

TRANSITIONS

INSIGHTS INTO THE POST RECESSION BUSINESS ENVIRONMENT

February 2010



In collaboration with
centrefor**future**studies





CONTENTS

FOREWORD	1
1. SYNOPSIS	2
2. INSIGHTS FROM THE EXPERT PANEL	4
3. ECONOMIC PERSPECTIVES	6
4. THE FORCES OF CHANGE	9
5. THE TRANSITIONS	11
APPENDIX	13
A. Contributors Key sources	13
B. Links to key data sources	14
C. About the Centre for Future Studies	14

Acknowledgement from the Centre for Future Studies

This research and analysis has been conducted by the Centre for Future Studies. It has benefited from the knowledge of many third party authors, commentators and analysts in both published and verbal form. Their independent and collective wisdom has contributed to the Centre's understanding and shaped its thinking. However, the narrative is entirely that of the Centre as are the interpretations it has given to the information it has collected. Neither BDO nor the source, necessarily endorse the Centre's thinking or the conclusions it has reached; neither are they responsible for the views expressed. The Centre is the sole author of the work and any errors or omissions are entirely its responsibility. BDO has commissioned this work as an independent report and accepts no responsibility or liability for the content nor the view or opinions expressed herein.

FOREWORD

MANY BUSINESS LEADERS ARE ASKING WHEN THE ECONOMY WILL RETURN TO SUSTAINABLE GROWTH; BUT PERHAPS THE MOST CRITICAL QUESTION TO ASK IS: HOW WILL THE BUSINESS LANDSCAPE CHANGE AS A RESULT OF THE RECESSION?

It is our view that the UK's business landscape will change significantly. There will not be a return to business as usual. The forces driving change will continue well beyond the technical end of the recession and the consequences will be permanent and far reaching.

The recession will mark a series of transitions from the industrial structures and models of the past to the digital, networked age of the future. We are living through a dramatic period of creative destruction as a result of which many organisations will either transform or disappear.

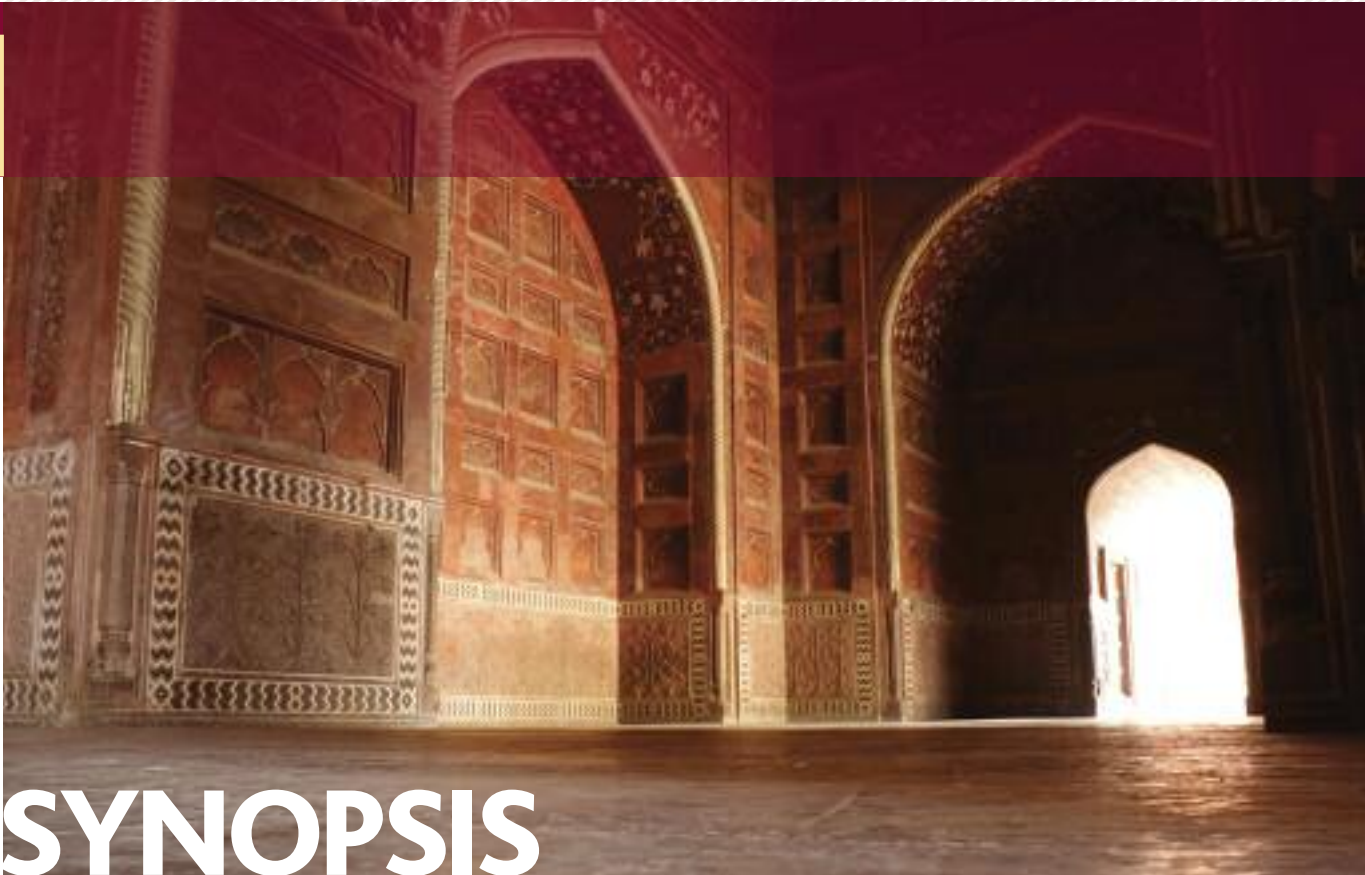
The processes of change will be demanding and painful but the recession, seen through the rear view mirror, will be viewed as the catalyst to sustainable progress in the future.

Our purpose in preparing this study is to provide a body of knowledge and insight that can inform strategic thinking and inspire the creativity and innovation that will be required to make the transitions successfully.



Peter Hemington
Partner
BDO

1



SYNOPSIS

THE WORLD HAS CHANGED. A SYMPTOM OF THIS IS THE CURRENT RECESSION – THE DEEPEST AND LONGEST SINCE THE GREAT DEPRESSION OF THE 1930s – BUT FAR MORE FUNDAMENTAL CHANGES ARE AFOOT.

After a decade of high economic growth as China and India began to integrate themselves into the world economy, the fundamental imbalances that this trend has created have derailed western economies. At the same time, technological change both threatens existing business models and offers opportunities to develop new routes to profitable growth for those that embrace it.


As a result, UK business will have to undergo painful change in order to adapt to the new world order that will result from these trends.

Today's businesses are built for a world where cheap goods are imported from low cost economies and where consumer, business and government spending have been financed by debt. And while digital technologies are now widespread, in reality their uptake has a very long way to go – this will continue to change the world massively.

The next five years are likely to be tough – with weak economic growth, there will be no return to 'business as usual' for some time to come. Therefore, UK businesses need to use the period to transform themselves to adapt to the new environment and the undoubted opportunities that it will bring.

We visualise the process as a series of transitions from the industrial structures, models and values of the past to the digital, global, networked age of the future.

We believe the next five years to 2015 will be precarious for many companies with high levels of uncertainty, risk and complexity. In this context, although we will see 'recovery', the word will have a new meaning and we will not see a return to the way things were.



We believe the next five years to 2015 will be precarious for many companies with high levels of uncertainty, risk and complexity. In this context, although we will see 'recovery', the word will have a new meaning and we will not see a return to the way things were.

In fact, by the middle of the decade, we believe we will see a "new world order" emerge. In order to define what this might look like, we have pulled together a body of experts and research sources. Over the coming months we will be launching a series of reports dealing with the following key trends:

- A realigned economic world order
- New forms of capitalism
- Effective regulation and governance
- Corporate cultures of creativity, innovation and challenge
- A permanent cultural shift in consumer attitudes and behaviours
- Reappraised and redefined sustainable development.

Each transition will be narrated in depth in separate 'transitions briefings'. These will seek to answer the question as to how boardrooms should respond to this crisis, as the tactics of 'recession-as-usual' are not sufficient for firms to weather the economic upheaval because it is no ordinary recession. Is it just a case of recession-as-usual: budget-paring, personnel-slashing, and portfolio-trimming?

What is required is an inventiveness that leads to innovation throughout the organisation; from new business models and propositions to new management structures.

Each transition report will provide further insights and also guidelines on how to translate the concepts presented into a specific actionable agenda.



INSIGHTS FROM THE EXPERT PANEL

BDO AND CENTRE FOR FUTURE STUDIES BROUGHT SOME OF THE MOST INSPIRATIONAL AND INFLUENTIAL MEMBERS OF THE BUSINESS AND ACADEMIC COMMUNITY TOGETHER FOR THE FIRST TIME. THE EXPERT PANEL INCLUDED:

“There is going to be a weak and protracted recovery in the UK economy.”

RICHARD SNOOK, FORMERLY SENIOR ECONOMIST, CEBR

“The landscape is going to be different.”

LAI WAH CO, HEAD OF ECONOMIC ANALYSIS, CBI

“The companies which are faster to modify themselves and more willing to grasp new techniques and new business models will thrive and will come out of the recession much richer than they went in.”

IAN PEARSON, FUTURIST, FUTORIZON

“Recessions are good in that businesses and all of us as individuals can re learn the basics again.”

DR. ROBERT DAVIES, STRATEGY CONSULTING, IMHOTEP CONSULTANCY

“We need to think about what is sustainable in terms of growth momentum and which areas of business and what kind of business models we should be working towards.”

LAI WAH CO, HEAD OF ECONOMIC ANALYSIS, CBI

“I think capitalism will change but I think it will possibly go through some waves of change not just one pattern.”

TONY DOLPHIN, SENIOR ECONOMIST, IPPR

“I believe it’s less the sector, it’s more your business model which enables you to succeed whatever part of the economic cycle in fact.”

NICHOLAS BATE, AUTHOR & CONSULTANT, STRATEGIC EDGE

“It seems to me that from a technological point of view, an awful lot of changes were going to happen in the next 10, 20 years, even before the recession. I think that the recession has accelerated an awful lot of that change.”

IAN PEARSON, FUTURIST, FUTORIZON

“Maturity can be a mental illness for an organisation. It doesn’t know it’s in trouble because it loses contact with a fast moving environment. It has to go out and track in which direction the external environment is changing.”

DR. ROBERT DAVIES, STRATEGY CONSULTING, IMHOTEP CONSULTANCY

“I think it [the recession] has been quite a healthy thing to happen. It has enforced the necessity to trim an awful lot of dead wood from the economy.”

IAN PEARSON, FUTURIST, FUTORIZON

“Manufacturing companies will be looking much more like service companies with some manufacturing attached to them.”

TONY DOLPHIN, SENIOR ECONOMIST, IPPR

3

ECONOMIC PERSPECTIVES

AFTER A DECADE OR MORE OF HIGH GROWTH AND LOW INFLATION, THE WORLD ECONOMY HIT THE ROCKS AT THE END OF 2008. THE DANGER SIGNS HAD BEEN LOOMING FOR SOME TIME. IN PARTICULAR, THE GLOBAL IMBALANCES CAUSED BY THE MERCANTILIST GROWTH STRATEGIES OF CHINA, GERMANY AND JAPAN REACHED AN UNSUSTAINABLE POINT. ALTHOUGH THE CAROUSEL CARRYING CHEAP GOODS FROM CHINA TO THE WESTERN WORLD CONTINUES TO OPERATE, THESE GOODS HAVE BEEN PAID FOR WITH IOUs.

The explosion of liquidity and debt in western economies associated with this process led to the crisis in the financial system at the end of the 2000s. Banks, corporate organisations and households in the west have begun to pay back their debts in a process known as deleveraging. However, the massive declines in consumption and investment associated with this – the Great Recession of 2008/2009 – have forced governments to step in as borrowers of last resort in order to keep western economies afloat. So as private debt has reduced, public borrowing has mushroomed, without yet setting developed economies onto a sustained growth track.

In 2009, the UK economy shrank by 4.8 per cent, the fastest pace of decline in a single year for 88 years. Recent data from the International Monetary Fund reveals the UK's recession to be six times more severe than the global average. Taking the 2008/09 recession into account, the UK economy has grown by an average of only 1.7 per cent during the 'noughties' decade.

“We have been through an extraordinary financial crisis. One doesn’t need to ask questions about ‘the worst since when’ since it may be hard to find any period in which it was actually worse. The economy faces a long period of healing. The extraordinary degree of monetary and fiscal stimulus administered by governments represents little more than a massive sticking plaster on the wounds.”

MERVYN KING, GOVERNOR OF THE BANK OF ENGLAND

- The employment rate for September to November 2009 was 72.4 per cent, the lowest since the winter of 1996/97.
- There were 1.03 million employees and self employed working part time, the highest figure since records of this series began in 1992.
- In the three months to November 2009, regular pay rose by 1.1 per cent on a year earlier, the lowest annual growth rate since records began in 2001.
- The number of inactive people of working age increased to 8.05 million.
- The consensus among forecasters is that unemployment could approach 2.9 million in 2011, equivalent to 9 per cent of the labour force.

Government borrowing is likely to total £173 billion in this financial year and £180 billion in 2010/11. The International Monetary Fund forecasts that the ratio of debt to GDP will reach 82 per cent in 2010. This would mean a fiscal squeeze of between 6 and 8 per cent of GDP over the next five years. The process of restrained borrowing and spending could take most of the decade to have the desired result.

The levels of debt will be a drag on the economy and underline the need for a general rebalancing away from an excessive dependence on domestic demand fuelled by debt. The domestic market will remain depressed for some years so the principal source of growth for British businesses will be in export markets.

The notional return to growth has been attributed by some economists to the exceptional stimulus measures taken by Government in 2009 rather than a real growth in the economy. When the impacts of the stimuli are over, it may be difficult to identify where growth can be achieved in the short term.

In its recent monthly survey of the economic landscape, the ONS said that despite signs the UK was on a path to returned growth, the prospects were muted as consumers, business and government are all struggling to pay down debts, unemployment is increasing and credit will remain tight.

“Even if the UK economy escapes from recession in a technical sense, the recovery may be fragile and is in danger of a double dip recession should it be hit by a further shock or loss of confidence.” (ONS Nov 09)

“Economists seem to believe there is only a remote possibility that the UK could follow the Japanese 1990s route into stagnation. But with no scope for further fiscal easing, interest rates at 0.5 per cent and £200bn of QE already in place, there is little more that the authorities can do to prevent such an outcome. So if banks remain reluctant to lend and households and businesses remain reluctant to borrow, it seems to me the risk of a Japanese-style outcome should not be easily dismissed.”

TONY DOLPHIN, INSTITUTE FOR PUBLIC POLICY RESEARCH.

The consensus view among economists is that the risk of a double dip recession is uncomfortably high. This could be triggered by a number of factors including a premature tightening of fiscal and monetary policy, a major retrenchment of consumer spending as a result of rising unemployment, a sharp and sustained rise in oil prices and the failure of a few large financial institutions.

A combination of these factors could take global growth back into negative territory. The United Nations 'World Economic Situation and Prospects 2010' cautions that a premature removal of state support could trigger the second part of a double dip recession. Yet, there is now concern with the increasing sovereign country debt and this could become a serious barrier to further state support.

The medium term headwinds facing the UK economy are formidable – rising unemployment, steep tax increases and higher interest rates – a decade of fiscal consolidation, little growth in post tax incomes and a worsening delivery of public services.

The three most potent macro economic risks in the short to medium term are:

- An asset price collapse funded by cheap money and quantitative easing programmes worldwide.
- The western world closes its doors to international trade.
- Fiscal and sovereign debt crises.

The major risks to the UK economy are seen to be:

- A spike in oil and other commodity prices that causes a squeeze on real incomes, so preventing a rebound in consumer spending.
- A further large increase in the household saving ratio, also stopping consumer spending rebounding.
- An aggressive tightening of fiscal policy at a time when the private sector is still adjusting its saving/borrowing and which cannot be offset by monetary policy because QE proves largely ineffective.

“The UK faces a fiscal deficit on a scale which has never been experienced before in peacetime. The bulk of this deficit is structural in nature, which means that it won't simply disappear when the recovery occurs. The recession may be over, but it will not feel like it for a long time.”

RICHARD LAMBERT, DIRECTOR GENERAL OF THE CBI

4



THE FORCES OF CHANGE

WE ARE GRATEFUL TO THE CBI FOR THE INSIGHTS WE GAINED FROM ITS RECENT PUBLICATION 'THE SHAPE OF BUSINESS, THE NEXT TEN YEARS'. A COPY OF THIS REPORT CAN BE ACCESSED AT: <http://www.cbi.org.uk/pdf/20091123-cbi-shape-of-business.pdf>

The recession and its aftershocks have accelerated some trends that were embryonic in the pre-recession period and have slowed down or arrested others. In this respect, the recession can be seen as a catalyst to structural transformation and permanent change. The full impacts may not be manifest for five years and the transformation may take a decade to complete.

THE ACCELERATING TRENDS

Tightening financial conditions

The banking environment will be such that access to capital will continue to be tightened and this will lead to companies having to seek alternative methods of funding new business ventures. Future developments will no longer be entirely debt funded.

Eroding trust

The recession and its root causes have eroded consumer and public trust in businesses and political institutions. This will be a driving force behind demands for greater transparency and responsible corporate behaviour. There will be a greater focus on governance and sustainability.

A bigger role for government

Governments have played a significant role in stimulating the recovery and re-regulating industries. Government will continue to impose greater regulatory disciplines and accountabilities.

Shifting consumer values and behaviours

Consumption patterns are shifting as UK consumers pullback in the face of recession and debt. The shift from conspicuous to conscious consumption signals a transition from aspiration to a search for meaning and value that is inwardly directed.

Flexible working

The flexibility that businesses and their workforces have shown in the recession is likely to become a permanent feature. There will be a changing mix of core and permanent staff with a greater proportion of the workforce being used on a flexible basis.

A new economic world order

The increasing shift of economic power to the Asian economies will gain momentum and their importance as both a supplier and consumer will grow. They will become about a quarter of the world economy dominated by India and China.

Industries reforming

Industries are changing as a result of the recession. The gap between strong and weak rivals is widening and disaggregation of industry structures will continue.

Creativity and innovation

Businesses are beginning to recognise that their future source of competitive advantage lies in their creative and innovative capabilities, encouraging collaboration, drawing on diverse perspectives, and engaging their people in ideation.

Sustainability

The first 10 years of the 21st century will be remembered as the decade that businesses went 'green'. The 2010s will be seen as the decade of sustainability.

New corporate cultures

Companies will be increasingly focused on fostering an internal culture of employee engagement and common goals. New organisational structures will facilitate this process.

Enterprise risk management

The recession has brought risk management into sharp focus and the management of risk will become even more exacting amid the uncertainties of the coming decade.

Technology

Technology will be both the driving force and facilitator of change:

- IT will be at the forefront of an expanded public sector, either in the form of new systems to support new programmes or additional regulatory and compliance requirements for business.
- IT will be used to build trust by enabling effective communication with consumers.
- Information and decision support technologies will continue to transform management.
- IT will raise business effectiveness enabling companies to achieve their goals and reshape the industry.
- IT productivity will enable companies to respond innovatively to a diverse set of opportunities at speed and scale.

CONSEQUENCES AND IMPLICATIONS

Taken together, these forces of change will compel organisations to rethink and recreate their business models and customer propositions. This will represent a permanent change in the way they do business.

The challenge facing business is twofold: how to counter the threats to their viability in the short term and how to position themselves for sustainable growth in the longer term. This will require a radical process of reinvention and ingenuity.

New organisational structures will be created in forms that are akin to virtual businesses with a greater reliance on outsourcing to portfolio workers.

Corporate governance will be the major focus of concern with increased accountability becoming a primary part of a company's agenda.

5



THE TRANSITIONS

THIS REPORT HAS OUTLINED THE CONTEXT IN WHICH WE BELIEVE A SERIES OF TRANSITIONS WILL PLAY OUT OVER THE NEXT FIVE YEARS. INDIVIDUAL REPORTS ON THE FOLLOWING TOPICS WILL BE RELEASED OVER THE COMING MONTHS, AND BELOW IS JUST A FLAVOUR OF WHAT TO EXPECT:

TRANSITION TO A NEW ECONOMIC WORLD ORDER

The world economic landscape is changing and a very different world is emerging. By 2020, China and India will be economic powerhouses, vying with the United States for global supremacy. The 'Next 11' – including Indonesia, Iran, Nigeria, Turkey and Mexico – all have the potential to become much bigger too.

How prepared is your organisation to meet the challenges and opportunities this new world order will present?

TRANSITION TO NEW FORMS OF CAPITALISM

In the aftermath of the recession there will not be a return to the Anglo Saxon market capitalism. More emphasis will be put on social stability, responsibility and shared capacities to take risks. That could lead to a capitalism that is more civic, collaborative, creative and sustainable.

What impacts will this transition have on your notions of profitability?



TRANSITION TO A NEW REGULATORY ENVIRONMENT

The causes and consequences of the recession will drive future regulatory reforms. With the demise of the laissez-faire attitude toward corporate activity, scrutiny will increase, from government, shareholders and the media. Increased accountability must be a central part of a company's agenda.

How will your organisation respond to and benefit from this new environment?

TRANSITION TO SUSTAINABLE DEVELOPMENT

Organisations will seek new methods to link the twin pressures of financial performance and commitment to sustainability in clear cut ways. The winners in the economic upturn will be those corporations that embrace sustainability as a framework to drive financial success during the downturn.

Does your organisation have the right strategies and structures in place to achieve sustainability?

TRANSITION TO THE NEW CONSUMER

In the aftermath of the recession, how consumers evaluate value will likely be qualitatively different from before. There is a shift from conspicuous to conscious consumption. Saving money by cutting out waste of all kinds will be the priority. This isn't a short-term response to the recession but a fundamental shift that will see the emergence of a new breed of customer.

Does your organisation have the capabilities of meeting the demands of the new consumer?

TRANSITION TO A NEW CORPORATE CULTURE

The culture of the 'industrial' paradigm which is structured, opaque, incremental, hierarchical, monolithic, homogenous and bounded will be replaced by the network paradigm which is: flexible, transparent, creative, cellular, distributed, diverse, authentic and inspiring.

Is your organisation ingenious and committed to innovation?



APPENDIX

A. CONTRIBUTORS AND KEY SOURCES:

The BDO Expert Panel

We are particularly indebted to the members of the BDO Expert Panel. Their insights and devil's advocacy were invaluable:

Nicholas Bate, Author & Consultant, Strategic Edge
Ian Brinkley, Programme Director, The Work Foundation
Dr. Robert Davies, Strategy Consultant, Imhotep Consultancy
Tony Dolphin, Senior Economist, IPPR
Rupert Merson, Former Partner, BDO LLP
Peter Hemington, Partner, BDO LLP
Graeme Leach, Chief Economist, IOD
Ian Pearson, Futurist, Futurizon
Stephen Radley, Chief Economist, EEF
Richard Snook, formerly Senior Economist, cebr
Lai Wah Co, Head of Economic Analysis, CBI

Key sources

Andy Bond, ASDA Chief Executive
Anthony Holmes International Corporate Turnaround Specialist
Arena BLM
Association of Chartered Certified Accountants
Bank of England

Bank of England Statistical Interactive Database
Business Growth Partnership
Cambridge Econometrics
Capital Economics
Centre for Economics and Business Research (CEBR)
Charlotte Hogg, Managing Director, Experian UK & Ireland
Chartered Institute of Purchasing & Supply
Confederation of British Industry
David Kern, Chief Economist, British Chambers of Commerce (BCC)
Dennis Turner, Chief Economist at HSBC
Dmitry Orlov, Author of Reinventing Collapse
Doug Strachan, Head of Consumer Insight, Post Office Financial Services
Dr Susan Rose, Henley Business School
Economic and Social Data Service (ESDS)
Economic and Social Research Council (ESRC)
Economist Intelligence Unit
EEF
European Central Bank
European Commission
Federation of Small Businesses (FSB)
Financial Reporting Council
Financial Services Authority
Gill Waters, Oxford College of Marketing

Global Insight
Goldman Sachs
Graham Hutchings, Managing Editor, Oxford Analytica
HM Treasury
Howard Archer, Chief UK and European Economist IHS Global Insight
HSBC Future of Business Report
Institute for Fiscal Studies
Institute of Directors
International Monetary Fund (IMF)
Irwin Stelzer, Director of Economic Policy Studies Hudson Institute
John Sloman, Director, Economics Network
Jonathan Loynes, Capital Economics
KPMG
London School of Economics (LSE)
Martin Gahbauer, Chief Economist Nationwide
Mick Riordan, Senior Economist World Bank
National Institute of Economic and Social Research (NIESR)
Neil Lightbown, UK Underwriting and Strategic Claims Director, RSA
Neil Woodford, Invesco Perpetual
New Economics Foundation
Nielsen
OECD Economic Outlook
Office for National Statistics
Oxford Economics
Richard Scase, Professor of Sociology and Organisational Behaviour
University of Kent
Robert Peston BBC Business Editor
Robert Shiller, Professor of Economics, Yale University
Ross Walker, RBS Economics
Roy Ayliffe, Director of Professional Practice at CIPS
Royal Bank of Scotland (RBS)
Shoppercentric
Standard & Poor's
Stephanie Flanders, BBC economics editor
Steve McGill, Chairman and CEO Aon Risk Services
Tomorrow's Company
Vince Cable, the Liberal Democrat Treasury spokesman

B. LINKS TO KEY DATA SOURCES

<http://www.statistics.gov.uk/statbase/TSDIntro.asp>
<http://www.statistics.gov.uk/OnlineProducts/default.asp>
<http://www.statistics.gov.uk/instantfigures.asp>
<http://www.bankofengland.co.uk/mfsd/iadb/BankStats.asp?Travel=Nlx>
<http://www.bankofengland.co.uk/mfsd/iadb/AtoZ.asp?Travel=Nlx>
<http://www.hm-treasury.gov.uk/>
http://www.hm-treasury.gov.uk/data_index.htm
<http://www.ecb.int/stats/html/index.en.html>
<http://www.ecb.int/pub/mb/html/index.en.html>

<http://www.ecb.int/pub/annual/html/index.en.html>
http://ec.europa.eu/economy_finance/index_en.htm
http://ec.europa.eu/economy_finance/db_indicators/db_indicators8650_en.htm
http://www.oecd.org/statsportal/0,2639,en_2825_293564_1_1_1_1_1,00.html
<http://www.oecd.org/std/mei#statistics>
<http://www.worldbank.org/data/>
<http://www.imf.org/external/country/>
<http://www.economist.com/countries/>
<http://www.esds.ac.uk/aandp/access/login.asp>
For more information, visit www.freedomtothink.biz

C. ABOUT THE CENTRE FOR FUTURE STUDIES

The Centre for Future Studies (CFS) is an independent forecasting think-tank concerned with understanding the dynamics of the present and the forces of change that will transform the present into future realities.

We have a unique combination of skills and expertise which translate raw information into insightful knowledge and concise understanding. We are proud of the international reputation we have gained over the past thirteen years for our innovative thinking and incisive analysis.

We are affiliated with Kent University and have access to multi-disciplinary specialists throughout the UK academic community. In addition, we have formed a network of experts who work across a wide range of industry sectors who bring specific commercial knowledge to particular projects.

It is our people, their experience, expertise and creativity, who are our distinguishing hallmark. Skilful thinking is a combination of science – quantitative data and analysis – and art – qualitative insights and perceptions. Our people have uniquely mastered this combination. We take pride in our culture of inquisitive minds and creative determination and are committed to helping our clients succeed.

We work with some of the world's leading businesses, governments and institutions.

Centre for Future Studies
Stelling Minnis
Canterbury
Kent CT4 6AQ

T: +44 (0) 1227 709575
F: +44 (0) 1227 709420
E: insights@futurestudies.co.uk
W: www.futurestudies.co.uk

Our work has benefitted from the wisdom of the many commentators and businesses with whom we consulted. We are particularly indebted to the members of the BDO Expert Panel. Their insights and devil's advocacy were invaluable in shaping our thinking:

Nicholas Bate, Author & Consultant, Strategic Edge
Ian Brinkley, Programme Director, The Work Foundation
Dr. Robert Davies, Strategy Consultant, Imhotep Consultancy
Tony Dolphin, Senior Economist, IPPR
Rupert Merson, Former Partner, BDO
Peter Hemington, Partner, BDO

Graeme Leach, Chief Economist, IOD
Ian Pearson, Futurist, Futurizon
Stephen Radley, Chief Economist, EEF
Richard Snook, formerly Senior Economist, cebr
Lai Wah Co, Head of Economic Analysis, CBI

For more information, visit www.freedomtothink.biz

CONTACT US

If you would like further information about the series of Transitions reports, or the services BDO can offer, please contact your local business centre:

BIRMINGHAM

mark.anslow@bdo.co.uk
0121 352 6200

BRISTOL

simon.watson@bdo.co.uk
0117 930 1500

CAMBRIDGE

martin.kaye@bdo.co.uk
01223 535 000

CHELMSFORD

martin.kaye@bdo.co.uk
01245 264 644

GLASGOW

neil.craig@bdo.co.uk
0141 249 5234

HATFIELD

martin.kaye@bdo.co.uk
01707 255 888

LEEDS

ian.beaumont@bdo.co.uk
0113 244 3839

LONDON

simon.michaels@bdo.co.uk
020 7486 5888

MANCHESTER

jeff.jones@bdo.co.uk
0161 817 7528

NORTHERN IRELAND

francis.martin@bdo.co.uk
02890 439 009

READING

simon.watson@bdo.co.uk
0118 925 4408

SOUTHAMPTON

kim.hayward@bdo.co.uk
023 8088 1897

SOUTHERN REGION:

EPSON, GATWICK

sophie.hill@bdo.co.uk
01372 734 300

www.bdo.co.uk



'Tax Team of the Year' 2009 and 2008
'Audit Team of the Year' 2008
'Corporate Finance Deal of the Year' 2008

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Services Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

BDO LLP is the Data Controller for any personal data that it holds about you. We may disclose your information, under a confidentiality agreement, to a Data Processor (Shamrock Marketing Ltd). To correct your personal details or if you do not wish us to provide you with information that we believe may be of interest to you, please contact Steve Nelson on 0113 204 1279 or email stephen.nelson@bdo.co.uk

Copyright © February 2010. BDO. All rights reserved.



This document is printed on 9lives 80, a paper containing 80 per cent recycled fibre and 20 per cent virgin Totally Chlorine Free (TCF) fibre sourced from sustainable forests. 9lives 80 is produced by an ISO 14001 accredited supplier.