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Market Update – July 2007

The great escape

A new report from the Chartered Management Institute has found that a staggering 81% of companies are reporting recruitment problems at the management and executive levels – a fourfold increase since 2002 and the highest figure since the survey began in 1973.

The problem results from a combination of difficulties finding the right calibre staff and lack of effective strategies to retain existing staff. The survey found 7% of managers resigned last year, compared with 4.6% during 2005. According to the Global Workforce Index 2006 a dispiriting 48% of UK workers are unhappy in their jobs. This gives Britain the dubious distinction of being one of the most miserable nations in the world, in joint-23rd place alongside Thailand. Only Singapore, Russia, Turkey and Hungary do worse.

Wheale Thomas Hodgins' own research suggests that the most common reasons given by executives for handing in their notice was lack of career prospects and job insecurity caused by corporate restructuring. A year ago 37% of employers admitted to offering little training or career development to their managers and this rose to 51% in the latest CMI survey. The proportion of companies owning up to a sense of job insecurity among their workforce also rose from 20% to 27%.

In terms of retaining or improving efficiency levels or competitive edge, now is the time to discuss how your executives and managers perceive their future careers with you. The recruitment market is tipping in favour of the employee in many areas. To avoid salary inflation make sure your benefits, training and development plans are motivating your people, providing them with the skills they need and ensure their career aspirations are in line with your plans.

UK Economy

Despite recent rises in interest rates the positive sentiment in the economy is still strong. Indeed on the London Stock Exchange May was the strongest month for money raising through IPOs since July 2006. Twenty three new companies from 14 different sectors conducted IPOs on the Exchange's markets during the month, raising £5.7 billion between them including 13 AIM IPOs which raised £685.9 million.

Overall AIM shares have done rather well since the current bull market began in March 2003 as Stock Market Historian David Schwartz has commented. AIM gained 84 per cent in the last three and a half years which is about the same as the FTSE-100. However investing in new AIM entrants is often a poor deal for UK investors. A basket of new AIM shares typically delivers much less profit than a similar-sized basket of shares of older, more established AIM companies. The reason is straight

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forward; many new AIM companies are being floated with valuations that are unjustifiably high based on hype and hope rather than fact. This maybe good for the company being funded but is bad for investors who purchase these shares. Many AIM shares take a dip a few months after floatation so that's the time for the canny investor to buy before they recover and resume growth.

Ghost in the machine

If you are keen to invest in some thing new and you share the Google motto "Do no evil" then take a look at www.RepRap.org. This is a mind-bending example of how work and technology are changing in the 21st Century. Firstly the RepRap team are seeking to create a self-replicating machine – a staggering feat if they can do it which could revolutionise just about everything that is manufactured and have major impacts on nano technology, IT, medicine and healthcare…the list is literally endless.

To make what they are doing even more of a challenge to accepted wisdom, the RepRap team are adopting the mindset of British computer programmer Tim Berners-Lee who invented the world wide web and gave it to the world for free; the RepRap technology will be shared with everyone for free. If this way of working becomes widespread and the 21st Century's greatest technological advances are freely available to all then the next industrial revolution is happening now and all being plotted from Bath University.

Pound of flesh

Listening to all the kafuffle recently about the role and taxation of Private Equity you'd have been forgiven for thinking that involvement in the PE/VC world is open to just a handful of people. Whilst there are a few mega-stars in this sector (just as there are in football, films and music) there are many other people who rely on PE investments for their day to day income.

For nearly 20 years WTH has been brought in by Private Equity houses and Venture Capitalists to source talented executives to fill gaps in management teams at the businesses in which they are investing. Often the people we source are themselves willing investors in the business too helping more and more people to capture for themselves some of those illusive capital gains.