

UKBAB 60 August 2007 Analysis

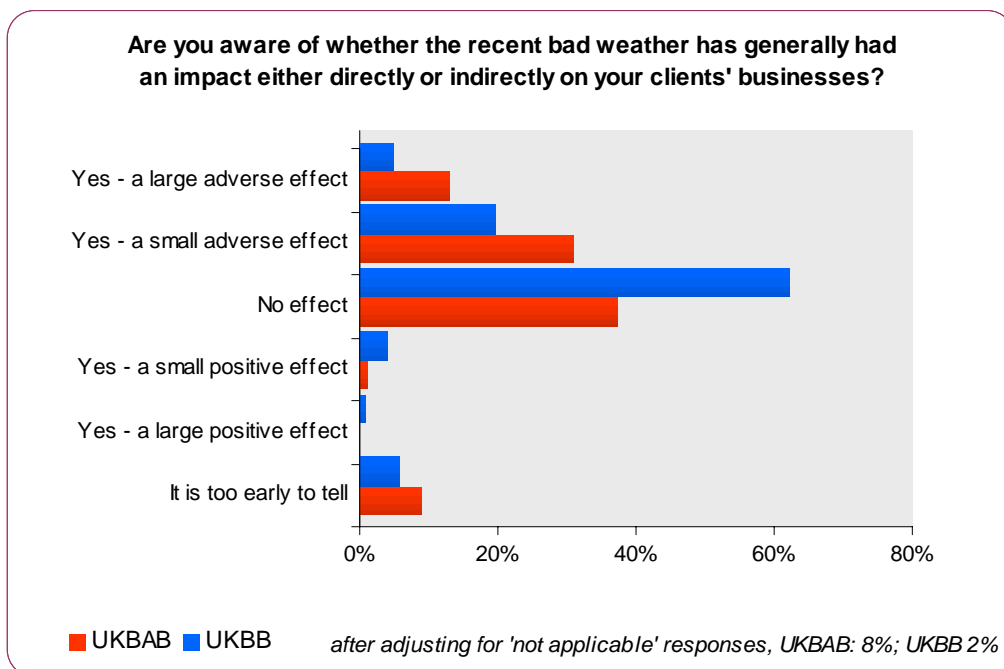
In the August survey we invited panellists to give their views on the recent bad weather, wages, public procurement, the reduction in the number of bank and building society branches, late payment, bank charges, business failures and new ventures and personality traits that contribute to success. In total 155 Business Advisers responded to this Survey.

Survey Findings

In July 2007 over double the average rainfall for England and Wales was recorded, with consequent extensive flooding in many areas. The three month period from May to July this year has been the wettest since the records began in 1766. 37% of respondents to the August UKBAB reported that the bad weather over this period has had no effect on their clients' businesses, 1% reported a positive effect and 9% said that it is too early to tell. However, 44% said that their clients' businesses have generally suffered - 13% rated this as a large adverse effect.

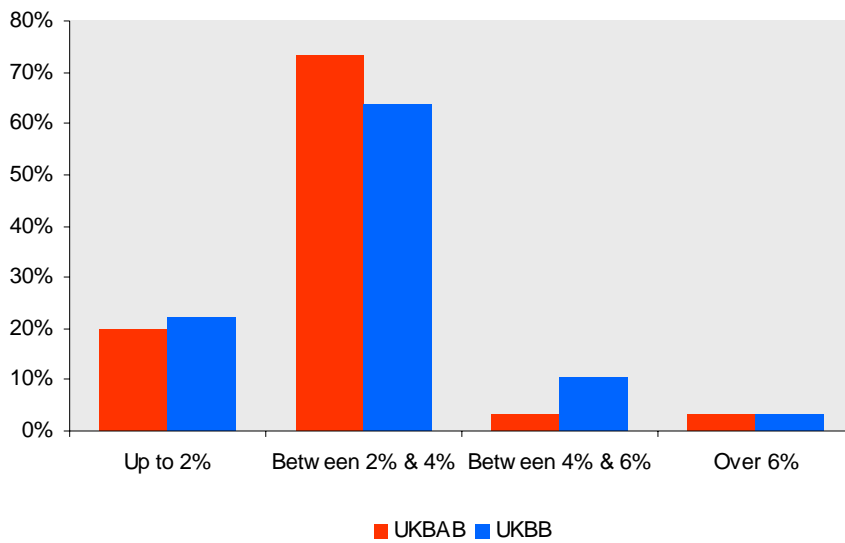
Businesses were asked directly whether the bad weather had an impact on their businesses in the parallel survey of businesses, the UKBB. The results are shown in the chart for comparison with BAB responses, and reveal that 25% of responding businesses have been adversely affected – 62% thought there was no effect, 5% said there was a positive effect and 6% said either that it is too early to tell.

One of the respondents to the UKBAB commented that some clients had suffered very badly while others had benefited so this respondents had not been able to provide an unequivocal response. Another UKBAB respondent's clients are located in a holiday area and their businesses are dependent on the tourism which was hit by the weather.



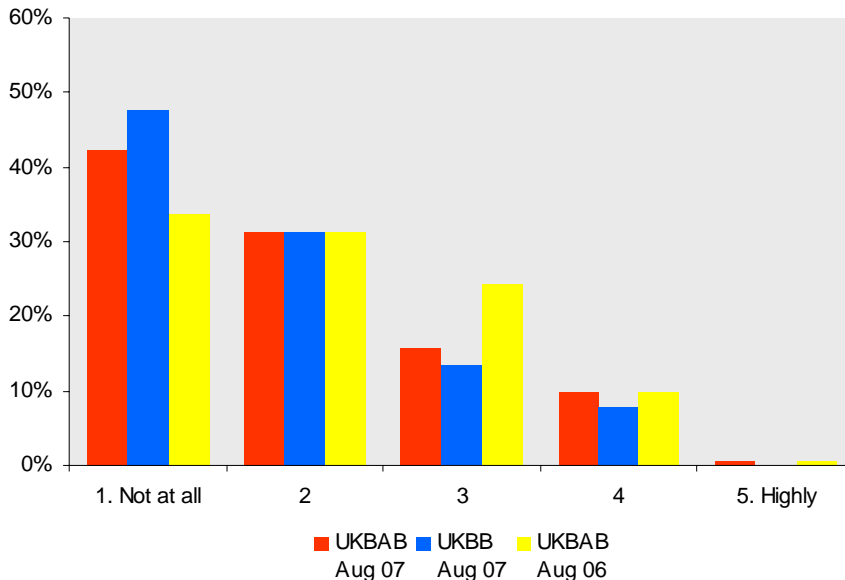
The recent increases in price inflation and interest rates have been finding their way through to wages and respondents to the UKBAB were more closely clustered than respondents to the parallel survey of smaller businesses, the UKBB. 20% expect wages to rise by less than 2% compared to 22% of UKBB respondents, while 74% expect increases of between 2% and 4% compared to 64% of UKBB respondents. Only 6% expect wages to rise by more than 4%, compared to 14% of UKBB respondents.

Across your clientbase, by how much do you expect wages to rise over the next 12 months?



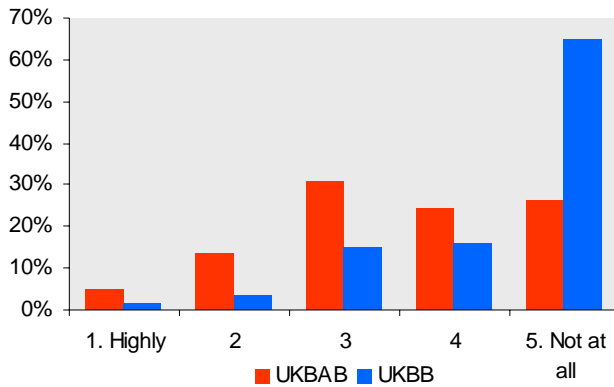
Involvement of smaller businesses in public procurement is still an issue. The UKBAB included a question on this a year ago and comparing responses from the August 2007 survey with those from the August 2006 survey, respondents are even more firmly of the opinion that attempts to make public procurement more open to smaller businesses are unsuccessful. 74% said 'not at all' or 'not very' this year compared with 65% last year, after adjusting for 'don't know' responses. The same question was asked of business advisers in the UKBB survey and 79% also thought that these attempts have not been at all successful, or not very successful.

Attempts have been made to make public procurement more open to smaller businesses. Compared to conditions five years ago, to what extent do you think that these attempts have been successful?



after adjusting for 'don't know' responses, UKBAB07 10%; UKBB07 26%; UKBAB06

The numbers of bank and building society branches has fallen by nearly 11% since 2002. To what extent has this reduction in the number of branches adversely affected your clients' businesses?



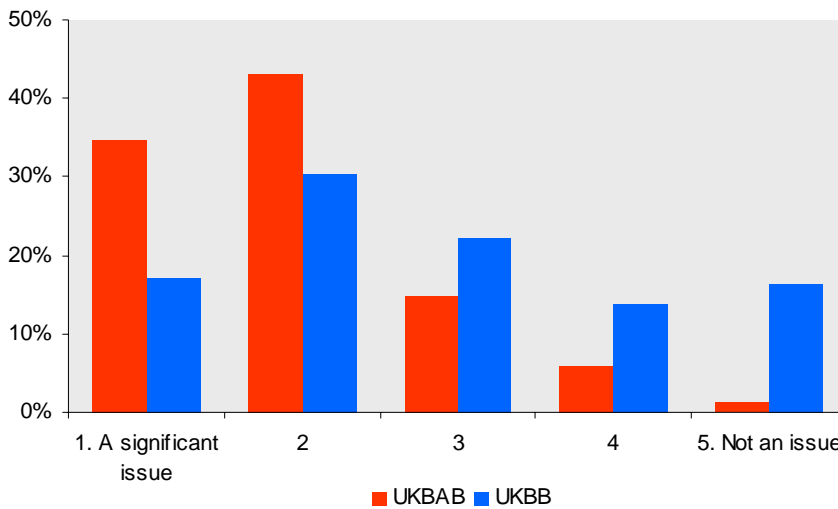
after adjusting for 'don't know' responses: UKBAB 8%

51% of respondents to the UKBAB say that the reduction in bank and building society branches has not affected their clients' businesses at all, or very little, while 80% of UKBB respondents, who are all drawn from smaller business, say that their businesses are hardly or not all affected by the reduction in numbers of bank and building society branches.

It was commented by one respondent that the problem was determined by the local area – not a problem in London but in some country areas, significant.

In spite of legislation allowing businesses to charge both interest and compensation for overdue payments, late payment continues to be a significant or considerable issue for the clients' businesses of 78% of respondents to the UKBAB and also for 48% of respondents to the UKBB, the parallel survey of smaller businesses. When this question was last asked, in February 2005, 65% of UKBAB respondents said it was a significant or considerable issue for their businesses, so this months UKBAB finding shows a worsening situation since then.

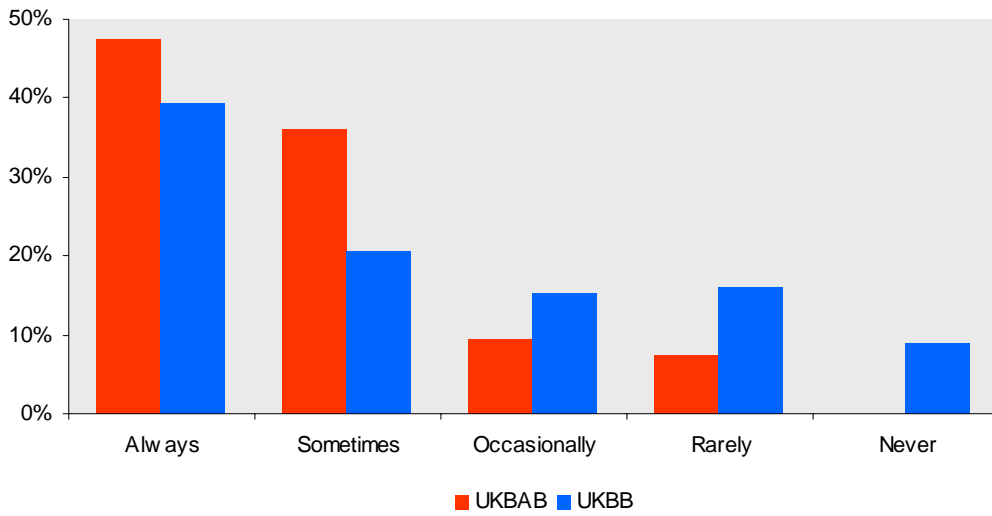
Generally, to what extent is late payment an issue for your clients' businesses?



There is evidence to suggest that on average businesses are increasing the length of time they take to settle bills. To avoid clients becoming victims of this, the UKBAB, panellists were asked to what extent they advise clients to assess potential new customers' payment practices before starting to trade with them. 47% do so always and 36% sometimes (after adjusting for 'not applicable' responses)..

In the parallel survey of smaller businesses 39% of respondents to the UKBB always check on the payment habits of new customers before they agree to trade with them. 21% sometimes make the check and 15% occasionally do, but 25% rarely or never do (after adjusting for 'not applicable' responses)

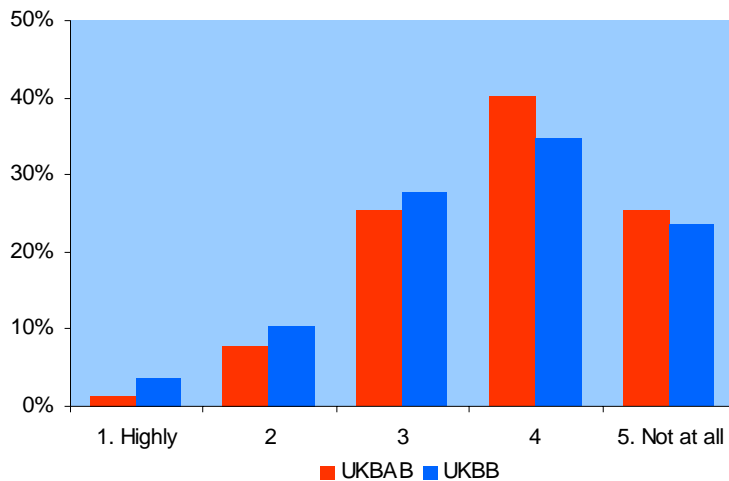
To what extent do you advise clients to assess(UKBAB)/try to ascertain(UKBB) new business customers' payment practices in advance of trading with them?



after adjusting for 'not applicable' responses, UKBAB 3%; UKBB 8%

Bank charges have recently become a focus for attention for both personal and business customers. In August the Competition Commission published its provisional decision to lift the temporary price controls imposed in 2003 on the UK's four largest banks servicing small and medium-sized enterprises (SMEs). The controls required the four banks to make available to SMEs an account that offered an interest rate of at least 2.5 percentage points below base or free money transmission services, or both. Even with the controls in place, only 9% of UKBAB respondents and 11% of respondents to the parallel survey of smaller businesses, the UKBB considered, to a high or reasonably high extent, that business bank charges were good value for money (after adjusting for 'not applicable' responses).

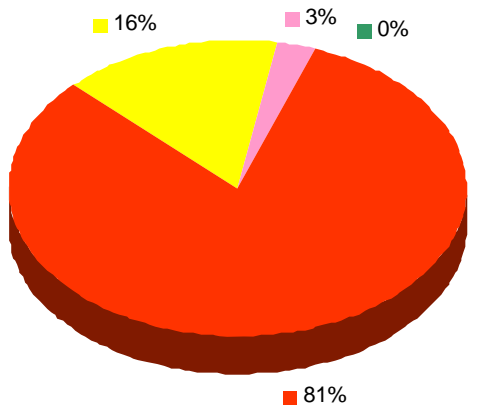
To what extent do you consider that business bank charges are good value for money in practice?



after adjusting for 'not applicable' responses, UKBAB 1%; UKBB 6%

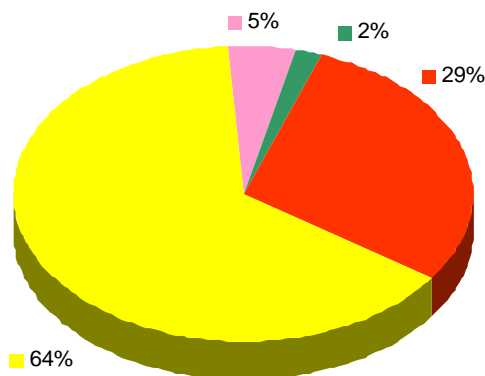
The August UKBAB survey included three questions on business failures and new ventures. While 81% of respondents think that less than 10% of their clients have a previous business that failed, 93% believe that it is likely or very likely that an entrepreneur who has had a business failure will try again in a new venture. The questions gave rise to some interesting comments. One respondents picked out the term 'entrepreneur' and made the point that there is a difference between an entrepreneur and someone who with a business idea. The former is more likely to go from project to project, failure or not, while the latter would be unlikely to go for a new venture if their business idea failed.

To your knowledge, what proportion of your client base has had a previous business that has failed?



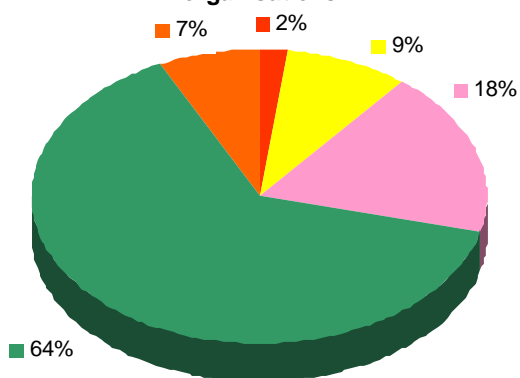
■ 0% - 10%
 ■ 11% - 25%
 ■ 26% - 50%
 ■ Over 50%
after adjusting for 'don't know' responses: 9%

In your experience, how likely is an entrepreneur who has had a business failure to try again in a new venture?



■ Very likely
 ■ Likely
 ■ Not likely
 ■ Very unlikely
after adjusting for 'don't know' responses: 3%

In your opinion, to what extent is the experience of a previous business failure regarded as a positive or negative factor by funding organisations?



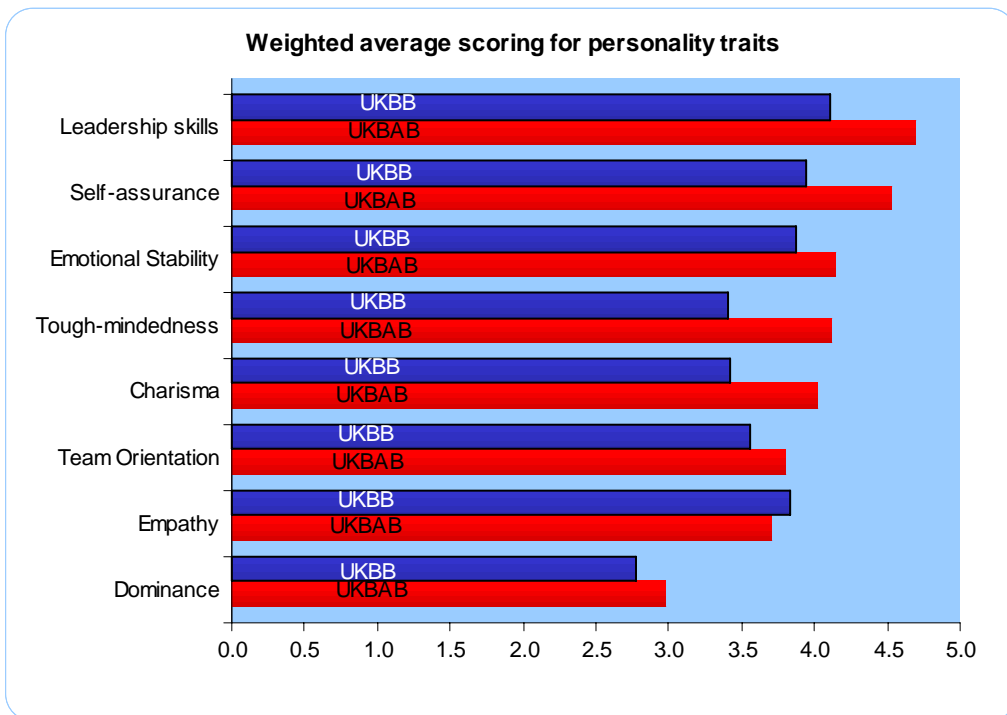
■ Highly positive
 ■ Positive
 ■ Neutral
 ■ Negative
 ■ Highly negative

Although 11% of respondents thought that previous business failure was regarded as a positive experience to some extent by funding organisations, 71% thought the opposite.

One respondent put it neatly, that "the true entrepreneur would've regarded it (failure) as positive, which conveys the eternal issue: businesspeople and lenders speak different languages either side of the risk equation".

Business success is very dependent not just on the marketplace but also on the quality of those running businesses. Psychologists have long been studying personality traits of successful people, in order to seek out those traits that are most vital in successful leaders. Discerning these traits is thought to be even more important as the rate of change in the business environment accelerates.

In the August UKBAB survey we asked the business adviser panellists to say how much certain personality traits contribute positively to business success and at the same time we asked panellists of the parallel survey of smaller businesses, the UKBB, to assess how much their own personality traits have contributed to their success in business.

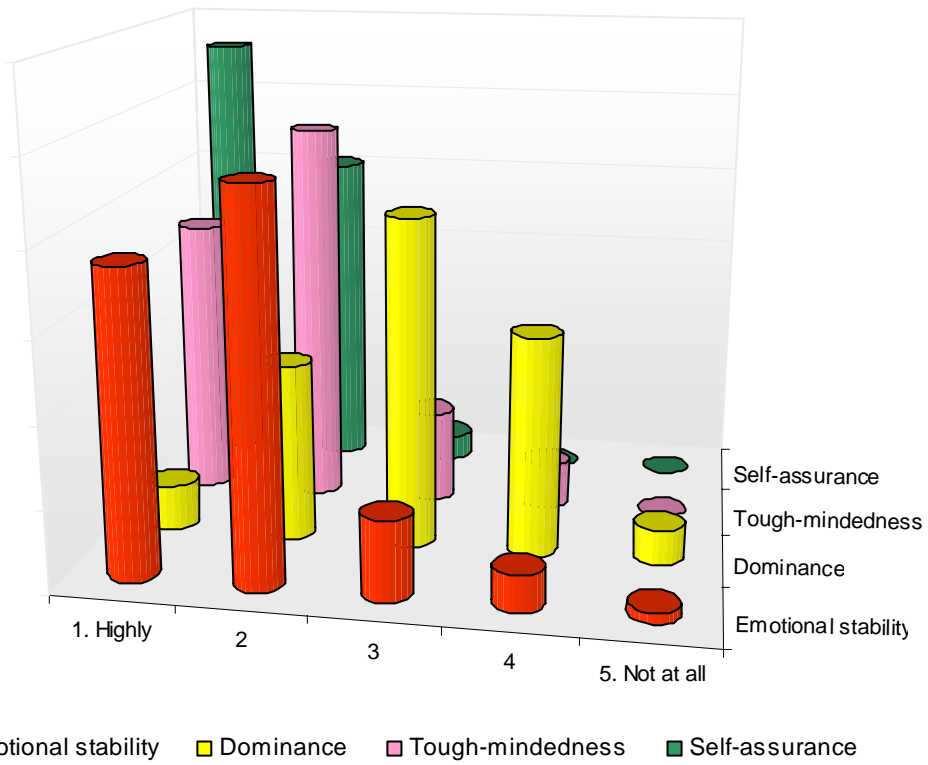
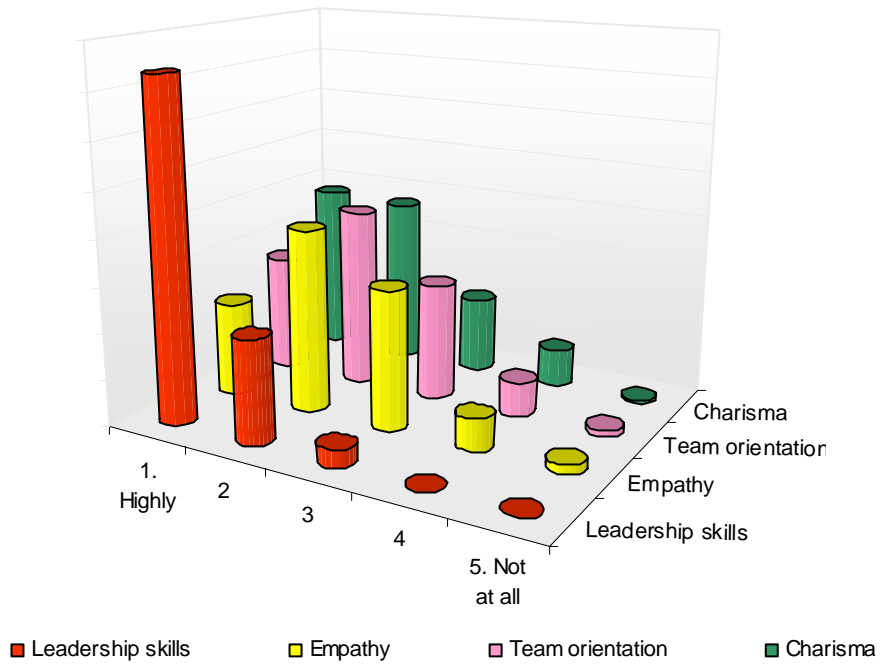


One UKBAB respondent sent a comments saying he found this difficult to answer as there are so many different ways in which you can have success in business, according to the type of business it is, varying from life-style business, high-risk growth business, established mature business etc.

The results of the two surveys - the UKBAB 'objective' assessment and the UKBB 'subjective' assessment – are shown together for comparison.

The two sets of results had much in common. The three personality traits that were rated most highly by both the UKBAB and the UKBB respondents were leadership skills, self-assurance and emotional stability. While UKBAB respondents' 4th-rated trait was tough-mindedness, UKBB respondents placed empathy 4th. Dominance was the lowest rated trait by both sets of respondents.

To what extent have the following personality traits contributed positively to your success in business?
Results from the UKBAB Survey



Listed below are some of the personal views supplied in feedback received from respondents to Survey BAB60 August 2007

Views expressed are those of individual panellists and may not represent those of the University.

Q2. Across your clientbase, by how much do you expect wages to rise over the next 12 months? *

Q2 I'd venture the opinion that many micro businesses will not increase wages as standard practice re inflationary effects at all; only if warranted by performance.

Q10. In your opinion, to what extent is the experience of a previous business failure regarded as a positive or negative factor by funding organisations?

Q10 Bet the true entrepreneur would've regarded it as positive, which I suspect conveys the eternal issue: businesspeople and lenders speak different languages either side of the risk equation.

.....it's difficult to answer in context when IMHO there's a huge distinction between being self-employed and being a true business owner: different skill set, mindset and responsibilities.

The question about bank branches is determined by the area in which you live. In London, no problem but in some country areas, significant (problem). Perhaps a question about the new, improved (!), postal delivery service (afternoons if you are lucky) could be included. Small businesses need to get their cheques in the morning and bank them the same day, not wait until yet another day has gone by.

The floods will have had a very beneficial effect on all building, furnishing and car businesses but have devastated Farmers, Bars, Restaurants and clubs. Holidays in the UK have suffered also. Insurance premiums are forecast to rise by 10%.

Lack of or presence of management skills may be regarded as the principal reason why one business succeeds and another doesn't.

The reason that the weather conditions have had an impact on my clients businesses is because we are a holiday area and depend extensively on tourism.

Q9. In your experience, how likely is an entrepreneur who has had a business failure to try again in a new venture?

Question 9 uses the word entrepreneur and research and experience suggest an entrepreneur will go with confidence from project to project without any consideration or rationalisation of failure. On the other hand someone with a business idea (as distinct from an entrepreneur) who starts and fails would be unlikely to go for a new venture. The current government obsession with becoming an entrepreneur needs to distinguish between entrepreneurs and people with ideas that are loosely described as entrepreneurial.

Q3. Attempts have been made to make public procurement more open to smaller businesses. Compared to conditions five years ago, to what extent do you think that these attempts have been successful?

3. A good start to Public Procurement was made in the East Mids two years ago with a series of events and workshops a large number of clients expressed an interest in attending the following year but the exercise wasn't repeated. SME's are not used to the public procurement process so awareness sessions, particularly on the tender process are invaluable.