

The fork in the road – which way now for leasing?

Two years ago, in March 2010, Leasing World asked me to write an article before the general election. I chose to write a spirited piece forecasting that Labour would lose the election, VAT would then rise to 20 percent, that the Greeks would need at least one bailout, and that unemployment would rise to 9 percent



Sean Toms

I am glad to say that, two years on, unemployment has yet to reach this figure, but where are we today? The government's gargantuan £697.67 billion annual 2010/2011 budget is only being tinkered with at the edges, as it appears too difficult to risk the wrath of the electorate with real restructuring. The effect of overspending is a £43.9 billion annual interest charge on government debt, some £731.66 for each one of the UK's 60 million

inhabitants. Where is it all going to end?

Tough times demand creativity and resourcefulness, and they often reward the brave. Our industry has had the toughest of times since summer 2008, when a banking crisis was contained only to be replaced by a sovereign debt crisis.

What can lessors, finance houses, captives, and independents do? Everyone who is still in the industry has already cut costs, sold off or shut down divisions, closed unnecessary offices, implemented headcount and salary freezes, reduced benefits, stopped replacing leavers, etc. All of this was necessary to survive, and was probably a wake up call as in boom times inefficient businesses can survive, and even prosper.

However, none of these actions will grow your business. They will improve your ratios and impress the analysts or your bank parent at the next AGM, but you will not easily repeat the process next year.

The key to success for the economy, as with the finance and leasing industry, is to encourage growth. The government talks about growth but is not brave enough to implement measures to make it happen. For example, matching Eire's low rate of corporation tax of 12.5 percent would be a radical measure, as would abolishing, for two years, the 13.8 percent employers' National Insurance for all employees under 24 years of age, and those who have been unemployed for more than six months. This could have a dramatic impact, as would the abolition of all employment red tape for micro employers.

We need to encourage entrepreneurs to take risks but also to make it worth their while to do so. Who is going to be bothered to take risks if the government is going to take the greater proportion of their income?

In our industry there are excellent opportunities to take advantage of gaps in the market and some are doing so, with vigour. One of our clients has grown its balance sheet from £750 million to £1.2 billion in the last four years by doing just this.

Opportunities to make better margins are readily available as is the chance for SMEs to hire top people with strong records. In the past, top candidates would typically look to join only a tier one financier, attracted by a career path that promised them increased responsibilities, and a rising income for 30-plus years. This potential has largely disappeared with downsizing, the reduction in middle and senior management roles, and the shutting down of divisions and closures of businesses, which means that the days of job security in finance and leasing have gone.

Candidates attitudes to risk are now very different, they know that the job security of the past has gone and that their loyalty, despite personal success, will not protect them. A career is now about a series of projects where you move jobs to increase your income, and to be stretched and developed.

This presents fantastic opportunities for lessors who truly wish to grow in contrast to just shrinking their costs. High achievers who otherwise might not have considered any employer other than a top name are now receptive to joining bureaucracy-free meritocracies, where the potential to earn a high income is directly linked to their own performance, and the scope to develop themselves and the businesses they join is unambiguous and unequivocal. These high achievers, whatever their job function, are the only people who will help lift your business, and differentiate it from your competitors, and they are your only sustainable USP.

You can short circuit your access to these high achievers by working closely with professional finance and leasing recruiters. We possess years of experience sifting the good from the also-rans, and the bad, and have the skills to cut through the veneer of success on a CV to establish who really delivered what, with whom, when and on what basis. A professional recruiter will increase your choice of quality, qualified applicants, saving you considerable time and money, and can shorten your time to market. ■

SEAN TOMS, MANAGING DIRECTOR,
ROBINSON TOMS RECRUITMENT LTD
SEAN_TOMS@ROBINSON-TOMS.COM