

## Five years on from financial meltdown

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### Task 1: How is the business environment now compared to 5 years ago in the crisis?

#### What has changed and how?

- **Business Processes** Forced people to question their businesses/assumptions and become more efficient, creative, resourceful, collaborative and competitive. Many have specialised in niche markets. There are now more business start ups and entrepreneurial spirit in younger people.
- **Costs** More conscious of costs. Cut backs of company perks and expenditure such as entertainment. Initial result was cost cutting - now more structured investment.
- **Customers** are more savvy, perhaps more cynical, interested in 'real' outcomes.
- **Credit** tightened dramatically in the crisis. Borrowing process rightly became more rigorous /thorough (including assessment of risk). All procedures - such as valuations followed - even if seemingly inappropriate. Lenders exercised caution and restraint. Crowd funding has emerged, and new banks (e.g. Metro Bank). Authority to make decisions seems to have gone further up the chain.
- **Technology** Increased use of and reliance on technology. Including by consumers looking for the best price. Decline of town centres for retail.
- **Business environment** More litigation, increased regulation, increased awareness / understanding of results shown in the businesses accounts.
- **Confidence** fell in the crisis but is now on the increase again. Notable change in media tone.
- **Employees** willing to work harder and longer hours since the crisis.
- **Housing** Even harder to get on the housing ladder.
- **Experience** Hopefully we are a bit wiser!

#### What remains the same.? Comment.

- **Relationships** The importance of personal and business relationships.
- **Management** The importance of 'basic' business issues - like management, management & management. Cash flow, good controls, marketing etc.
- **Finances** Many still fail to control their finances. And have not taken the opportunity afforded by low interest rates of repaying debt capital. Zombie businesses (i.e. those who have been allowed to continue because debt servicing costs are so low) are common.

- **Household income** Wages! Increases since the crisis have generally been at or below inflation.
- **Business philosophy** Bonus culture / greed. Short termism. Attention to 'Celebrities'

## Task 2: Quiz

The correct answers are those **highlighted**. Delegates responses were **these**

<b>Question 1</b> The biggest weekly fall in October 2008 in the value of UK companies listed on The Stock Exchange was the largest since 1987, but how big was it?							
A	9%	13%	B	15.6%	47%	C	21% 33%
						D	28.3% 7%
<b>Question 2</b> How much was wiped off the value of British companies on 6 October 2008?							
A	£5bn		B	£28bn	40%	C	£37bn 40%
						D	£90bn 20%
<b>Question 3</b> When did Lehman Brothers file for Chapter 11 bankruptcy protection (Go bust)?							
A	25 June 2007		B	12 Sept. 2008	40%	C	14 Oct. 2008 53%
						D	31 Dec. 2008 7%
<b>Question 4</b> Who said 'Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway'							
A	Warren Buffet	100%	B	George W Bush		C	George Osbourne
						D	David Beckham
<b>Question 5</b> Manchester United won the Champions League in 2008 but who were their shirt sponsors?							
A	AIG	100%	B	RBS		C	Woolworths
						D	Etihad Airways

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