUPE, means contractors are barely distinguishable from full-time employees.

Technology and innovation do not like being restrained, so today whatever the product, be it people or services, the move is away from long-term contracts and towards flexible arrangements that suit both parties.

The moment has therefore arrived for freelancers to shine…but of course the very nature of being on one's own poses a major problem.

How do lone operators get themselves noticed by the markets they want to reach, particularly the larger and consequently less approachable big players?

This is the gap Darren Fell has sought to fill through his community-based web site www.FreelancerAdvisor.co.uk and a powerful new element currently in R&D called Network.

"This has been coming for a long time," he says. "Companies as large as BT have taken notice and gradually been laying off staff, then filling in those functions with freelancers, turning the tap on and off as needed. Of course they still have to learn how to adopt the same philosophy for their own services…"

Traditionalists will be perturbed at the implication for the nation's workforce, but for Darren this is only the start of a future that is both rewarding and exciting for the individuals involved.

"For some time now, I have been watching how the freelancer web community in Brighton has been operating," he says. "They work very closely together, swap ideas, collaborate on projects, network and support each other. In some cases, freelancers with different disciplines who trust each other even develop more formal groupings to go after business, but still remain freelancers. The clients win, the freelancers win. This is the model I decided to bring to freelancers everywhere, in whatever field, be it the law, finance, management, and of course IT and media."

Teams of collaborators from many different fields are working together on the technology behind Network, which will act much the same as a social networking site such as Facebook. The major difference is that it will be specifically built to give freelancers the power to associate with each other, discover collaborative projects and to give hiring companies a powerful resource to tap into.

"When it comes on stream, this technology will be transformative," Darren says. "No longer will freelancers have to feel it is them on their own against the world. There will be a new layer of communication, an entire virtual workspace where freelancers will be able to operate, individually or together."

Fell insists he will never charge freelancers or hiring companies anything for using this site. His new commercial project is Crunch, an online accounting and business advisory service for – you guessed it – freelancers, for the first time joining a chartered accountancy practice with online software and centralised support. For the moment, Crunch intends to sponsor the service and eventually other companies will too, but this is not about turning a buck from others' freelancer activities. Network will evolve because of the way individuals use and perceive it, rather than at the direction of the centre.

"I hate being tied into anything," Darren says, "which is why I have built Crunch to be something people can use, then drop as they want, although as with any accountant, it is not advisable to leave before your year-end. The universal value proposition of the freelancer is as it should be for any business: create the best product, back it up with the best customer service, at the right price. Tying people into long-term contracts works against that. It is the reason I started Pure in 2002; I was researching email marketing services and found they all wanted to tie me in to long term, fixed fee contracts, which appalled me. Pure on the other hand was only there when you needed it, whenever you needed it. That's the way Crunch works and it is the way the freelancer works. They all succeed because that inherent insecurity forces them all to provide the best service possible."

Fell is not at all concerned that the recession is actually shrinking the available pool of business.

"If anything the pool is growing as companies lay off staff, and anyway, apart from manufacturing, I do not believe the economy is shrinking. In fact, I am so confident of the amount of work out there for freelancers that Network will include mechanisms whereby freelancers with too much on their plate can offload work onto trusted freelancer colleagues."

Just as computing power, storage and applications are moving off our desktop computers and into the hosted Cloud, so the virtual workforce will grow alongside, a rich, accessible agglomeration of skills to be tapped at will.

Source: Darren Fell
www.freelanceadvisor.co.uk
www.crunch.co.uk

Lean innovation: more human insight, less risk

Investing in innovation can be a risky business, but we also know that on past evidence companies that invest in a downturn will be best placed to benefit when it ends. So, as Gus Desbarats maintains, the issue is really how to invest smarter, how to reduce risk and improve profitability.

The recession may have made life unpredictable for many businesses, but even so, there are things that businesses can control; the quality of a product or service, the customer experience it delivers and the least risky path to market realisation. These are all factors that require investment and can make a critical impact on profitability. During recessionary times, investment in these areas is money well spent. All can be positively impacted by a lean innovation strategy implemented though a carefully executed design process.

Properly executed design is a comprehensive discipline through which better products and experiences are shaped. Far from being an expendable luxury it is a core necessity that delivers to the bottom line. A design-led innovation strategy pays ongoing dividends helping businesses make the right investment decisions and enabling businesses to do more for less.

It is extraordinary how many products fail to deliver a satisfactory user experience. This is an opportunity. Investment into the delivery of a more complete product experience can transform product and service users into powerful brand advocates.

The secret to more successful product experiences lies in a detailed understanding of the unmet needs and sensitivities of users, to deliver more intuitive and impressive user driven solutions.

Design is the application of the cognitive science of how people and things interact. The key issue is how to ensure that design creativity is directly inspired by detailed empathy for other people's behaviours; knowing what to ask them and how to apply this learning to create better and smarter solutions. A properly considered design project has the ability to improve the sales potential and profitability of any product.

This user-led innovation approach is a smart investment, adding differentiation to offers that might otherwise struggle to compete and extending brands into new areas. But, to be truly lean, the user-led focus needs to be carefully balanced by an intelligent, proactive approach to risk management.

Bringing products to market that are timely, relevant and consumer facing has never been more complicated. The drive to lower costs has challenged manufacturing

industry in much of the western world. Sourcing products at lower cost from Asia has seen prices fall but risks increase. The cultural and logistical issues of outsourcing manufacturing are significant, so too is the disconnect that many companies experience between engineering and marketing. In an engineering-led company, marketers can end up trying to sell products that, whilst technologically leading edge, are unsuited to actual customer needs in a marketing-led organisation. Engineers may find themselves trying to create solutions that cannot possibly match the marketing promise at the designated price point.

Designers with a balanced approach to innovation are in a unique position to fulfil the role of change agents if their processes are embedded within an organisation's product development cycle.

The new, lean designer drives an end-to-end design strategy; taking the original commercial goals from marketing, adding more detailed customer experience goals and then proactively managing risk to ensure these are met not only in the look, feel and behaviour of the original design concepts, but also in the reality of what is brought to market, with minimum duplication of effort.

The latest digital engineering processes, used optimally, can achieve productivity and time to market breakthroughs in the realisation of both hardware and software developments. This requires tenacity to see the marketing vision delivered in its entirety without compromise harmful to the original customer experience vision. Critically, it demands an open mindset from a corporation that trusts partners to deliver across a broader and wider scale of the development process.

There is much avoidable repetition in classical innovation processes. The costs of delivering a solution that does not live up to the marketing promise, such as wasted advertising spend or unsold stock on shelves and warehouses, pale into insignificance when considered against the negative impact on a brand of a product failure. The right innovation investment can lower risk and expenditure significantly, improving customer value perceptions and ensure project outcomes are delivered faster and exactly as conceived.

Investment is by its nature a risky business, but you do not need to look far in the current climate to see the issues that lack of investment causes. Relatively minor investment however, can make a difference if it is combined with a lean innovation strategy that empowers the delivery of better experiences and less risky projects. It is possible to get more for less. The challenge is embedding lean innovation into a corporation and partnering with the change agents that can achieve this.

Source: Gus Desbarats, is Chairman of Farnham, Surrey-based design consultancy, TheAlloy, www.thealloy.com, and holds the Chair of British Design Innovation South East. To learn about the support available for bringing new intellectual property to market please visit www.southeast.

Pictures on this and the previous page: some of the products designed by TheAlloy

The Great Pensions Dilemma

One side effect of the recession is the growing black hole in UK pension funds - £200 billion at the last count. Linda Bell of KPMG Gatwick's pensions team says the outlook is bleak.

It's a pretty gloomy time out there for employees and it doesn't get any better when you discover that the global financial crisis has wiped billions of pounds from pension funds.

In addition, changes to pensions tax relief from 2011 announced in the budget add yet more complexity to the pensions world and it's quite possible that all future pension provision for high earners will become unattractive. With senior management no longer able to gain themselves from pension benefits, provision of either defined benefit (final salary) or defined contribution (money purchase) benefits to the wider employee group may suffer.

Focusing on defined benefit schemes alone, £200 billion is the starting figure some experts are putting on the funding gap in the UK.

But look a little closer and you'll find safety nets available to prevent workers and employers from being swallowed up.

Pension schemes invest their money in financial markets - for example in shares, bonds and property.

The crash in these markets has caused these "black holes" - schemes do not currently have enough money to pay out all the pension promises that have been made to employees.

But for pension scheme members, there is not necessarily a reason to be worried.

The pension scheme is highly unlikely to run out of money any time soon - pensions being paid now and for the next few years are likely to continue.

There is a long time to make good any current problem - black holes can be filled by markets bouncing back in future years, and by your employer making contributions to repair the problem.

But what happens if your employer goes bust and can't fix it?

If this happens and there is not enough money in the pension scheme to pay all pensions, then there is a safety net called the Pension Protection Fund. The Pension Protection Fund would not pay out your pension in full in these circumstances, but it does provide a substantial level of protection for your retirement.

And what about the impacts of market falls on your employer?

For most employers, big increases in pension costs at this difficult time are the last thing they need. But there are things that can be done.

It's usually in everyone's interests to find solutions that protect jobs and improve long-term prospects - nobody wants the pension scheme to bankrupt the business.

For some companies this might mean short-term reductions in the money they are paying into their pension schemes. Another option is to cut back on benefits that are building up, so that more money can be used to support pension promises made to date.

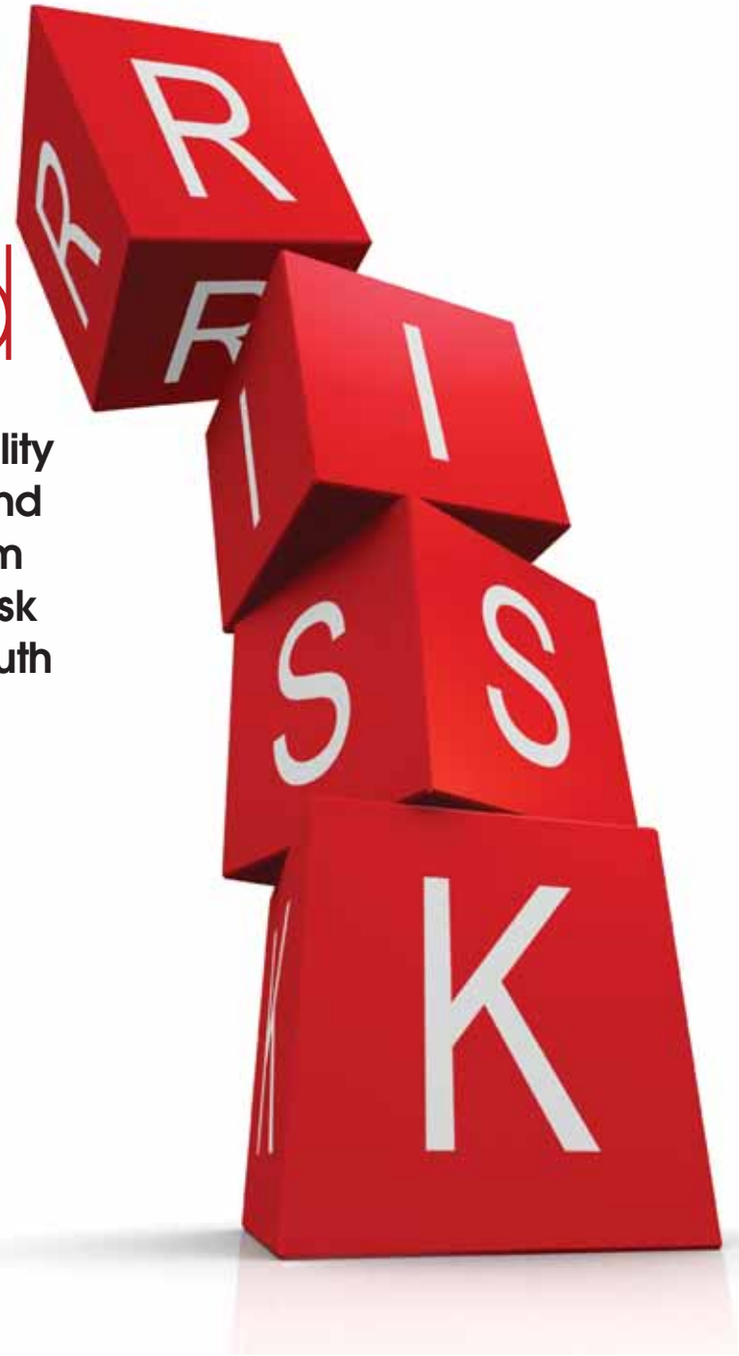
Although cutting cash payments may seem an odd thing to do when a pension scheme's financial health has worsened, if it helps protect jobs and makes it more likely there will be a strong employer to pay more cash to the pension scheme in better times in the future, then it can be the right thing to do.

Pension scheme members have strong protection from the Pensions Regulator, and each scheme has trustees who look after the members' interests. As such, decisions to change pension contributions are never taken lightly.

But in these extraordinary times, it is going to be important that everyone works together to find the right solution.

Contact Linda Bell linda.bell@kpmg.co.uk

Tales of the unexpected



The credit crunch has brought home the reality of financial risk to businesses of all shapes and sizes. Mickey Morris and Martin Mulligan from Lloyds TSB Corporate Markets explain how risk management can help businesses in the South East prepare for the unexpected.

All businesses are exposed to both external and internal risks, including financial and commercial volatility, such as the level of sterling and its impact on a company's cash-flow. The last twelve months have brought into sharp focus the serious problems that can be caused by an inappropriate exposure to financial markets, which makes managing these risks a necessity for all corporates.

In the last few months we have seen how quickly market rates can move. Since the collapse of Lehman's in mid-September, sterling has fallen by approximately 25% against the US dollar. The UK base rate is at a historic low and gold, the traditional safe investment, is up 30% and nearing an all time high. These might be extreme examples, but they demonstrate clearly the extent to which market variables can move in a relatively short period of time.

These are all forms of financial risk which, put simply, is the possible impact of market movements and variables - such as interest rates, exchange rates or commodity prices - on your company's cash flow, profit and loss and balance sheet.

So, how should your business control its exposure to these kinds of changes? The first step is to get professional advice about how to prepare for the unexpected and manage your risk.

This is where developing a robust mitigation strategy is important. All businesses should work with their advisors to implement a set of processes to monitor and manage the impact of market fluctuations on an organisation's profits, its corporate value or investments.

Mitigating financial risk is about affording a greater degree of cash flow certainty, protecting margins, stabilising loan costs and sustaining profitability. It's essentially about keeping one eye on the current market and the other on the long term investment.

Unfortunately there is no one-size-fits-all solution to mitigating risk, which is why it is important to understand an individual company's situation and requirements and develop a bespoke mitigation strategy to manage its exposure. This involves a three-step process which analyses risk from a variety of perspectives.

1. identify the business's exposure to all financial markets variables.
2. Establish the sensitivity of key metrics within the company to movements in these markets.
3. implement a strategy appropriate to the risk appetite of the business, taking the customer's views into account.

Through this process you and your advisers can identify the right tools for your company, whether that's through traditional solutions involving foreign exchange and interest rates, or through a more sophisticated approach which encompasses commodities, inflation, tax and capital structuring. Keep your strategy under regular review to ensure the chosen solution is still the best for the business.

With the right tools and solutions in place, effective financial risk management can reduce a company's financial risks. Importantly, this allows management teams to concentrate on growing their businesses, safe in the knowledge that their efforts won't be undermined by unexpected, adverse movements in the financial markets.

Using the downturn to your advantage

Alistair Rose, South East Regional Chairman, PricewaterhouseCoopers LLP, looks at what businesses can do to survive the economic slowdown in 2009 and some of the measures that can be taken to help companies come out stronger than their competitors.

Two types of businesses fail during economic downturns. The first are businesses that are not strong enough to withstand changing market conditions, the second are essentially sound businesses whose ability to survive is undermined by poor management.

While individual businesses cannot control the course of economic events, it is possible for management to adopt a strategy that goes some way towards controlling their own destiny. In the latest annual PricewaterhouseCoopers CEO survey, over 60% of UK chief executives viewed the ability to adapt and change as a critical source of competitive advantage in sustaining long term growth.

Using this time of uncertainty to take a fresh look at your organisation's strategy and carrying out a detailed and up-to-date analysis of your business practices can give you a better understanding of where your business stands and be a critical element in anticipating and addressing market change. Focusing on cash, stakeholder management and effective scenario planning, and addressing some of the areas highlighted below can make all the difference in surviving the storm as well as help the business to emerge from the downturn in the best possible shape.

1. Cash is king:

Many companies will face financial pressure during the economic downturn, yet now more than ever good cash flow is vital. Managing cash during a recession should be an every day priority with emphasis placed on tight control and clear, accurate, short term forecasts. Businesses that don't manage cash as a priority ultimately may not be able to pay their liabilities and consequently risk being forced into some part of an insolvency process.

2. Your new banker:

A number of the leading banks can show statistics that their new lending to SMEs has increased rather than reduced. However, you need to remember that the risks they are assessing at this time are greater and, understandably in the current environment, profitability and liquidity forecasts are down and security is by definition poorer. Any help available will come at a price. Treat your bank with caution and respect and ensure your credit applications are as robust as possible because however long and cordial your relationship, your interests may not be entirely aligned.

3. Your new taxman:

For many small businesses, tax is an area where some slack from cash flow challenges may be available. Your taxman is under instructions to be more understanding - and in practice, HMRC is saying 'Yes' to well thought-out requests for deferral of tax payments. In many cases, a few simple tweaks to the business's administrative arrangements can also defer the tax bill significantly.

4. Watch the supply chain:

However skilful and careful a climber, his fate is linked to whoever else is on the rope. Without insurance cover, the key to managing the risk of loss through the failure of major trading partners has to be tight control, communication and prompt action when problems arise. You need to take a hard look at who you are linking your fate to. If you are not comfortable, address the issue before there is a problem.

5. Value your people:

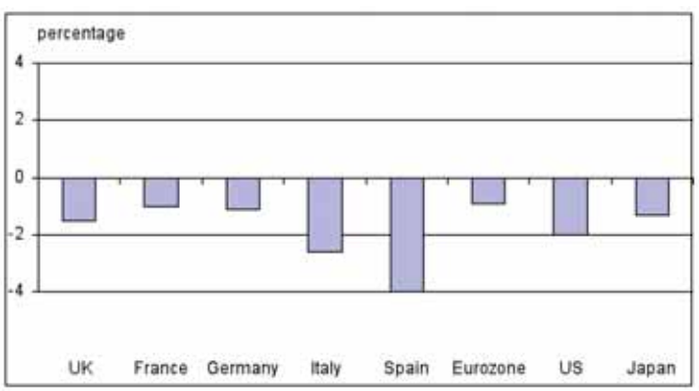
However robust the business, this is a worrying time for your employees. You can't change that, but you can help. Never has communication been more important. Rest assured that the rumour mill is in full operation, filling in any gaps you leave – usually negatively. Your messages need to be honest, clear and realistic. Show your commitment to the business, but do not make promises you cannot keep. If you have bad news, share it promptly. The length and severity of any downturn is uncertain, which makes business planning difficult. Endless scenario planning can be of limited value, but with a focused approach, a business can establish the extent of its operating headroom. A company should have three scenarios; a best guess outcome, one modelling 10-20 percent downside and a 'bank payout' situation. This kind of planning can help improve a company's agility. As market conditions change, if the analysis has been done ahead of time, a company can implement its strategy more quickly and gain a competitive edge relative to its peers – an important consideration for the eventual upturn.

That recovery, however, is unlikely to be swift. Companies face a hard grind, not just this year, but stretching into 2010. Faced with this tough outlook, it is vital that companies take action now to control their own destiny.

Surviving the Recession

Manufacturing output in developed and emerging economies has plummeted in the last few months as the impact of the recession has started to bite. The financial crisis has resulted in a critical lack of liquidity in the real economy resulting in reducing consumer and corporate spending and a rapid reduction in inventories across the supply chain. There is no doubt that this is a hugely difficult time for the sector and the core objective for many manufacturing companies is simply to survive. Kevin Cook, a manufacturing partner at BDO Stoy Hayward LLP, has this assessment.

Manufacturing output contracts across the board



Source: BDO Stoy Hayward Manufacturing Monitor – Winter 2008

The last quarter of 2008 saw a rapid increase in the number of manufacturing business failures as these pressures battered the sector. BDO Stoy Hayward's most recent Manufacturing Industry Watch Report has indicated that the number of UK manufacturing failures will have risen to more than 1,800 by the end of 2008, a 37% increase from the 1,341 failures seen during 2007. This increasing business failure rate has resulted in 100,000 manufacturing jobs being lost in 2008 with employment in manufacturing now at just over 3 million.

Unfortunately, worse looks set to come, with our research predicting that 2,413 manufacturers will fail in 2009, a 31 per cent rise on the already increasing figure for 2008. Looking further forwards, insolvencies in the manufacturing industry are likely to stay at this high level throughout 2010 as a further 2,349 businesses are forecast to fail. It looks as if it will take to late 2010 to early 2011 before the trend starts to move downwards. These continuing failures will clearly have a knock on effect on job losses in the sector.

Expected insolvencies in manufacturing compared with other key sectors.

	Manufacturing	Retail & wholesale	Construction & real estate	Telecom, media and technology	Transport	Business services	Personal services	Leisure	Great Britain
1997	775	1,114	1,720	647	225	1,235	755	573	**15,749**
1998	880	942	1,744	720	271	1,145	828	619	**16,378**
1999	799	1,055	1,691	788	258	1,170	927	613	**17,457**
2000	746	756	1,575	832	261	1,054	724	565	**17,606**
2001	781	919	1,391	778	231	1,124	695	470	**18,887**
2002	1,741	2,348	2,618	2,037	652	2,149	2,400	959	**20,061**
2003	2,083	2,935	2,461	1,958	710	3,315	1,357	837	**17,680**
2004	1,588	2,433	2,535	1,675	597	3,195	1,171	794	**15,995**
2005	1,648	2,556	2,757	1,557	661	3,519	1,206	919	**17,036**
2006	1,510	2,856	3,236	1,401	651	3,403	1,286	1,145	**18,493**
2007	1,341	2,457	2,930	1,111	587	2,934	1,070	1,057	**16,431**
2008f	*1,841*	*3,109*	*5,056*	*1,437*	*765*	*3,579*	*1,135*	*1,090*	***21,856***
2009f	*2,413*	*4,137*	*9,582*	*2,128*	*1,042*	*4,621*	*1,573*	*1,284*	***32,348***
2010f	*2,345*	*5,729*	*6,775*	*2,180*	*1,129*	*5,141*	*1,807*	*1,587*	***32,417***
2011f	*1,959*	*4,760*	*3,934*	*1,784*	*932*	*4,339*	*1,769*	*1,421*	***25,456***
2012f	*1,294*	*3,004*	*2,994*	*1,475*	*698*	*3,823*	*1,475*	*1,153*	***19,443***

Source: BERR Insolvency Statistics and CEBR forecasts

Cash is King

In this climate, there is no doubt in my mind that the single most important key to survival will be cash – and manufacturers will need to optimise cash reserves through all possible means. This will mean curtailing capital and other non critical expenditures, reducing costs and focusing on maximising the cash available from working capital management. In this area management will need to be absolutely focused on managing debtor exposure, collecting debts as quickly as possible and reducing inventory. In addition, the immense problems in the banking sector means that manufacturers will also need to carefully and proactively manage their relationships with bankers and other funders as the liquidity crisis continues.

UK Manufacturing Advantage

However, management also need to ensure that their companies are as well positioned as possible for the upturn when it arrives. This may be a global crisis and it may be having a significant impact on emerging market economies – but the fact is that even in this downturn, China and India are still growing steadily and will be looking to take an even greater share of world manufacturing in the future.

The BDO Stoy Hayward / EEF Manufacturing Advantage report released in December 2008 shows that UK manufacturers still have clear advantages in terms of innovation, outsourcing and capturing the value position that customers want through provision of services and niche positioning.

I believe that UK management still need to consider how best to exploit these advantages – even in a recession. We know we have superb research and development capabilities and need to continue to develop and exploit this intellectual richness to stay ahead of the game. The move into services is an obvious way of adding value to customers and continues to highlight the versatility and responsiveness of UK manufacturing. Niche positions can be harder to identify but manufacturers may be able to create these positions more often than they realise. Positioning a business in a key part of an important supply chain and offering just-in-time delivery from a location that is near the end manufacturer could be more important components to bottom line success than traditionally thought.

The current weakness of the pound also provides an opportunity for an already lean manufacturing sector to look aggressively to export markets, particularly those in the Eurozone.

Manufacturing is essential to the UK economy

There is no doubt that this recession will be very damaging to the sector. We will lose a high number of manufacturing companies and jobs before we start to see an upturn. Unfortunately, there will be some very good businesses lost because of these market issues – and the major difficulties in obtaining credit. But in my view the problems of the financial services industry has highlighted what fans of manufacturing have thought for years – that a vibrant manufacturing sector is needed for the UK to have a prosperous and balanced economy.

I am fortunate to have seen first hand some of the manufacturing facilities in China – and the way that countries are using manufacturing to drive the economy forward. It is pleasing to see that the UK Government is showing signs of recognising the importance of manufacturing to the UK economy and is being slightly more supportive than in the past. However, although this is a step in the right direction, more needs to be done.

Manufacturing is an essential part of our economy. Whilst the short-term support that manufacturing companies need is becoming a growing priority, so is the foundation of a government-sponsored industrial strategy which sets out a vision for the future competitiveness of UK manufacturing

Source: Kevin Cook kevin.cook@bdo.co.uk

Fudge and Mudge

The inability of government draftsmen to clarify a key phrase in employment legislation has caused massive confusion for professionals trying to keep ailing businesses going. Robin Williams reports on how companies are going under and employees losing their jobs as a result.

Obviously, not all businesses survive, particularly in a recession. However, fewer would go to the wall (and fewer jobs would be lost) if it wasn't for the employment legislation designed to protect employees in the first place. Case in point: I recently advised on a deal whereby a food manufacturing company went into administration. A buyer was found by the administrators (for whom I was acting) for the ailing company. The prospective purchaser understandably needed to make changes to the old business in order to make it a viable proposition, which included closing down two of three factory sites and consolidating the workforce. However, because of statutory consultation requirements, the potential for unfair dismissal claims, TUPE Regulations and other assorted employment law red tape, the purchase went pear-shaped. The buyer's solicitors, just doing their job properly, calculated that as a worst case scenario the potential employment liabilities added up to over £5 million. The remote prospect of such a huge bill was enough to kill the deal, so 125 people lost their jobs when the purchaser walked away and no other buyer could be found.

So why does this happen? There are provisions within the TUPE Regulations 2006 (regular readers of this column know this is my absolute favourite piece of legislation) which are theoretically supposed to make it easier to purchase insolvent companies. This is part of the so-called 'rescue culture' which has been promoted by the government for some years now, but it just doesn't work properly. These provisions state that if a transferor business is subject to 'relevant insolvency proceedings' (about which, more in a moment), then certain pre-existing debts owed by the transferor to the employees will not pass to the transferee and will instead be paid from the National Insurance Fund. However, the payments are capped at relatively low levels and only relate to statutorily prescribed debts such as holiday pay, redundancy pay, arrears of pay, notice pay and the basic award for unfair dismissal. Therefore, any unpaid debts owed to the employees over and above the statutory upper limit or which fall outside of these provisions (for example, enhanced redundancy payments – very popular in public sector contracts – or contractual bonuses, car allowances, etc) will still fall to the buyer of the business. The standard way of dealing with this is for the buyer to reduce his offer commensurately once the employment liabilities have been established, and, where a business is solvent, to take indemnities from the seller.

But where you have a business hanging on by a thread and even if you've only offered a fiver for it, if you are advised there is a potential £5m liability over your head and the numbers don't add up, you are going to gather your toys and go home. And everyone loses their job anyway.

The sticking point is that phrase 'relevant insolvency proceedings'. Basically, the draftsmen fudged it. A few years on, after a bit of interpretation from the courts and BERR, 'relevant insolvency proceedings' has been taken to mean proceedings which have been instituted in relation to the transferor but not with a view to liquidate the assets of the company and which are under the supervision of an insolvency practitioner. BERR guidance notes state that 'relevant insolvency proceedings' means any collective insolvency proceedings in which the whole or part of the business or undertaking is transferred to another entity as a going concern. Thus, if a business is being liquidated, then TUPE doesn't apply, the business can fold, the employees are out of work and the vultures can swoop down to pick over the bones. But if the insolvency practitioners have come in to try to save the business and jobs, then any potential buyer finds himself in the same situation as our chap with the £5m headache. And the business folds and the employees are out of work.

If you are selling a solvent, viable business then of course TUPE should apply, no question. But the Government could have implemented the European Directive in a way that, although respecting the intention behind it, also facilitated the spirit behind their 'rescue culture' which, let's face it, these days badly needs a shot in the arm.

Source: Robin Williams is principal of rwLaw, a specialist employment law consultancy in Horsham, West Sussex robin.williams@rwlaw.co.uk

The Road to Open Justice

For centuries, British justice was only accessible to those with pockets deep enough to pay for it. Reform began slowly in the 1970's but intriguingly, it took someone completely outside the legal profession to make it work, as Nick Peters reports.

In 1976, Brian Raincock was a serving officer in the Royal Navy. That summer was particularly hot and anyone who could do so headed for the beach at every opportunity. So it was that Raincock, who lived just yards from the beach on the Sussex coast, sat in the sand, reading his Daily Telegraph, unaware that he was about to have one of those Eureka! moments that would change not only his life but countless others too.

"There was a report about a road haulier who had been fined £5,000 by an industrial tribunal, which seemed both excessive and harsh," Brian remembers. "The Labour government of the day wanted to keep the unions happy and so enshrined a number of employment rights into law, and that is where SME's like our road haulier came a cropper.

"I read this, and wondered if it would have been possible for this business to insure itself against such tribunal claims."

Intrigued by the possibilities, he did some research into the Donaldson report that established industrial tribunals and found the magic phrase he had been looking for. Donaldson had deliberately characterised any awards made at tribunals as "compensation" rather than "damages", with the explicit intent that an employer may wish to insure against them.

"I was astonished," he recalls, "it was there in black and white for all to see, but nobody picked it up."

The more he investigated, the more Raincock realised he was onto something. Also, he realised the traditional matrix of advisors available to small businesses comprised a lawyer, accountant and banker, with nobody capable of providing specialist personnel advice such as the road haulier would have required.

Enlisting the help of his brother Graham, an accountant with good contacts in the financial services industry, Brian established Employers Protection Group, offering employment protection insurance and personnel advice. He also established a 24 hour advice line for employers who found themselves on the wrong side of employment laws, a remarkable level of service in the days before call centres and round the clock access to advice became the norm.

"We worked from my brother's breakfast table in Cheam and swiftly prospered," he says. "We had very little difficulty selling the insurance product, so competition very quickly hove over the horizon, but we carried on giving increasing numbers of small businesses the help they needed. We even got a call in the middle of the night from the manager of the Playboy Club who was about to sack a Bunny!"

And inevitably the business was called upon to protect employers from the consequences of their own bad behaviour. "I remember one morning we got a call from a jeweller in South London who explained in hushed tones that he had been having an affair with a female employee and his wife had found out and demanded she be sacked. We told him of course she had to go, but it had to be done fairly, which meant a sensible payoff!"

Living on the leading edge of a revolution in the legal and insurance businesses proved endlessly fascinating.

"The unions really resented our intrusion into the fray and in many ways we were instrumental in starting to break their monopoly over the tribunal business and give employers a fair crack of the whip. ACAS had always been there as a mediation service, but employers didn't entirely trust an organisation set up by the government, they were far more willing to deal with a commercial outfit like ours that genuinely understood their needs."

Sales kept growing, the Lloyds' underwriters were deeply impressed with this new market and soon the business moved to new offices in Sutton. In 1980 he developed directors and officers liability insurance, which had until then only been commonplace in the USA, and created a new company, Directors and Officers Ltd. to provide it.

Growth continued unabated. The 24 hour advice line was supplemented with a roadside recovery and travel repatriation service. With turnover reaching £8 million and 400 staff on board, yet more new offices were needed – and so was more capital if the business was to grow further, so Brian sold the business, now called The Legal Protection Group, to Sun Alliance.

"It all went very well and we soon became the foremost legal expenses and assistance operation in the UK, though with hindsight the integration of a highly entrepreneurial entity like LPG with a staid, conservative company like Sun Alliance was never going to be completely harmonious."

That much became evident when Brian suggested to Sun Alliance, which happened also to own 50% of LPG's rival, the German company DAS, that they buy out DAS and create a

true market leader. The plan backfired. Sun Alliance's offer encouraged DAS to think that they'd be better off doing the deal in reverse by buying out Sun Alliance for £7 million. It all happened without Raincock's input or knowledge…"the beginning of the end for our harmonious relationship!" And so came the parting of the ways.

The break with Sun Alliance brought back into focus the imperative that had driven Brian Raincock from the start, his belief in the right of everyone large or small to have access to justice.

"My philosophy was originally formed by my concerns for sailors at sea and their inability to get any kind of help for any problems they had, either at home or at work. This is what led me to create the 24 hour advice service. Outside the Navy, I saw that in a truly democratic society, access to justice is crucially important, otherwise people will take their own measures. The justice system must allow people to resolve disputes."

And so began the next phase of Brian Raincock's mission to open up the justice system to all. Through a new company, Litigation Protection Ltd. he introduced After The Event (ATE) insurance, which allowed plaintiffs to insure themselves against their case going against them. Then in 1995, the era of No Win No Fee was ushered in by the introduction of the conditional fee regime, followed shortly thereafter by the introduction of success fees. Litigation Protection was the first to introduce insurance funding for conditional fee agreements (CFA), so when the market finally woke up to the potential of what the Lord Chancellor's department had created, namely a vehicle for universal access to justice, Litigation Protection was in the driving seat.

Two companies, The Accident Group (TAG) and Claims Direct aggressively started selling the idea that the man/woman-in-the-street could seek recompense for real or imagined wrongs, backed by Litigation Protection underwriting. It was massively successful, to the horror of the government which decried the advent of the compensation culture that they created in the first place.

Everyone involved did well; too well.

"The trouble was, both companies got greedy and thought they could handle the insurance side of the business themselves," Brian says. "We had the expertise in insurance and acted as a brake on their ambition. Without that brake, it all went horribly wrong."

Claims Direct – or Shames Direct as the tabloids dubbed it – got some terrible publicity over claims that went awry and its hasty flotation was a disastrous flop. Within a couple of years, both it and TAG were out of business. Who can forget the famous dismissal by text message that TAG employees endured?

"These jokers ruined the entire market for everyone," Brian says. "Whatever money they made was thanks to me, and they went and ruined it all."

It was a serious setback, but there was another surprise around the corner. Raincock's old competitor DAS, now backed by Munich Re, hove back into view and teamed up with Litigation Protection to offer ATE insurance. Eventually Brian was to sell that part of the business to DAS, to concentrate on his current focus, Litigation Funding.

"Third party funding of litigation has been around for centuries but was severely constrained by laws preventing champety, maintenance, barratry and wife scolding…basically making it illegal for robber barons to buy justice."

But a series of judgments in 2006, here and in Australia, opened the door to a new approach to 3rd party funding and again, Brian Raincock was in the vanguard of this new wave. Today, Commercial Litigation Funding Ltd. is supplemented by a new service aimed at funding and managing class or group actions. Brian's team arranges the funding of the cases and the ATE insurance, leaving the lawyers to focus on what they do best – running the cases.

It has been a wild, adventurous ride, at the very leading edge of a new era in the way law is administered and funded – and it isn't over yet, with the impending introduction of legal services being offered by entities other than firms of solicitors, so-called Tesco law.

Does Brian ever reflect that as a champion and pioneer of opening the justice to all he is partly responsible for the compensation culture and the phenomenon of ambulance-chasing lawyers in its wake?

"So what if ambulance chasers arise? Yes, of course the system needs proper policing and commercial discipline, but at least people now have access to justice!"

Source: Brian Raincock Litigation Protection Ltd.
www.litigationprotection.co.uk

Bricklayer

You only have to look at the latest headlines to wonder why anyone would want to be involved in UK property right now. Many of the toxic assets the Government is insuring for the failed banks relate to property, be it commercial or residential, and many of the big, listed property companies have had to go cap in hand to shareholders to raise cash. The perception is that apart from the odd opportunistic UK investor, and a handful of cash rich sovereign wealth funds, everyone seems to be keeping well clear of UK Property. But this isn't necessarily the complete picture.

Certainly it's not just property companies that have loaded up on debt secured on real estate assets in the boom. Many companies outside of the property sector also took advantage of favourable lending conditions in a rising market, thinking perhaps this time it would last forever. Now that asset prices are falling, debt funding is becoming more difficult to find, or renew, and at greater expense – what can companies do to shore up their position?

Well, you could do worse than follow the example of the longest of long term investors, the life and pension funds. If for some of us this is the first, second or possibly third recession, for most of the life and pension funds the current situation is just another dip in the recognised property cycle that consists of peaks and troughs.

Many institutional funds are taking advantage of the quieter market to rationalise assets and secure planning permission to add value – value that should significantly increase once the market starts rising again, which it inevitably will.

Think about the timing. If you've got the cash to invest, it can take 12-18 months to secure a planning permission, which you can then hold for three years before implementing it. If a conservative 18 month build programme is then required, if you start now and everything progresses smoothly, completion could realistically be six years away. Plenty of time for the market to bounce back.

Looking at this from the other side, if you didn't get involved in the property boom as the prices kept on going up, now that they're some way off the peak, you might want to consider investing in your own premises. If it's a bad time to be a seller, it's a lot better being a buyer.

So, whether you own property and you need to shore up its value to avoid unfortunate balance sheet corrections, or you have spare cash, it could actually be a good time to look at property. Not as something to avoid like the plague, but as a realistic way of preparing for the upturn, whenever it may be.

Source: 'Bricklayer' is written by Martin Winch of M&N Communications www.mncommunications.co.uk

Bricks and Mortar – doom and gloom...

...or is it?

There can be no sector of the British economy (other than banking of course) that has been so hard hit by the credit crisis as construction. Yet it is possible to detect glimmers of hope amidst the misery, as Barry Hammond reports.

What a year 2008 was! Who could have predicted the FTSE would tumble more than 30%; house prices would plummet by 15%; a global credit freeze and the collapse of Lehman Brothers and Bear Stearns?

For seven years we witnessed a UK property boom. Investors couldn't get enough of bricks and mortar - you could touch it, see it, manage it and receive exceptional return on capital. But we were so seduced by the soaring property prices and the ability to borrow vast sums of money that we missed the early warning signs; too much cheap money resulting in overpriced assets with rocketing petrol, food and utility prices adding fuel to the fire! Overleveraging, overpricing and mispricing of assets all suddenly became features of the property investment landscape.

Although property investment returns had begun to reduce in 2006 and 2007, it was the onset of the Credit Crunch in July 2007 that well and truly burst the bubble.

Since then, companies going into administration have become daily news within the property industry, with the number of bankruptcies. It could be argued that it has often been those organisations with a history of problems, weak management and poor organisation that have been hit hardest, much as it is in the rest of the economy. Even so, this has led to a loss of confidence, by business and the public, resulting in falling values and rents.

With the country now firmly in recession, deleveraging and reducing costs has generally become the priority for the commercial property industry whether this be through reducing debt; raising capital; utilising existing space over relocation; restructuring leases; avoiding wastage or reviewing staff resource. With the lack of debt funding, we are seeing many developments being put on hold, but alsoan increase in developers securing planning permission in a bid to add value to their ever depreciating assets.

Despite the difficult climate, there is an unprecedented level of co-operation (some may call it pragmatism) amongst the property and associated industries, with landlords and tenants talking and seeking solutions. We have seen some dramatic actions being taken such as the introduction of monthly rent payments and allowing monthly VAT payments. The recent report of UK's leading Real Estate Investment Trust, Land Securities, reducing service charge costs is just another example.

So what does the rest of 2009 have in store for the commercial property market? It's a brave soul who makes a prediction for the future and after the events of 2008, this year is potentially the most difficult to predict in living memory. Will 2009 be the year when we see the first green shoots of recovery? Industry experts have said that if you do have cash, this may be the year when your property fortune could be made.

One of the phenomena from 2008 has been the hordes of Europeans in Britain, particularly Central London, benefitting from the virtual parity with the Euro. Oxford Street has been mobbed by European investors taking advantage of the incredible value they can get in arguably one of the best shopping districts in the world. This year will see more and more European investors taking advantage of the weak pound.

Over the last two months, we have been seeing some encouraging signs in the market as opportunistic UK investors, with the benefit of equity and debt funding, are starting to dip their toes in to make the most of the dropping property prices. But seasoned investors know that values have not quite reached their lowest point and are still waiting until the market bottoms out before taking advantage of the upturn. Many predict that the tipping point could be later this year, whilst others believe it will be 2010 or even later. Whenever the time comes one thing can be certain, investors will be ready and there will be a surge of activity!

Bricks and mortar are almost as fundamental to life as food and water. Property still remains a valuable commodity but this time around a more considered investment approach should be taken. The old adage 'location, location, location' still holds true, and combined with sensible funding and an understanding that property should not be treated as an easily releasable asset, the door is open for good, long-term returns.

Source: Barry Hammond, Managing Director of Hammond Phillips www.hammondphillips.co.uk

Silk Purses: A Study in Image Management

When the credit crunch started to bite, some companies decided the only way to ride out the storm was to lay off large numbers of staff, hunker down and wait for it all to blow over. But there was another way, as KPMG discovered, a way of such wisdom that not only will they keep their staff but have boosted company morale and won awards to boot.

Convention says that staff layoffs in a recession are a false economy – unless your back is against the wall, of course. When the good times roll around again, the cost of staffing back up in terms of hiring costs and training will be a brake on recovery just when it is time to put the foot to the floor. Of course there are companies out there who are using the recession as cover to strip out flabby headcount that was not a pressing problem when money was flush. It is sad for the ones who lose their jobs, but the companies will be lean and mean when the recession ends.

KPMG never looked like a company with flabby headcount, but neither was it immune from the chill winds of the crunch. This recession is hitting every sector of the economy at every level. Professional firms, except for hyper-busy recovery departments, are hurting as much as anyone. Even so, it came as a shock to many when the news hit that KPMG was asking its 11,000 staff to sign up to the possibility of a reduced working week or sabbaticals. Where the recession leads them, then surely others are not far behind, went the feeling. Indeed, there were redundancies at Deloitte, BDO Stoy Hayward, Linklaters and Clifford Chance, to name just a few firms who laid off staff before Christmas.

But KPMG had a different strategy, plus they were wise in the ways of damage limitation: when there is bad news to release, get the worst of it out in one go. It is a lesson government departments should know backwards but never seem to learn – remember 'it's a good day to bury bad news'? Still, it must have been nerve-wracking for KPMG to see the story appear on the BBC Ten O'Clock News, right up there with news of the Bank of America bailout. We live in febrile times and there is certainty nowhere. Who knew how clients, current and potential, would react?

But the sky didn't fall in, and as details emerged of the four-day week scheme, known as Flexible Futures, what at first blush might have appeared to be a disaster for staff started to look more promising. The deal was simple: sign up to the Flexible Futures scheme and give the management freedom to reduce your working week by a day, unpaid, or take a 4 to 12 week sabbatical on 30% pay, all still on full benefits. Management's side of the bargain was that if staff agreed to the plan, redundancies would not be necessary. The sweetener was that if enough employees signed up for this - 75% - then the pay cut for the lost days would not be 20% but in most cases nearer to 10%.

The take-up was a staggering 85%, but even more importantly, far from a spirit of defeat and disillusion pervading the company, morale went up. Employees realised the work-life balance was tipping life's way for a change and while there'd be a financial hit, 10% was worth taking for the potential improvement in their lifestyles.

So remarkable has been the positive outcome of Flexible Futures that KPMG has received approaches from other companies asking for advice on how to do the same for themselves. And just weeks later, the firm was named 'The Best Big Company to Work For' in the Sunday Times Best Companies awards, the third time they've done so. As the research for that award happened before the Flexible Futures announcement, it might have proved a hollow victory, but all the evidence points to the fact that the short-time scheme worked because of all the factors that led to the award. As Paul Gresham, senior partner at KPMG Gatwick put it, "These are difficult times for the UK economy, and for companies and employees everywhere. The state of the economy may be beyond our immediate control but the way we work together is ours to choose. A sense of shared values and collective purpose will be more important than ever if companies are to weather the storm."

Hang Onto Memories: How Experts Can Help You Survive

Michael Snyder, senior partner of Kingston Smith LLP, advises business owners to learn from the experiences of those who have survived previous recessions

At the end of the last recession, Kingston Smith commissioned Bristol Business School to undertake research into the business strategies used by private companies that survived the tough economic climate. A number of key survival strategies emerged, many of which are just as relevant today.

For example, companies which did not consider sales growth to be an important objective during the recession, but instead focused on providing high-quality products and services, generally enjoyed higher profit margins. In addition, smaller businesses which pursued active sales and marketing strategies tended to do well, with networking proving to be an important activity in promoting and protecting the business. The study also revealed that the most successful businesses were those that had a small management team, restricting decision making to just a few individuals.

However, one of the most striking findings was that privately-owned companies with a non-executive director on the board had higher profit margins.

Many people wrongly assume that non-executive directors are mainly appropriate for large, public organisations. In fact, they can make a huge difference to smaller businesses too. Non-executive directors can look at a business dispassionately and make judgments which owner-managers may be too close or emotionally-linked to the business to consider.

Experienced non-executive directors are likely to have worked through the last recession and can provide invaluable experience of trading during turbulent times.

Selecting the right non-executive director for the business is paramount. It is often an extremely effective way of supplementing the skills of the existing board, providing the management team with strong financial, legal or marketing expertise.

In order to make the appointment, the Institute of Directors recommends first assessing what competencies you already have around the board table, then developing specifications of the skills, personal qualities, knowledge and experience required for the appointment. It is important to find someone who is independent and impartial but who can firmly identify with the company.

Once the appointment has been made, business owners must maximise the benefits of having a non-executive director on board, drawing on their experience. They must be prepared to ask tough questions and accept honest, unbiased answers.

This links back to another finding from the Bristol Business School study. Entrepreneurs who were successful during the last recession were largely those who listened to, and acted upon, advice – whether from non-executive directors or professional advisers. After all, there is no point in asking experts for their opinion only to ignore it.

Sadly, the Insolvency Service predicts that the number of business failures this year is set to surpass the peak of the early 1990's recession, and could reach 38,000 businesses. This highlights the fact that business owners – many of whom may not even have owned their company during the last recession - are about to be tested to the full. The current recession has hit them relatively swiftly, giving management little time to consider coping strategies.

Of course, there is no manual on how to survive these difficult times. However, listening to the advice of independent experts who have been through a similar experience could prove invaluable.

Source: Michael Snyder, Kingston Smith LLP
www.kingstonsmith.co.uk

Cars: Half Price or Double the Price?

The car industry is reeling from the recession, with any number of potential lifelines being cobbled together, including scrappage. Opportunists are rubbing their hands. With manufacturers holding thousands of unsold cars, prices must be at rock bottom, Yes? Well, no, as Richard Mole reports.

For the first time in my life, I actually know more about a topic than the journalist writing a piece for the front page of the The Daily Telegraph did. The article in question announced to trusting Telegraph readers that cars were half price.

It was right if you want a large petrol engined American car or a run-out Vectra in red, but combined, these cars will make up less than 0.01% of 2009 car sales, so what's the point in counting them and hyping the market up to expect half price "deals" ?

The truth is that the last two months of 2008 were the best time to buy or lease a new car and we are approaching a period where the opposite is soon to come true. Buying or leasing a car is going to get significantly more expensive. It has to.

There are five key reasons for this, which are:

1. Cost of Steel: Cars are lumps of steel and a tonne of steel now costs circa £1000, a jump of 50% since January 2008.

2. European Exchange Rates: Sadly, even if a car is built (assembled) in the UK, a large percentage of its parts will be imported from Europe (or beyond). In February 2007 the exchange rate was 1.52 euros to the pound. On the 1st February 2009 it was 1.06 euros to the pound. This means that for someone like Nissan who build their Navara double cabs in Spain, the base cost of the car has risen 50% in two years.

3. Residual Values / Used Car Prices: These have tumbled 15% to 20% more than anticipated in the last twelve months. Looking forwards, those who set residual values for years ahead will naturally steer price expectations down. And lower residuals, means more depreciation, which leads to higher costs of ownership/leasing.

4. Manufacturer & Finance Co. Losses: GM lost £21,000,000,000 last year and many other manufacturers and finance companies have made massive losses too. The top ten leasing companies will have had circa 325,000 vehicles returned last year. If they made a loss of £1000 per unit (it might well be more), then combined they would have lost £325 million. These losses are not sustainable and prices will have to rise to 'drip feed' companies back into good health.

5. Limited Supply: Manufacturers, rather than stockpiling cars to then have to distress sell them at a loss, have sensibly closed factories and cleared excess stock. This however means that prices will rise as supply dries up.

The points above do make pretty gloomy reading. If you haven't turned the page by now, there is some good news.

Low finance interest rates will help cushion British business from the above in 2009. Secondly, the government has changed the current system of Writing Down Allowance and Expensive Car Leasing Disallowance regulations to make it far more tax efficient for a company to acquire or lease a car, so long as it has a CO2 less than 160 g/km. And finally, the lack of new car sales now will mean a shortage of used car stock in three years time, which in turn will drive residuals up and lease costs down.

In time the automotive and finance industries will sort themselves out.

Won't they?

Source: Richard Mole, MD of Automotive Funding Solutions Ltd
www.autofunding.co.uk

Protect Your Business from Disgruntled Employees

Businesses in the South East should beware of the power of disgruntled employees. A recent survey revealed that 58 per cent of British workers would be prepared to take confidential company data if faced with redundancy. What's more, 40 per cent of UK staff claim to have already removed confidential data from company networks and would be willing to use it to help to negotiate a new job, as Chris Nuttall reports.

The advances in technology which have helped businesses to develop are also now putting companies at risk. It is all too easy for employees to save confidential data onto memory sticks or iPods and data theft is becoming a huge issue. While some data can harm a business as soon as it is taken, much stolen information becomes a threat only once it is used by a competitor. The most common forms of data being stolen are client or customer databases, business proposals and product information.

As a result of the recession, over the last year there has been a threefold increase in crime by company managers, employees and customers. Fraud by employees now costs businesses £100 million. Many employees are not just satisfied with stealing company data but are so angry at the prospect of redundancy that they take more aggressive steps to harm their employer, whether through stealing money, deleting important files or reporting malpractice to a relevant authority, resulting in a fine for the organisation and damaging the company's reputation.

Bye bye data, data bye bye...

Many companies in the South East, whether through ignorance or because they never think they will get caught, run some form of unlicensed software on their PCs. The Business Software Alliance is cracking down on this, with software vendors offering £1,000 to people who report the use of unlicensed software. I am sure that many of the people who are willing to steal confidential data would also be happy to 'shop' their employer, especially if they pocket £1,000 for themselves. Fines for unlicensed software can easily be in excess of £100,000 – a figure which would put many companies out of business. This really highlights the impact that disgruntled employees can have on a business and the importance of complying with legislation.

Here is a basic plan to protect your business as much as possible from disgruntled employees:

1. Introduce and implement an IT policy stating that memory sticks and iPods cannot be used on work PCs.
2. Limit access to files on the corporate network. By using password protection, ensure that only those who need to access particular files can view them.
3. If you are making redundancies, inform your IT team in advance, giving them sufficient time to revoke the technology rights of those who will be losing their jobs. The IT team can then ensure that all passwords are cancelled whilst the employee is being told about his/her redundancy.
4. Review your software licensing agreements and ensure you comply with the law.
5. Companies who are particularly concerned about information being stolen may wish to invest in software to block the use of USB ports.

Policies like this will not only help to reduce data theft but also prevent viruses from spreading so virulently. Businesses are facing tough times ahead and need to implement stricter IT policies in order to safeguard their future.

Source: Chris Nuttall, Audace Technology www.audaceit.com

Cleaning Up

Ian Beach never set out to become a model for environmentally-friendly business. But that's what happened, thanks to a particularly precise offer for tender.

It was the decision by Maidstone Borough Council some years ago to hire a "green guru" from Canada to advise them on environmental issues that had the unexpected consequence of turbo-charging Ian Beach's company Ridge Crest Cleaning. As a consequence of the advice they received, the council put an environmental clause into their tender invitations, the first one to do so in the whole of the UK. This meant, as far as the council's new cleaning contract was concerned, a very precise definition of what cleaning materials could or could not be used. Beach was anxious to win the contract. He hadn't been in business on his own account for long and knew that a big contract like this could really boost his revenues.

"I started Ridge Crest with £50k I'd earned from shares in the previous company I'd worked for," he says. "I'd been with the giant facilities company Mitie before that, so I understood the contract cleaning business inside out. But when you start out on your own, you not only need all the help you can get but you need to work hard at getting it. I really wanted this council job."

So Ian completely reconfigured his business model to fit the spec. Out went all the various chemical products his teams had been using up to now and in came a small handful of green-friendly, bio-degradable cleaning agents. He was sceptical at first.

"We would have to use just 4 products, compared with about 16 before. I wasn't sure it would work, but if that's what they wanted, that's what they were going to get!"

And it worked. Ian won the contract and created a team to service the contract. To his astonishment, the restricted number of products he was obliged to use were far from a problem – instead they actually boosted productivity, as his cleaning teams had far fewer choices to make.

"Before, there'd be a myriad of different cleaners and polishes for them to use. Now it was much simpler."

If a spot of environmental virtue could do wonders for productivity on one contract, why would it not work on all the others? In a trice, Ridge Crest was transformed into a model of environmental friendliness.

"It became a great marketing tool," Ian says. "It generates enormous interest at presentations and as a result my conversion rate has gone up from the norm of 16-20% to 50%."

Equally upwardly mobile are his profits. From £5,000, on a turnover of £100,000 when he started in 2004, to nearly £186,000 today, on a turnover of £2.5m. Beach says his success is down to a very strict business model that dictates the kind of business he should pitch for. The key is to be extremely selective and only go for contracts that are big enough to stand on their own as a business unit.

"I rarely have to hire staff for a new contract because in every case, staff are already in place, either working directly for the employer or for another contractor. In either case, I am obliged under the TUPE legislation to hire the existing staff."

What if they are useless? A fair point given that the employer must have had a reason to hire a new cleaning contractor in the first place…

"The first thing I do is hire a supervisor locally, whose job it is to implement my very exact operations system. Assuming I get the right supervisor, the system takes care of the rest and the

same employees will deliver so much more productivity, so everyone benefits."

Ian currently has 18 such contracts, most in the South East but with one in Manchester, the Belle Vue greyhound stadium. He got that contract on the back of working for Wimbledon greyhound stadium, owned by the same company.

"The Wimbledon stadium contract is interesting because it demonstrates how I operate," Ian says. "I got the contract for their cleaning in 2006, as well as for providing some security staff. Along the way I noticed they were spending a fortune on waste management, so I made some enquiries and found the right company to recycle the massive amount of rubbish they collect on race nights. They saved 50% of their costs with the added benefit that the amount they sent to landfill was cut by half too. There wasn't anything in it for my company, but through offering a bit of extra service our relationship deepened to the point where we now look after three other stadia run by the Greyhound Racing Association, in Manchester, Birmingham and Oxford."

As well as large business contracts, such as cleaning ASDA's huge distribution depots in Erith and Dartford, Ridge Crest also works for schools such as Chatham House and Skinners in Kent. That in turn has led to him sponsoring their rugby teams.

"I am a passionate rugby supporter, and I thought helping them with their kit was one way to give something back to my clients. I also sponsor the Ashford Ladies rugby team! I used to sponsor the men, but they didn't have the same focus on the game as the ladies. They were more interested in beer…"

And it is rugby that, oddly enough, is key to the future of this business. Ian is a fervent supporter of Welsh rugby and sponsors the Welsh Rugby Players Association. Through that he met Ryan Jones, the captain of the Welsh ruby team.

"Ryan has been badly injured several times and knows how fragile one's future can be. He is very keen to establish a business interest outside of rugby, so we have teamed up to replicate in Wales what Ridge Crest does here in the south east, with Ryan at the helm. He may have no direct business experience but he is very astute, very thorough, exactly the kind of guy you want to work with."

The concept of replicating the business model, rather than expanding the existing one, will be the foundation of the company's future.

"One of the biggest reasons companies look for new cleaning contractors is that they never get to see the management. I visit my clients at least once a month but I couldn't do that if the business got too big. I am going to grow it to about £4.5m - £5m and then stop. Those who will run the businesses in other parts of the country, like Ryan, will be given a big stake in them and will be expected to follow my procedures to the letter. That way we can deliver great service and build an excellent business."

Source: Ridge Crest Cleaning Ltd.
www.ridgecrestcleaning.com

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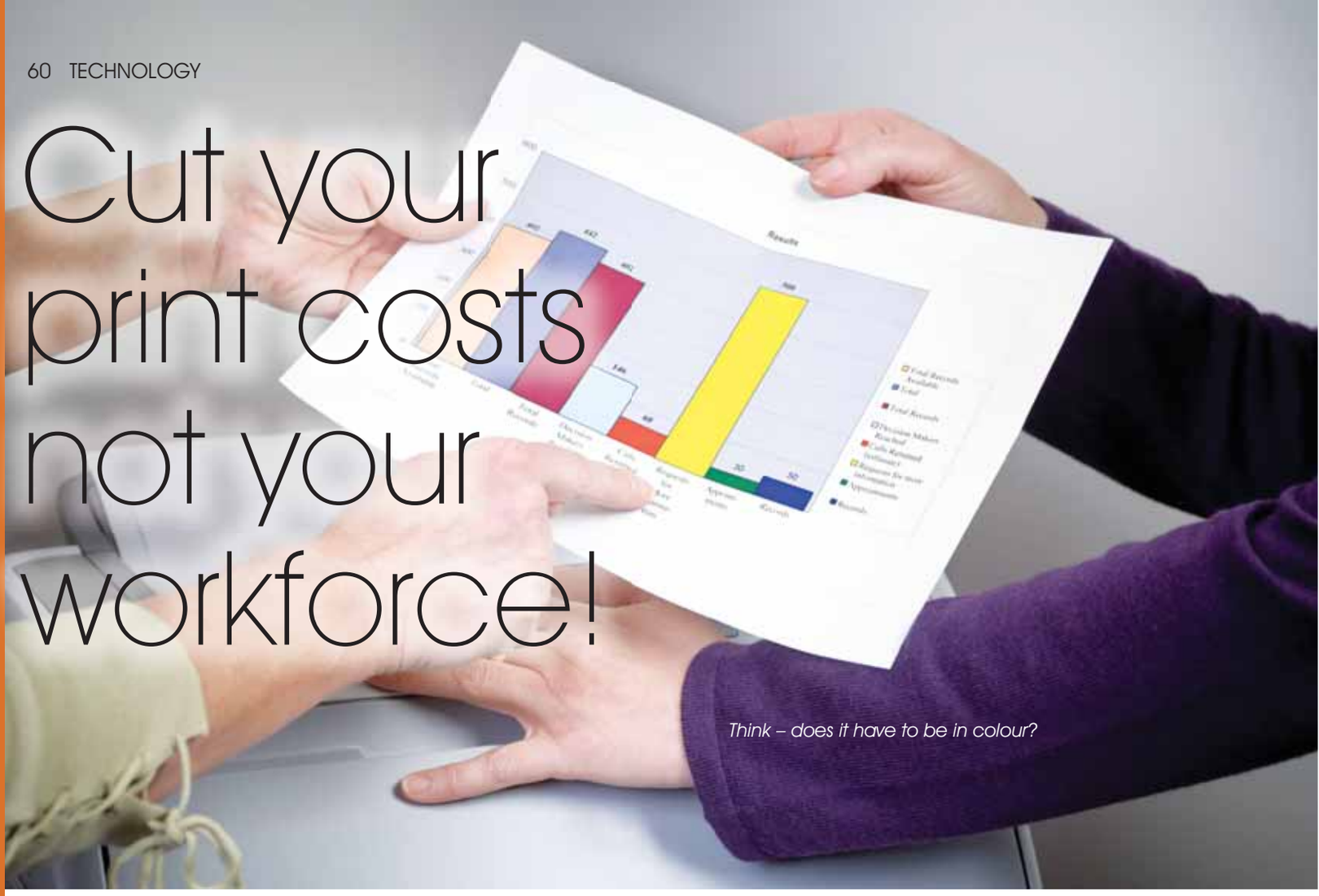


Think – does it have to be in colour?

In these recessionary times, businesses are looking at any and every way in which they can save money. One of the least considered areas of potential savings is the one that happens under just about everyone's nose – office printing. Darren Spence, Group Marketing Director of document efficiency specialist Bytes Document Solutions, explains how organisations can save money by introducing some very simple changes to the way their office workers work.

On average, and by working smarter, organisations can cut their day to day office "print & copy" costs by £50-£100 per employee per year - so a typical organisation employing 2,000 office workers could save £100,000 a year by simply working smarter. To put it another way, by making some simple changes the same organisation could save 3-4 jobs which otherwise may be at risk of redundancy, so no matter whether:

1. You're an employer looking to reduce your operational costs

2. An employee looking to protect your job, or those of your colleagues

3. A friend or relative of someone whose job may be at risk ...

.... read on.

A few facts about office printing:

1. Printing in colour on a typical office laser printer costs 10 times more than printing in black, so by encouraging, educating and/or mandating staff to print in black (i.e. mono) could reduce total toner expenditure by 50%.

2. The applications that generate the most avoidable print are email and the internet. On average, 15% of all print is generated from these applications of which 80% could be avoided by the introduction of a simple print policy.

3. The cost of toner and service needed to maintain a typical office laser printer equates to at least the same, if not more, per annum as the original capital cost of the device, so by negotiating more competitive prices for these components, organisations can expect to save 15%-20% on their annual running costs.

4. Most office laser printers are utilised less than 5% of the time so by having fewer devices that serve a group/department of workers (20-25 is the norm), organisations could reduce their rental/lease costs by 10%-15%.

5. 5% of all printed pages are left on the printer and eventually binned, so by introducing a "pull printing" solution, which means

print jobs are not processed until the generating person logs on to the device, organisations could save 5% of their paper, toner and service costs – more than the investment needed to introduce a pull-printing solution.

Some practical measures organisations can take to reduce their office printing costs are:

1. Set the default print setting to mono/duplex (i.e. black-and–white and double-sided).

2. Introduce some cost-effective (self-funding) tools to minimise the waste generated from email and internet printing.

3. Run an internal communications campaign using the company intranet, newsletter and communal areas to educate staff on how important it is that they "think before they print". This could be as simple as drawing up a charter that reminds staff: 1) don't print unless it's absolutely necessary, 2) don't print in colour unless it's absolutely essential as printing/copying in colour costs 10 times more than printing/copying in mono, 3) use the "draft" option in the print settings menu as often as possible, 4) print double-sided wherever possible, 5) avoid printing off emails, 6) don't use company printers/copiers for personal jobs (unfortunately due to the quality and availability of office printers, many employees print off personal photos and letters whilst at work), 7) before printing multiple copies of a file/document, print off a "draft" copy and proof it first (in many instances, employees print off multiple copies of a large document for distribution only to discover a typo or error that means the whole job has to be re-printed).

4. Put the supply of paper, toner and service out to tender. It's a fact that most well known stationery suppliers do not offer very competitive rates on printer consumables, so it pays to shop around.

5. Replace under-utilised locally-attached printers with workgroup devices that are more economical to run and offer greater functionality, such as copying, scanning and faxing.

6. Consider fixing the printing environment from an organisation-wide perspective, so rather than looking at pockets of waste and inefficiency, take a broader look at the complete output of the organisation and use the data to negotiate a self-funding solution that generates greater savings. It's well documented, for example, that maintaining an ageing fleet of laser printers (more than 2 years old) is more expensive than buying brand new workgroup devices.

Saving on print costs is simple to do and the results can often be recognised within days. The biggest savings will come from taking an holistic approach to the total print, copy, scan and fax environment, then planning a "future state" strategy through a thorough audit, over 1-2 months, of your print systems. In most instances this discovery phase is a non-chargeable exercise as the supplier will view it as a way of providing a new solution to the company. For particularly large or complex environments where there is a vast regional office network or a number of subsidiaries, a charge may be applied but normally this is small in relation to the costs being spent on maintaining the print, copy, scan and fax environment.

Other areas associated with print, copy, scan and faxing that can offer additional savings are such things as:

1. Desktop faxing – not only is this a lot less expensive than having physical fax machines, but most solutions include an audit capability, allowing organisations to review all sent and received faxes.

2. Desktop SMS-ing – these solutions are often low cost but can be very high value, especially for retailers wishing to promote new services or promotions, or for logistics firms wishing to inform their drivers or customers of the delivery schedule.

3. A centralised print facility – having a centralised facility can offer not only cost savings in relation to standardised office printing, but can also help reduce the need to send jobs out to be printed or finished by commercial printers. In the latter scenario greater savings can be realised.

4. Support – most helpdesk staff will tell you that a large percentage of calls from employees are in relation to printers. Many suppliers will offer to take these calls on behalf of their customers and see them through to resolution

In summary, in these uncertain times where a greater focus is being placed on predicting previously unpredictable costs, organisations are starting to look at ways of understanding and reducing their print and copy costs. With savings of between £50-£100 per desktop to be realised, the minimal effort needed to undertake a print review is worth it, and providing the right supplier is chosen to help with the process, the impact on internal resources should be very small.

Source: Darren Spence, Bytes Document Solutions
www.bytes.co.uk

The Mobile Site Office

Sometimes, technological advances introduce us to things we had never thought possible. And sometimes, innovation takes things we have known about for a long time and puts them together in a completely new way.

Any site manager or emergency coordinator will tell you their greatest problem is installing effective communications quickly. True, if you know about a building project long enough in advance you can order a BT line to be installed for when you get there. But not everyone has the luxury of time to get their comms in order. And sometimes phone lines (and BT) are just an added aggravation anyway.

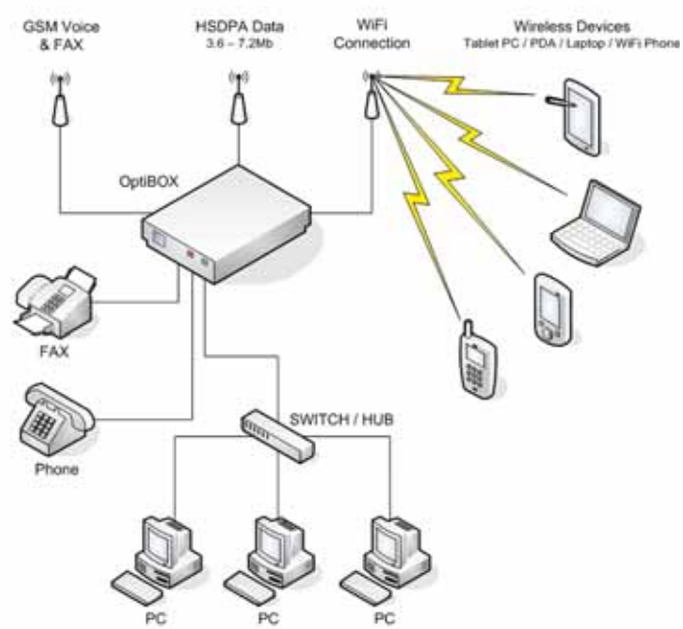
Sussex-based Optinet Ltd., which provides voice and data services all over the region, came up with the solution to this issue, one they had seen many of their clients having to grapple with. It is called the Optibox, a beautifully simple and yet powerful device that allows for instant telephone, fax and web communications without the need for an external AC power supply, if necessary.

"I work on building sites as a telephone engineer laying cables and installing sockets," co-designer Simon Flack of Optinet says. "While I was on site I noticed the need for people to have a phone and fax machine quickly – when they start the project not when BT decides to get out of bed and provide them with a line which at the very least could be 6 weeks. I mentioned it to Martin Candler, a systems and network engineer who I do a lot of work with and we decided to design and build an instant site communications system that could be used by contractors or emergency crews or anyone managing a project over time but wanting immediate communications in place. That meant creating something into which you could plug a fax machine, up to four telephones and a computer, that was easily transportable and could if necessary be powered from a 12v car or truck battery."

The core of Optibox is a pair of GSM mobile receivers providing two telephone numbers for up to four desktop standard or DECT phones, a fax machine, a wireless network hub/router that can feed four static computers and as many laptops, PDA's and other wireless devices as you want.

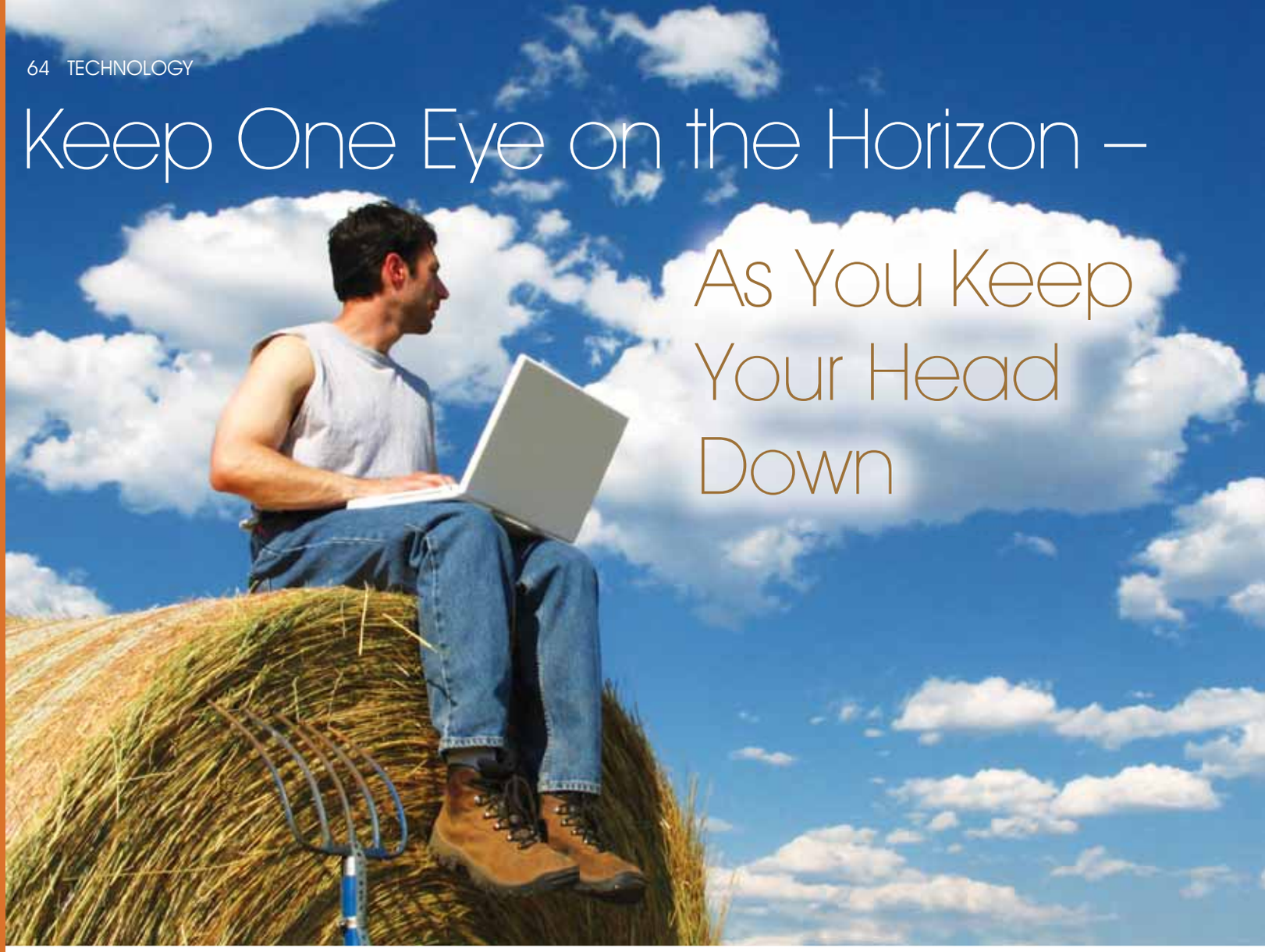
"Once we got the concept straight we realised it could also be used by business people who spend more time on the road than they do in their offices, such as sales or mobile engineers," Simon adds.

Indeed, the list of potential uses is restricted only by access to GSM coverage, which is near-universal these days.



Source: Simon Flack simon.flack@optinetcomms.net

Keep One Eye on the Horizon – As You Keep Your Head Down



In today's economic environment, IT companies, the same as most other organisations, are having to focus on the twin primary goals of cost reduction and maintaining cash. However, one day we will emerge from our troubles and it is important that progressive companies are positioned correctly to enjoy the market growth that will resume again some time. So what changes can we expect to see in IT over the coming 10 years or so? Peter Rowell reports.

Since the birth of the computer industry in the early 1950s the development of technology, and its adoption, has moved in waves. The initial wave was based on large central computers or mainframes which were focussed on corporate and public sector institutions that could afford the high cost of equipment and the support infrastructure necessary to utilise that computing power. The second wave was centred on the personal computer which targets individuals and allows all of us to benefit from our own processing capability and to run standard programs in both the office and home.

In the early 1990s we saw the beginning of the third wave – the Network Wave - which originated around the client/server concept, where personal computers (clients), acting as terminals, were connected to central computers or servers, as we started to call them. At the same time we saw the emergence of the Internet as a concept for interactions over a wider network that would allow computers to communicate with others in remote locations and indeed on the other side of the world. This networking capability on a wider basis was brought about by the introduction of standard technologies that for the first time allowed diverse devices using this technology to talk to each other through the Internet Infrastructure.

We are currently in a phase of network development that is commonly referred to as Web 2.0. But what this really means is that the Internet infrastructure and web-based applications are now really working to a high degree of reliability. Although Web 2.0 is driven by the technology, the concept is actually more about communication, collaboration and trade. Under the banner of Web 2.0 we are seeing an explosion in eCommerce and more particularly online commerce - which includes general corporate trading as well as online banking, insurance and even gambling. Whilst eCommerce in Europe in 2008 was worth about $200 billion the global online eCommerce activity has been estimated at about $8 trillion.

With some 1.4 billion Internet users worldwide, the term "collaboration" has taken on a brand new meaning and a vast scale. Collaboration can range from simple sharing of music, videos and games, to blogging, to wikis and to auction activities such as eBay. But the area of collaboration that is very much in the news currently is the whole social networking concept depicted by MySpace, Facebook, LinkedIn and Twitter. Social networking enjoyed a 25% growth in unique visitors in 2008. And although it started very much as a facility for teenagers it is capturing the over 35's who now make up approximately 40% of users. Social networking is also moving into the corporate world where organisations are being compelled to set up their own social networking capabilities and even into government where various agencies are using the social networking facilities for a number of public sector functions. For example MI6 recently launched a series of recruitment ads in Facebook in order to hire new agents as well as other staff – this is a long way from the recruitment process conducted in the shadowy corners of Oxbridge in the 1950's.

The next, and probably final piece of the development of the network wave, will be the implementation of cloud computing – sometimes referred to as utility computing or on-demand computing. Cloud computing is a form of outsourcing where vendors supply services simultaneously to a wide array of customers over the Internet. The services include lots of computing horsepower, storage, software applications and development platforms.

The best way to picture the effect that this shift in technology will have on the world is to relate its introduction to the time in the early 1880's when the first central electricity generators went live. Up to then companies had had their own power generators or other forms of electricity creation such as windmills and watermills. It was a highly decentralised and inefficient concept. The delivery of electricity from a central source meant that its price fell rapidly and it brought innovations such as electric light and appliances to home and business.

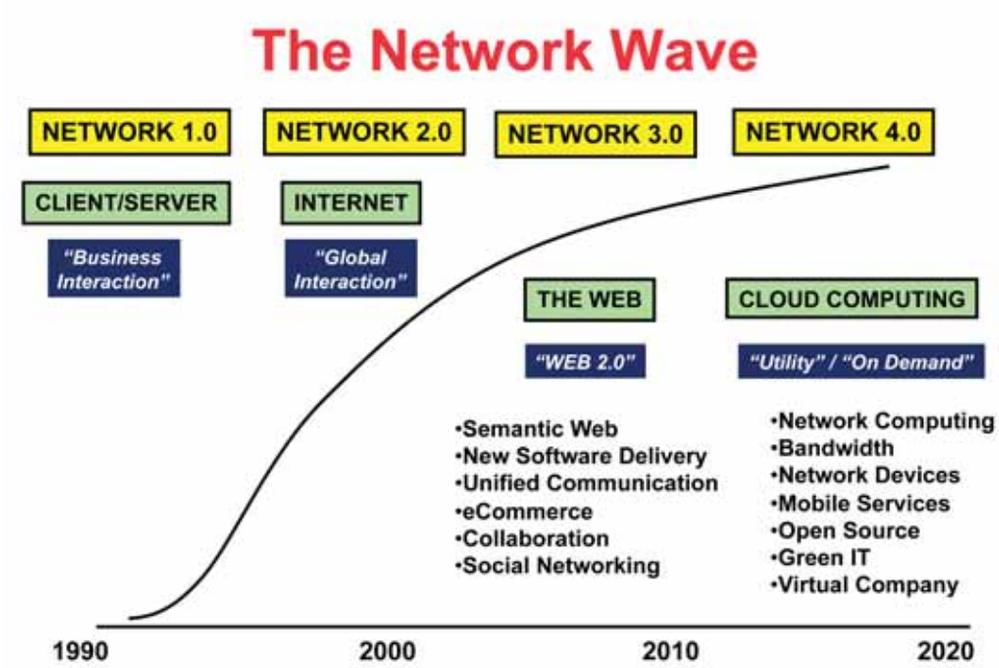
So if it was Edison that set up the first central generating unit to launch the age of electricity which companies will be responsible for the launch of the real information age? Many major supplies such as IBM, Cisco, EMC, Amazon and, of course, Microsoft have all made quite significant statements about their developments in cloud computing. However, it is probably Google that to date has made the most significant investment in terms of building the new information age computer plants. These are massive facilities (about the size of 8 football pitches) that, for example, can contain up to half a million computers, draw around 1.8 gigawatts from local hydroelectric turbines, are cooled by water from the nearby icy rivers and are located in places that have massive fibre optic connections capacity.

Basically, in cloud computing the network is the computer. All that is required to access the computing power, storage capability and variety of applications is a simple browser that can be contained within a mobile phone; within a laptop (or increasingly the new netbook computers); a TV or embedded in different products and devices, such as automobiles, factory equipment, banking terminals and even the human body.

This shift to cloud computing will open up a whole range of new applications, particularly away from the office. Mobile phones, which have already made the shift from voice to data, will now move to "doing", with applications such as location augmentation, payment services and sophisticated games. We will enter a world of connected "things" where different devices are able to talk to each other and make intelligent decisions based on particular circumstances.

The environment will also benefit substantially from the implementation of cloud computing. The number of power-hungry data centre servers and storage devices that are spread all over the world will gradually be centralised in energy efficient cloud facilities. As consumers and office workers we will be using many more "green" devices such as netbooks, smart phones and memory sticks.

So as companies hunker down to worry about reducing costs and preserving their hard-earned cash, they should keep one eye on the future and look forward to the time when they can operative virtually. With a headquarters in Bermuda, manufacturing in China, administration in India, finance from Russia, employees at home, marketing by Google, computing by Amazon, delivery by DHL and sales by eBay, the organisation of tomorrow is likely to be very different from those that are struggling to survive in the current recession. The catalyst for many of these changes will be brought about by the next phase of the networking wave – cloud computing.



Source: Peter Rowell, Executive Chairman of Regent Partners International
www.regent.co.uk

Fortnum & Mason

So much more than just a grocer...

Always ahead of their time: in-store taste tests

Marques of Excellence – a new series about how eternal brands can hold lessons for the newer business of today

There is something terribly reassuring about discovering that a company at the very top of the tree of excellence does not take itself too seriously. It takes its business seriously, of course, but how else to explain little ditties around the store such as:

The chefs, while committed, will not be outwitted
In showing their skills with the fishes
The Gallery restaurant is daily permitted
A fish dish to meet all your wishes

And the clock above the store's Piccadilly entrance that plays seasonal music on the hour as Messrs. Fortnum & Mason emerge from the wall, bow to each other then retire…yet more whimsy.

"We're all slightly eccentric here," says Andrea Tanner, the archivist at Fortnum & Mason who doubles as company copywriter (she wrote the above rhyme…) and keeper of the company flame. "Lots of people in this business are a bit odd… myself included!"

We are chatting over tea (Darjeeling Broken Orange Pekoe, of course) and scones in the fourth floor St. James's restaurant. It is a haven of elegance, style, immaculate service and a sense of gentle reserve that was once taken for granted in England but is so rarely found nowadays.

Talking to Andrea about Fortnum's long and illustrious history, it becomes very clear that survival and prosperity were the products of two core attributes: a relentless focus on quality and an ability to adapt to rapid and radical changes in circumstance. The whole business was actually founded on adaptability. William Fortnum came from a family of Oxford trades people who did a lot of business with the university and fully understood how to service the desires of a student population that was drawn almost exclusively from the aristocracy and the landed gentry. In the wake of the Great Fire of 1666, they branched out into the building trade and came to London to help in the reconstruction. For his part, William was a footman at the court of Queen Anne in the early 1700's. One of his perks was to collect all the half-used candles from the palace and take them home…nothing but brand new ones every day would do for the Court. He was lodging with a Mr. Hugh Mason in Piccadilly and between them they decided these candles could be rendered down and turned into new ones with ease. Mason was already selling tea, a highly-prized, priced (and taxed) commodity, as well as other staples to the upper classes from his shop in St. James's. It was a perfect fit. And so in 1707 Fortnum & Mason began.

The story of how the business prospered as Britain embarked on an era of empire-building is well told on the company's web site. The key was that Fortnum and Mason both understood how to identify the needs of this new era and service it. They also knew how to capitalise on the emergence of new exotic products from abroad and package them for their uniformly upper class clientele. While the Empire grew and business boomed, the way of doing business changed little: technological advances were few and far between in those days. And Piccadilly was a rather more complicated place than it is today.

"In the 19th century, Piccadilly was a place of multiple personalities," Andrea says. "Yes, it was home to some wonderful buildings and the aristocracy lived there, but it was also the main hub of transport to the west of England. There were coaching inns and stables everywhere, so it was frightfully mucky from the horses' bi-products – in the winter it was awash with slurry and in the summer the dried manure produced noxious and toxic dust. And on top of that it was the place where legions of prostitutes could be found, there to service travellers, the gentlemen's clubs and theatregoers. A food store like Fortnum & Mason had to carry on its business behind shutters and closed doors because of the mess."

Much of the business was therefore based on deliveries, including wicker food hampers for travellers leaving the coaching inns

nearby, the forerunner of today's prized Fortnum's hamper. And then came one of the great technological revolutions that would change retailing forever…the invention of plate glass.

"Fortnum & Mason were one of the first to install plate glass windows," Andrea says. "It meant they could lay out their wares, free from the danger of pollution, and in such a way as to attract lady customers." This was the start of an unbroken Fortnum's tradition: the emphasis on window displays and gradually, for the upper classes, the concept of shopping (and window shopping…) evolved. So revolutionary was the idea of a window display, and so well did they develop it, that Fortnum & Mason won a gold medal at the 1851 Great Exhibition for its display of exotic fruits, nuts and seeds.

The next great challenge was in 1914 when The Great War placed unprecedented demands on the nation and on the men who went to war. By and large, the officer class was drawn from the aristocracy and landed gentry, the core of Fortnum & Mason's clientele. A new supply department was established to service officers' needs: flea powder, uniforms, 'chop boxes' containing cigars, matches and tinned delicacies to ease the privations of the trenches. The company's MD at the time was himself a colonel, Charles Wyld, and he too duly went off to war. All Fortnum's male employees were expected to do the same, with the promise that their jobs would be kept open for them when (or more tragically, if) they returned.

Archivist Andrea Tanner browses an old Fortnum's account ledger

Life never really returned to normal. The old ways were receding, ladies who might once have taken the notion of household staff for granted were increasingly drawn to a form of modified self-sufficiency and again Fortnum & Mason stepped into the breach to add an air of style and distinction to the process. They employed the first ever TV chef Marcel Boulestin, who had appeared on the infant BBC TV in 1937 to demonstrate cookery, to give cooking lessons to ladies who might traditionally have left such things to servants. Needless to say, at the end of each genteel class the ingredients for the recipes were packaged up for them to take home or, if it was all too much bother, jars of ready-made dishes were standing by.

The Second World War saw another display of adaptability allied with patriotism but the consequences for the company would be far deeper and wide reaching. Wartime brought not only the need to service the military but also severe rationing that posed a massive challenge to a company that was based on the premise of providing luxury goods at premium prices. Price capping on all staples – including the prized teas - meant that Fortnum & Mason was obliged to charge only what the government said it could. While, during these parlous times, chins were kept up and upper lips stiff, it was time for another change to sweep through the hallowed halls of 181 Piccadilly.

In 1951, as the post-war mood started to turn more optimistic, a Canadian retail billionaire called Garfield W. Weston bought the company and set about reforms that prepared the venerable store for a brighter post-war future. Weston was a true patriot and admirer of all things English and while he may not have actually had much grasp of the stylistic nuances of life for Fortnum's upper class clientele, he had a deep reverence for the brand's legacy. He married that with a spirit of innovation that saw, among others, the creation of the Fountain Restaurant, an evocation of the American soda fountain, staffed by pretty waitresses. Mannequins from the haute couture departments, another Weston pet project, would sway through the restaurant twice a day to the delight of customers. Weston scoured auction houses for paintings and antiques to revive the store's air of grace and gentility. He bought TV sets and rented them out for the Coronation; it was a process of modernisation designed to attract 'new money' customers while not frightening away the old and much-valued client base. He even introduced cash tills, although all those vulgar bells were removed; up until then, you could only pay at Fortnum's via your account, which was often handed down from generation to generation, or by cheque. And it was also Weston who in 1964 built the fabulously eccentric 4.6 ton clock above the door.

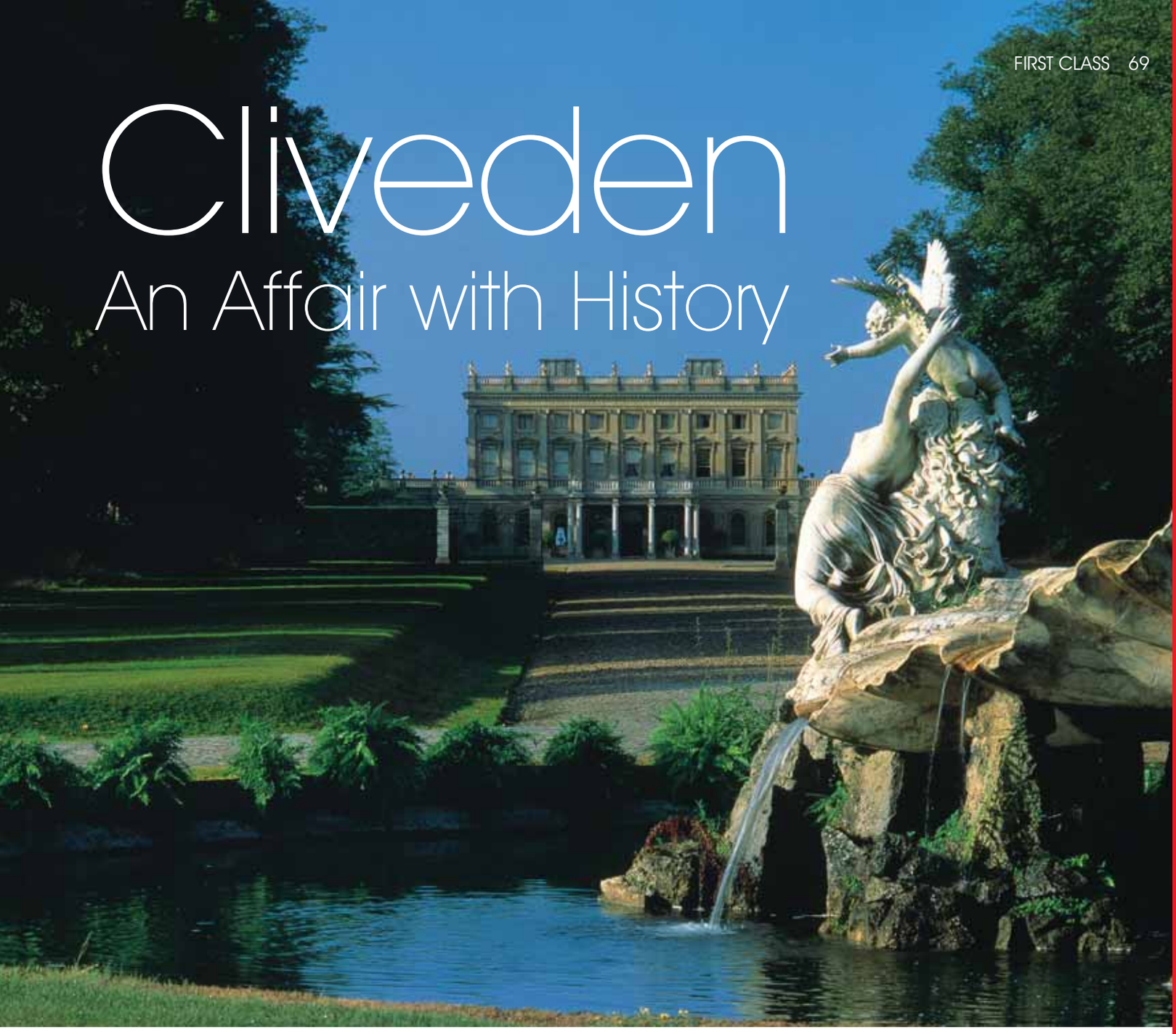
Accelerating change means Fortnum's has been obliged to work very hard to retain its reputation for adaptability and being ahead of the game. Its web site was launched in 1999 and today has developed into a true online shopping treat, and in time for the 300th anniversary £24m was spent refurbishing the four floors to keep the cool luxury of the interiors impeccable. It is still a magnet for lovers of fine foods from near and far. And to those who may doubt that one company can keep itself fresh and new after 300 years in business, consider this: supermarkets and restaurants have, in the last couple of years, started to use the local sourcing of food and its traceable provenance as an effective marketing technique. Fortnum & Mason have been doing it for years, not only because it is the right thing to do but also because it allows them to bring constant variety to their product lines.

"If there is one beekeeper in Wales producing exceptional honey, we will buy all his output," Andrea Tanner says. "We are constantly seeking out new products and fresh ideas, and encourage producers of great new products to come to us."

Not convinced they've been doing this for a while now? In 1886, a young American food producer came to London seeking a new market for his canned goods and lugged his suitcases full of samples to Fortnum & Mason, who duly placed an order. His name? Henry Heinz. And his product? The humble baked bean.

Source: www.fortnumandmason.com

Cliveden
An Affair with History



Great buildings inevitably become inseparable from their pasts. Wander round the walled garden at Cliveden in Berkshire and stop by the edge of the swimming pool. Then imagine, on a summer's evening nearly 50 years ago, a young model splashing about, looking up to see an urbane man studying her with more than casual interest. She was Christine Keeler, staying in the estate's Spring Cottage as the guest of her 'manager' Stephen Ward, the man was John Profumo, Minister for War in the Conservative government of Harold MacMillan. The rest, as they say, is history. Profumo was the house guest of Bill Astor, the last in that famous line to live in the splendid old place. (Just for the record, Bill Astor was actually the 3rd Viscount Astor. His son, the 4th Viscount Astor, is the stepfather of Samantha Cameron, wife of Conservative leader David Cameron.) The magnificent house had been bought by the American billionaire William Waldorf Astor in the late 19th century and became famous for the social circle around Nancy Astor, the first woman MP to take her seat in the House of Commons.

Today you can ignore the history and just revel in the beauty of the estate's setting on the Thames. But the history adds a touch of verve to the experience, such as walking by the site of that fateful swimming pool encounter, or walking up the stairs and examining the magnificent portraiture of kings, queens and nobles down the ages. (The estate was originally owned by the Duke of Sutherland). Or imagine that the stairs you are on were once trod by the likes of Winston Churchill, George Bernard Shaw, Charlie Chaplin, Harold MacMillan and, yes, the duo that would bring down the latter's government, John Profumo and Christine Keeler.

Today, the estate is owned by the National Trust and as such, is open to the public, although they may not come inside as that is the preserve of the hotel, managed by the highly-regarded Von Essen group, which has a fine stable of luxury hotels to its name. Cliveden is perhaps the jewel in the crown. It is a place of enormous splendour and opulence which belies the fact it is only a short hike to the M4 for Heathrow Airport and London. Sometimes the opulence can look a little jaded – our room, with its magnificent views of the Parterre Gardens and the Thames

beyond, betrayed some sign of wear and tear – but it is a vast place and renovation of the fabric is an almost constant process. What cannot be denied is the brilliance of the staff. There is something so wonderful about great service, being treated with care and respect without the discomfiting deference that sometimes goes with it. If places like Cliveden can get it right why do so many others fail so miserably?

Expect the very best in terms of food. We dined in the Terrace Restaurant, but there are two other main restaurants, the French Restaurant – very grand – and Waldo's, which was shut on the day we visited but is acquiring a reputation as a foodie must-visit for its modern take on French cuisine and its intimate atmosphere.

For businesses, Cliveden is hard to beat as a meeting and conference venue, given its discretion, privacy and its proximity to London, Oxford, Reading and, of course, Heathrow. Conference and meeting rooms large and small can fit most sizes of gathering – you can even hold a meeting for 8 on board the hotel's vintage Thames launch the Suzy Ann. Speak to Von Essen about private travel arrangements via private jet, helicopter or Rolls-Royce Phantom, the latter stationed magisterially outside Cliveden's front door. The four Aston Martins and three Bentleys alongside it looked good, but they knew their place.

Rates, as you might expect from such a magnificent place, are on the high side, but by any standards they are worth it.

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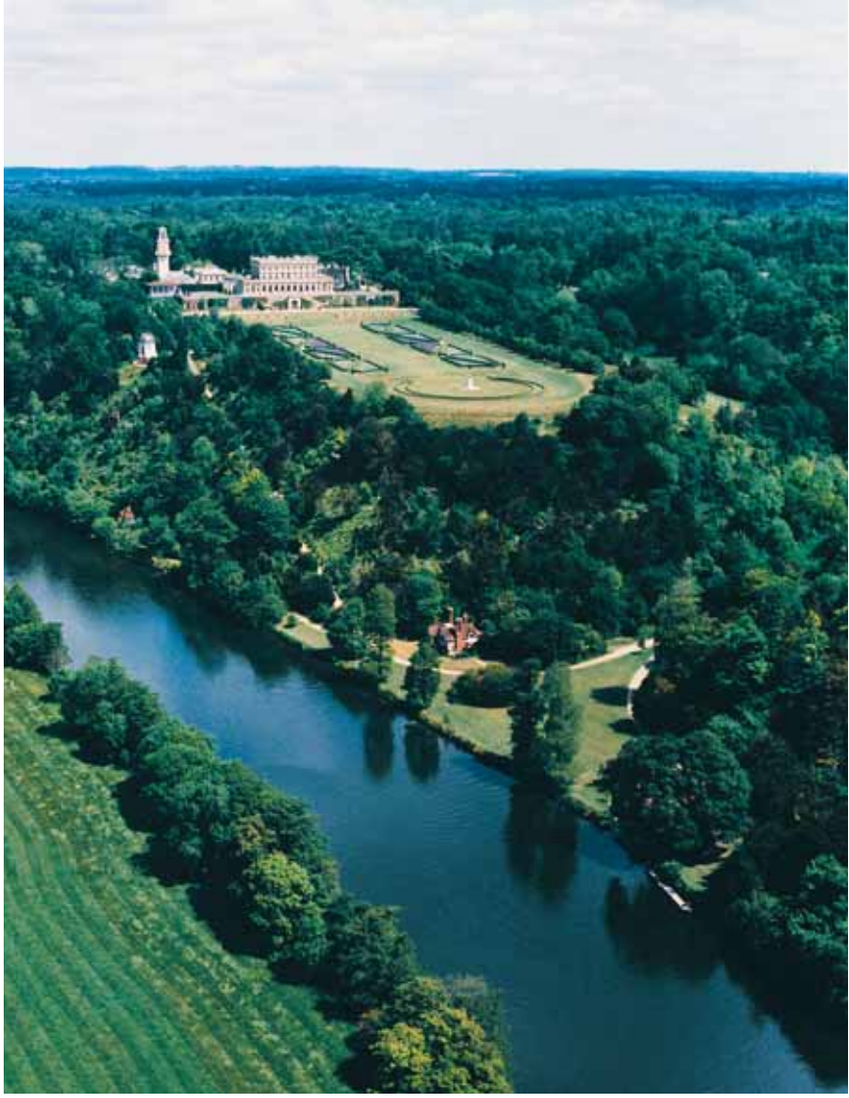


Spring Cottage, Stephen Ward and Christine Keeler's weekend hideaway

A Classic is not just for Christmas

Robert Couldwell reports on cars that are romantic, nostalgic and potentially decent investments too.

It used to be all about the love interest in TV series. Now it is more about classic car interest. Old Morse never had much luck with his love life but he was able to cruise Oxford in that lovely mellow Jaguar Mk II while his sergeant had to manage with a prosaic Vauxhall Cavalier.

MG TC

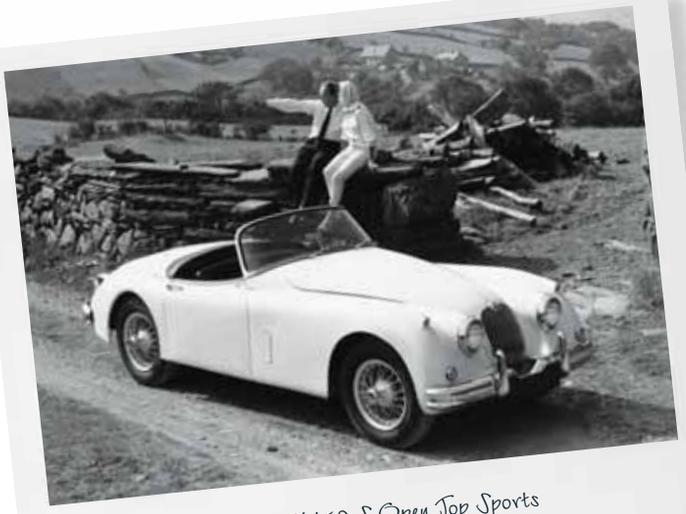
Jaguar Mk 11

Belgian sleuth Poirot expressed no interest in love and positively hated cars but his side-kick, the dashing Captain Hastings' drove a wonderful open Lagonda, as did Campion, the detective played by Peter Davidson.

Jersey's *Bergerac* did well in both love and cars with the delightfully sulky Frankie and the magnificent Triumph roadster with the dickey-seat. By the time he was re-branded as the wooden Chief Inspector Barnaby in the incredibly far-fetched death-a-minute *Midsomer Murders,* the love interest had become marriage and the car interest depended on the product placement agency. The cars were more credible than

Lagonda M45

BMW Isetta



Jaguar XK150 S Open Top Sports

Alvis Speed 20 SC Tourer

some of the classics, with first a Rover 75 and after MG-Rover's demise a Jaguar X-Type, the sort of cars that real chief inspectors would drive.

Heartbeat is a real favourite with its Sixties pop music, great characters and more classics than you can throw a stick at; Oscar Blaketon's Morris Minor Traveller, the young PC's pre-war MG , Lord Ashfordley's Bentley, his son's E Type, right down to the bar maid's BMW Isetta bubble car.

My favourite television classic is Inspector Lynley's V8 Bristol 410, a discreet, powerful and beautifully-built express from a little company still crafting a limited number of high performance cars with prices ranging from £150,000-£260,000 and engines up to 1000 BHP.

I have always loved *The Sweeney,* although the only classics featured are the gangsters' lovely Jaguar S Types and 420's which seem to be written off in every episode during the inevitable car chases. My apologies to members of the Ford Granada Owners Club who no doubt consider Regan's Granada to be a collectors' car!

The latest classic benefiting from television exposure is the Audi quattro in yet another barely believable semi-soap, From *Ashes to Ashes.* Never ones to let accuracy cloud their creativity, the producers ignore the fact that the particular Audi quattro featured would not have been made when the series was supposed to take place.

It's not just TV policemen; country solicitor *Kingdom* played by Stephen Fry drives the beautiful sixties Alvis drophead. The mountainous Robbie Coltrane who lacked a car in the *Cracker* series made up for it by driving the fabulous Jaguar XK150 roadster around Britain while Oz Clark and James May used a newer but still classic Jaguar XJS to tour the French vineyards and a pre-BMW Rolls-Royce Corniche Convertible in their latest *Drink to Britain* series,

What have cars on TV got to do with anything you may ask? It is raising the profile of the classic car industry and particularly the models featured. This is one reason why, despite Gordon's masterly management of our economy, the classic car business is still reasonably buoyant. Gordon's special offer of zero interest on your savings also means that if you have some money you might as well invest it into a well-researched, good quality classic which should at least keep pace with inflation while giving pleasure.

Classic cars are normally bought with the heart and not the head. I can understand that as I was first attracted to a TVR some years ago by the noise from the V8 engine as a Chimaera burbled past me in Worthing one sunny day.

Aston Martin DB6

BMW 507

TVR Chimaera

AC Ace racer

While I somehow knew that I was going to buy one I did at least do my research which took 6 months. I was rewarded by a two year old specimen with 4,000 miles on the clock and a fitted cover. I thought that this privately-advertised car would be OK but even so I spent £150 on a specialist inspector who gave it the thumbs-up. It certainly bettered my expectations and the only reason I sold it was that I knew it would result in the loss of my licence. The acceleration and high speed handling was like a drug and I am not strong on willpower. Contrary to stories about appalling unreliability and constant breakdowns, I covered a trouble-free 10,000 miles in all weathers in just 2 years including several overseas trips.

A Healey 100, Lotus Elan or 'Chain Gang' Frazer Nash is all very well across the Cotswolds on a Saturday morning but it takes an intrepid, committed owner to drive them on long journeys in all weathers.

One way to ensure that your dream classic won't turn into a nightmare is to create a shortlist of the cars you might like to buy and then hire them over a series of weekends. During the last 10 years companies have sprung up all over Britain offering daily, weekend or week-long hires of some very tempting and often exotic classic cars including pretty well all the cars featured on TV. It needn't be a chore as you can make each hire into a short holiday. Explore *Heartbeat's* Yorkshire in an MGB, the Cotswolds in a Healey 3000, Oxford in a Morse Jaguar Mk II or East Anglia in Kingdom's Alvis TD21 drophead.

The larger enthusiast can be confident that he will fit into a Jaguar XK150 following in the footsteps of Robbie Coltrane's tour of Britain in that wonderful red roadster. A very similar car, albeit in cream, can be hired for the week-end for £630.

If you really want to impress the blonde you can move upmarket into Bond territory. Several companies offer the iconic Aston Martin DB4's, 5's and 6's and they are not really that expensive considering a DB4 can sell for £150,000. If it's just the wife how about a Morris Minor which is a very practical everyday car that can be run on the smell of an oily rag.

I have run classic cars for thirty years and, touch wood, never had a breakdown despite trips as far as Monza, Nurburgring, Munich and Pau in the south of France. Having said that, if you are hiring one of these beauties, don't expect the reliability of a Toyota. Also, if you are used to modern vehicle conveniences like power steering, air conditioning and electric everything, you will be in for a shock, and even simple things like demisting the windscreen will mean a rag not a switch.

Approach it as an adventure and you will thoroughly enjoy it. Old cars seem to bring out the best in people and even though my old Jag is worth as much as a new Porsche it never seems to create that negative envy I encountered on the occasion I borrowed a Porsche 911 for a few days.

If you are interested in hiring a classic, speak to
Classic Touring (Tunbridge Wells, Kent) www.classic-touring.co.uk
Vintage Classics (Melksham, Wiltshire) www.vintage-classics.co.uk
For national enquiries, ask the **Historic and Classic-car Hirers Guild** www.hchg.co.uk

Bentley Continental

ENTERTAIN WITH BUSINESS FIRST

Money worries making you think you should cancel your internal events? Think again. Use your corporate entertainment tax allowance to your advantage and you could end up the winner.

Several of the companies we have contacted over the last few months have been telling us that their internal events have been cancelled or put on hold for 2009, as they 'do not have the budget'.

But for the many companies who are still profitable, the fact that the government allows you to claim the cost of your employee entertaining against your tax bill must offer an opportunity. Each and every company has a maximum annual tax allowance for staff entertainment of £150.00 inc VAT per person. Regardless of the recession, your company is still entitled to this allowance and if your company is making money, surely it is more efficient to spend this on motivating and entertaining your team rather than simply giving it to the tax man?

If you shop around, you will find that you can book some truly remarkable deals that keep well within this budget and with this in mind a Christmas or summer party is a fantastic way to show your staff that you value them and will also motivate them for what's ahead.

Here is a list of events taking place between now and the end of the year that you may want to consider for client or staff entertainment.

This list is by no means finite so please contact us for up to date listings or if you have a specific event not on this list that you would like us to book for you.

Book tickets through the Business First Entertainment Hotline, operated exclusively for us by one of the region's most experienced and professional events organizers, Hospitality by Design of **Brighton: 01273 200434**

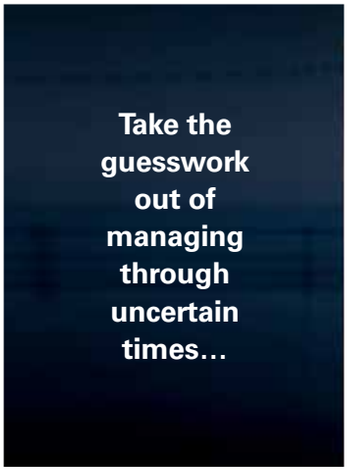
JUNE 2009

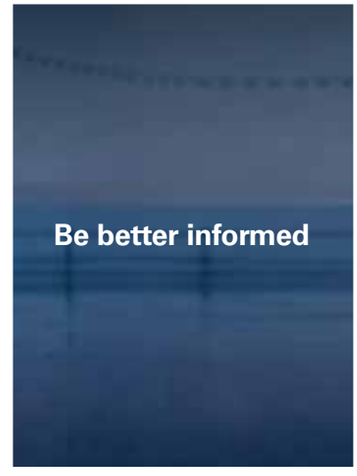
2nd	Cathcart Spring Proms	London	Cultural Events
6th	Take That	Sunderland	Music Events
4th-6th	Polo in the Park	London	Equestrian
5th-6th	The Epsom Derby Festival	Surrey	Equestrian
24th May - 7th June	French Open Tennis Championship	Paris	Tennis
7th	F1 Turkish Grand Prix	Istanbul, Turkey	Motor Sports
3rd-11th	The Circus - Britney Spears World Tour	London	Music Events
2nd-13th	Hampton Court Palace Festival	London	Music Events
13th	Elton John and his Band	Bristol	Music Events
8th-14th	AEGON Tennis Championships	London	Tennis
13th-14th	77th Le Mans 24 hours	Le Mans, France	Motor Sports
8th-14th	AEGON Classic	Birmingham	Tennis
12th-14th	PPP/PFI Challenge	Isle of Wight	Other Sports
16th	Take That	Cardiff	Music Events
18th	Royal Ascot Ladies Day - by Orient Express	Departs Liverpool, Manchester, Crewe, Birmingham	Equestrian
16th-20th	Fortis Tennis Classic	Fullham, London	Tennis
19th-20th	I'd Do Anything: Oliver!	London	Cultural Events
20th	Take That	Glasgow	Music Events
16th-20th	Royal Ascot	Berkshire	Equestrian
20th	War of the Worlds	London	Music Events
15th-20th	AEGON International	Eastbourne	Tennis
16th-20th	The Boodles Challenge	Stoke Poges	Tennis
19th-21st	F1 British Grand Prix	Northamptonshire	Motor Sports
22nd	Boyzone	London	Music Events
5th-24th	ICC Twenty 20 World Cup	Across the UK	Cricket
25th	Ashes Legends Dinner	Brighton	Cricket
25th	The England Ashes Launch Dinner	London	Cricket
26th	Ashes Legends Dinner	Leeds	Cricket
26th-28th	Take That	Manchester	Music Events

JULY 2009

2nd	Ashes Legends Dinner	London	Cricket
1st-3rd	The Palio	Italy	Cultural Events
3rd-4th	Take That	London	Music Events
4th	Madonna Sticky & Sweet Tour 2009	London	Music Events
3rd-5th	Goodwood Festival of Speed	Chichester	Motor Sports
22nd June - 5th July	The Championships	London	Tennis
1st-5th	Henley Regatta	Berkshire	Water Sports
7th	Ashes Legends Dinner	Cardiff	Cricket
7th	Madonna Sticky & Sweet Tour 2009	Manchester	Music Events
8th- onwards	Michael Jackson	London	Music Events
8th-12th	Henley Festival	Berkshire	Music Events
12th	F1 German Grand Prix	Germany	Motor Sports
9th, 11th & 12th	Oasis	London	Music Events
7th-12th	RHS Hampton Court Palace Flower Show	London	Cultural Events
8th-12th	1st nPower Ashes Test: England v Australia	Cardiff	Cricket
14th	The Lords Test Long Room Dinner	London	Cricket
19th	FIA Formula2 / WTCC	Fawkham, Kent	Motor Sports
16th-19th	British Open Golf	Ayreshire, Scotland	Golf
16th & 19th	Veuve Clicquot Gold Cup Polo	Midhurst, W.Sussex	Equestrian
16th-20th	2nd nPower Ashes Test: England v Australia	London	Cricket
22nd-24th	Salon Privé	London	Motor Sports
24th	RHS Tatton Park Flower Show	Departs London	Cultural Events
23rd-25th	Gala Concert with Placido Domingo at the Verona Opera	Italy	Cultural Events
26th	MotoGP: Great Britain	Derbyshire	Motor Sports
26th	F1 Hungarian Grand Prix	Budapest, Hungary	Motor Sports
26th	Cartier International Polo	Windsor, Berkshire	Equestrian
25th-26th	Silverstone Classic	Northamptonshire	Motor Sports
23rd-27th	RHS Tatton Park Flower Show	Knutsford, Cheshire	Cultural Events

Le Mans, June 13-14





Predicting the future success of your business is not easy, but organisations that can get an edge over their competitors now, could win out in the end.

When guesswork is not good enough, KPMG can help empower organisations to better understand the impact of strategic and financial decisions.

To find out how KPMG can help your business please contact:

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or visit
www.kpmg.co.uk/predict

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