

THE COUNTRY CALLS FOR CHANGE. BUSINESS DEMANDS DECISIVE ACTION

Election fever has gripped the nation over the last few months. With a coalition Government now in place BPRI and Lightspeed Research asked business leaders their opinions on the outcome. Emma Pyke outlines how Senior Management' are feeling about "the new politics".



Since the UK general election date was announced in April we have witnessed the three main political parties battling it out across the country, each advocating their own manifesto. For the first time in UK politics the nation was engrossed by live televised debates and resulting 'Cleggmania' promising this to be a historic 3-man race to the finish. The outcome? Well the TV hype seemed exactly that. Despite the Liberal-Democrats initial disappointment in the number of seats won, Clegg became the kingmaker with the party coming to power (albeit partly) for the first time in almost 90 years. We also have a Conservative Prime Minister for the first time in 13 years and, for the first time since World War 2, a coalition Government. The nation wanted change, and change it got. But do we even know what this new hybrid party stands for and what its impact on business will be?

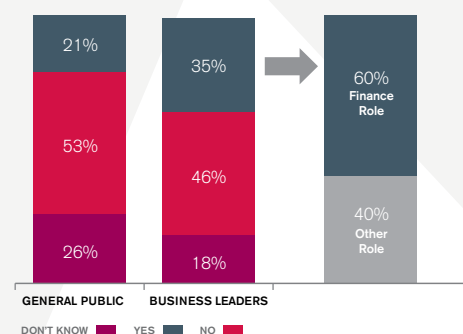
Uncertainty is bad for business

At this time it is difficult for businesses to know whether the new Government has the right policies in place to support them. Described as a "hesitant take-off", business leaders are frustrated at "listening to individual party policies and understanding what they stood for. Now the parties are compromising on what they stand for. That's worrying for business."

This has initially dented confidence in the Government's ability to sort out the economic recovery. This reaction is driven by

the general public who are overall less confident than business leaders. Reassuringly, over a third of business leaders have confidence, of which 60% work in finance.

BUSINESS CONFIDENCE IN THE COALITION GOVERNMENT'S ABILITY TO COMPETENTLY ADDRESS THE ECONOMIC SITUATION



Lightspeed Research's online panel conducted between 10-12th May 2010. Base: General public (4690), Business leaders (154)

Digging deeper, it emerged through further conversations with business leaders, that in the main they are generally optimistic, supportive and upbeat citing the Conservatives as being best placed to provide "confidence and direction".

There is consensus Labour is not as business focused and has "lost the will to live". Whether this view will change with the introduction of a new Labour leader has yet to be seen.

"Are you confident a coalition government will competently address the economic situation?"

Nevertheless, this honeymoon period cannot last for long as business fears the unknown. Group Financial Directors of global retailing and financial services groups agree "the country needs stability and knowing where it stands," this is important for future planning as "stabilising the markets allows businesses to take a less cautious view on investments." For example, for companies wanting to invest in CSR initiatives such as reducing fossil fuel spend, a clear policy on how the Government will support them is key to understanding the tax burdens of such a commitment.

Need a clear plan to deal with the deficit

Craving clarity and action, businesses are tentatively waiting for confirmation on how the deficit will be reduced. Anticipating there is worse economic news to come, business leaders are steeling themselves for a hard run – it is not perceived to be an easy ride. For fear of being mentioned in the same sentence as Greece and Ireland, business implores the new Government to be honest and transparent about the real figures and potential implications. What is expected are clearly set out actions and commitment – "it is easier for a business to accept change and to deal with it, when it knows what it is".

A Government which takes a more commercial approach is welcomed. Business leaders heavily criticised the public sector spending and the amount of "waste" recommending the new Government should be "more efficient and make better buying decisions. This does not necessarily mean loss of jobs."

Sterling, stability & tax transparency are vital to limit business exposure

There is a real sense of business pulling together to safeguard all UK trade interests. This is based on the appreciation a stable-sterling is required for both importers and exporters to benefit. Getting the right balance will aid economic stability making it possible for businesses to plan and forecast. Some business models will be affected by sterling volatility, for example those importing goods/ raw materials or expertise. Others are more sensitive to employment issues e.g. National Insurance and income tax raises. Retailers for example are extremely sensitive to changes in pay, which directly impacts their prices/ profits.

Call for swift & decisive action

Overall business needs answers and quickly, which isn't considered to be a coalition strength. Business leaders are concerned decision-making will take longer which is detrimental to a quick recovery;

"Coalition government slows down decision-making. There is no alliance across the parties on foreign business support which concerns me. A coalition will hamper the economic recovery because decisions won't be made quickly."

"There is so much posturing going on – a coalition government will be much slower, there will be more horse-trading needed to achieve what's necessary that it will dilute it and slow progress."



Stability is key to success

Although business has a pragmatic view, it is hopeful. Business confidence will increase as policies become clearer and the coalition myth is dispelled – to do this, Cameron & Clegg need to demonstrate they are truly in this for the long-term and decisions can be made quickly and efficiently. Only time will tell.