

NEWS RELEASE

Wednesday 29th October 2008

SCOTTISH SMEs PAYING THE COST OF POOR BUSINESS CONTROL

A survey of Scottish SMEs has found that despite the difficult current economic climate, the vast majority are leaving themselves exposed to bad debt and the threat of failure by not implementing simple, and effective, process control procedures.

Over 230 SME's with a mobile workforce across Scotland took part in the survey conducted by Lanarkshire-based business solutions company Quarterback Systems. Each company was asked eight questions aimed at determining the level of organisation, financial control and operational flexibility of small businesses.

Alarminglly, the survey found that 76 per cent of respondents do not know what it costs to run their business on a daily basis, while 44 per cent admitted that they had in the past either not invoiced, or failed to bill a client for some completed work.

All mobile businesses require a workforce scheduling system. However, 44 per cent of respondents claimed that a single person schedules and manages staff and vehicles, which represents a massive information bottleneck. It also demonstrates a complete reliance on the skills, availability and health of a single person operating at the core of the business.

Other key highlights of the survey included:

- 67 per cent of Scottish SMEs have no established electronic system to manage their business and rely on paper files.
- 65 per cent do not use, or are aware of, satellite tracking

- more -

Craig Robertson, director of Quarterback Systems, said: “The economy relies heavily on the success of SMEs, but this survey has highlighted that Scottish SMEs are failing to take steps to ensure that they’re resilient enough to weather the current economic climate.

“It’s now more important than ever to have effective control procedures in place and it is extremely worrying that 76 per cent of those surveyed didn’t know what it costs to run their business on a daily basis. A little control goes a long way to putting a percentage point on profits for no extra cost.

“If a business with a mobile workforce relies on a whiteboard and a desk diary to create invoices, then it probably has no idea about the true cost of doing that job. We know of companies who photograph their whiteboards and create invoices from the pictures. There are others who have no idea where their equipment is or how much work is carried out daily by each worker. Anyone who has information stored in unconnected paper based systems perhaps has a business with an uncertain future.

“For a business that is content to operate the same way as always, with no plans to grow and has guaranteed market share, then this is a perfect situation, but these companies are thin on the ground. However, for a company with aspirations for growth and survival beyond next year, it’s vital to have efficient procedures in place with smart technology supporting them.

“In this recession bound economy, it will be the business owners who have access to real time information, and can take informed and sometimes hard decisions that will survive.”

Quarterback Systems was launched in 2007 by Owen Barrett and Craig Robertson as a spin-out company from diamond drilling firm Clyde Valley Drilling (CVD) Ltd. CVD developed the iQ software after failing to find an affordable and capable software package that would allow it to streamline its business processes.

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- more -

iQ has transformed the performance of CVD and other companies by enabling greater control of business processes by integrating process and cost control systems, job allocation, satellite and plant tracking software and a document management system.

iQ is a simple web-based solution that requires minimal training and produces an instant return on investment due to efficiencies and centralised information. Within just one year iQ helped CVD and other case studies report ten times return on investment (ROI).

The iQ software received a number of IT business awards in 2006/2007 including the Scottish Enterprise award for E Business, UK Chamber of Commerce Award for Impact of Technology and, the Orange Award for best use of technology.

Ends

Issued by The BIG Partnership on behalf of Quarterback Systems

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Full details of the survey are attached

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Date: 08 November 2008
 Ref: iQ SME Survey September 2008

The Tail Wags the Dog

Background

Quarterback carried out a survey over June to August 2008 focused on companies with a mobile workforce. These companies were asked a short series of questions aimed at gathering information about the way small businesses operate in the current economic climate.

The Questions

The questions were aimed at determining the level of organisation, financial control and operational flexibility of small businesses.

- How many staff do you have within your workforce?
- Do you own your own vehicles and equipment?
- Do you use a management system or process?
- Do you track your vehicles?
- Can you manage profitability by site/project and client?
- Does your business rely on just one person for scheduling and management of staff and vehicles?
- Do you know how profitable your human assets are?
- Have you ever lost an invoice or under-billed a client?

The Responses

Out of over 500 businesses contacted, 232 surveys were completed: often after two or more telephone calls to speak with a Director or a person at managerial level.

These responses caused some surprises by indicating that at least half of all small Scottish businesses have an archaic attitude towards technology, and prefer to entrust the future of their company to paper systems, dry wipe boards and the skill and memory of trusted individuals.

However, these companies also have no clear picture of whether they will make a profit until the end of the financial year, because they cannot accurately gauge cost against

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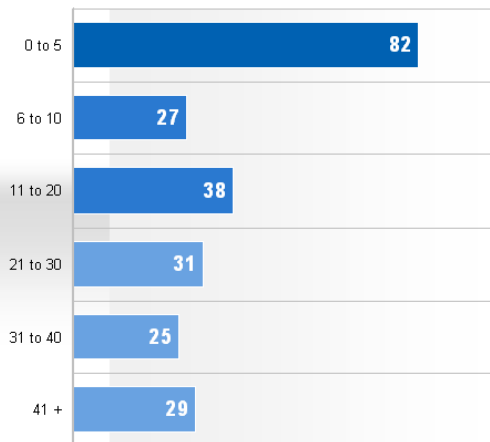
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income on a job-by-job basis and, generally allow their employees to dictate the future of the business.

How Many Employees?



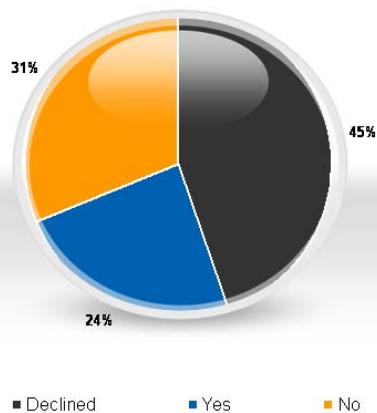
The survey of 232 companies highlighted the large number of companies at 0-5 staff, which reflects the DTi 2007 survey: the majority of UK businesses are SME companies.

Some companies were growing, many were static and some had their future to consider. We made no distinction between a two man outfit and a major enterprise.

What was common was that all of the companies surveyed did not have access to enterprise level software in the global corporation bracket.

They survive by the skills of their workforce and with the tenacity and inventiveness of their owners in a worsening economic climate. Everyone had some way to try and keep the business running – but none had access to iQ.

Can You Examine Cost & Profit By Project? – It's Essential Information



76% of all those surveyed did not know what it cost to operate their business on a daily basis, what their costs were on each job and, what members of the workforce actually contributed to the profits.

This is essential information for business survival when the economy is turning austere.

Why work for a difficult client when you know the other nine pay on time and offer higher margins? Why employ someone who is unproductive or disruptive?

If nearly a third of all businesses have project costing issues that affect their cash flow and profit, then it's likely this lost margin is added to other work: so we all pay for it.

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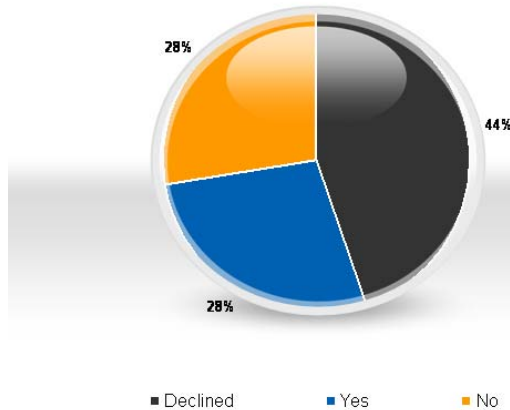
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This highlights a lack of simple and easily implemented control procedures for projects and employees. However, some companies will never be too concerned about the tail wagging the dog. Which is why we include the 45% who declined to answer in the 'No' camp, because if you had it you would shout about it.

Ever Not Invoiced Or Under-Billed Clients? - & How Would You Know?

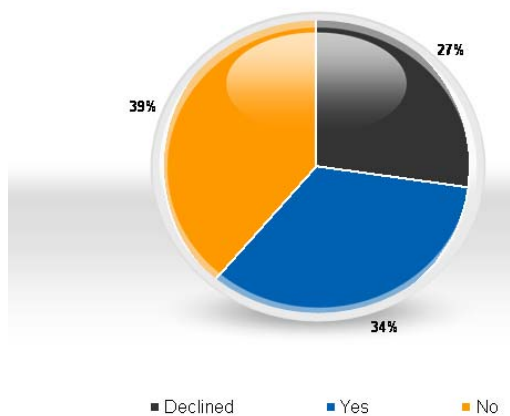


If three quarters of all businesses surveyed cannot be sure on a daily basis whether work has been correctly invoiced or if a project is making or losing money - then they are probably handing their accountant a bin liner full of receipts every few months. What's the point!

By then it's too late, the job is done and the final account should be paid and then you discover a week's work that was never invoiced. Because it was not properly tracked, and there was no control mechanism to require jobsheets, to prompt for an invoice and offset the

costs allocated to the project.

Tracking Vehicles and Assets



66% of organisations surveyed own their own vehicles, however, 65% of those claimed not to use, or to be aware of satellite tracking within their business.

An employee with an untracked vehicle may not be on-site at the correct times, incur personal mileage on to fleet vehicles without the correct taxation payments, and with the expense of fuel this represents a financial gray area costing SME's £millions.

By installing simple cheap tracking systems SME's will reduce fuel costs,

increase productivity through enforcing site attendance times and possibly reduce insurance premiums.

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Employees who resign when or because vehicle satellite trackers are installed are unlikely to be leaving due to a human rights issue.

Can You Track Your Assets? – Inventory and Repair Costs

Six out of the 232 companies we spoke to said they had an asset tracking system of some description.

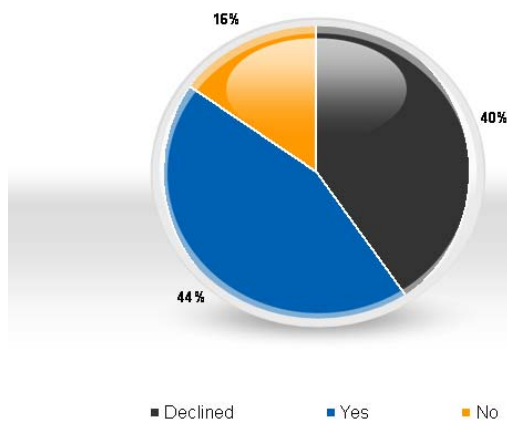
We think there are more than that, but it's probably spread across various filing cabinets, stapled to the wall in the stores, on a whiteboard or somebody 'just remembers'.

For companies with a few vehicles, employees who look after their tools and don't treat £500 nail guns as disposable items – asset tracking is not a priority.

However, our experience is that this scenario is not common and recording the location of all company property is better than having to spend money because you can't find it.

Our experience also dictates that a simple way to do this and record the repairs on vehicles and plant machinery, allocate costs against client sites and employees for damages – is one way to find out where the profit is going.

Do You Rely On One Person To Schedule The Workforce? - Stressed Operations Manager Syndrome



All mobile businesses must have a workforce scheduling system. However 44% of all respondents claimed that a single person schedules and manages staff and vehicles, which represents a colossal information bottleneck and hardly a 'system'.

This demonstrates almost complete reliance on the skills, availability and health of a single person, who is also the single point of failure: provided they are not allowed holidays and never take sick leave.

It is likely that this one person relies on a desk diary, spreadsheets or a dry wipe whiteboard to allocate workers to jobs.

This is fine for a small company, but not a growing one, or a surviving one.

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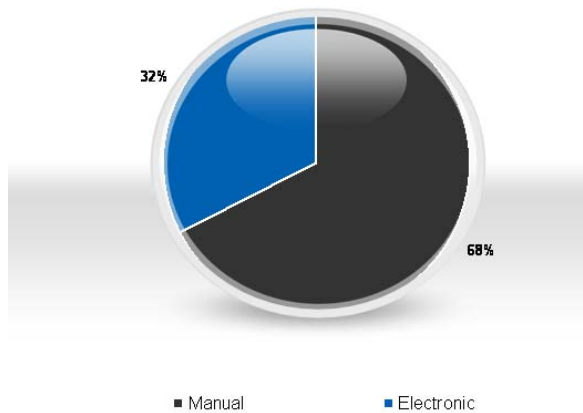
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Scheduling & Management Systems

Do You Have An Electronic Data System? - Well, It Just Happens...



Two thirds of all businesses surveyed had no established electronic process or system to help manage their business.

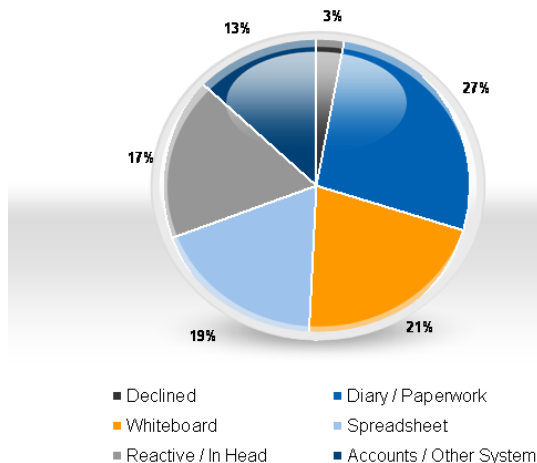
The desk diary, whiteboards and paper are all used, possibly backed up by a spreadsheet and usually someone remembering who was where & when, so that an invoice can be created the following month.

Smaller businesses need all the help they can get to keep existing work, win new business, provide information to back-up their invoices, and to argue with their

larger clients about unjustified late payment.

If a small business has all its scheduling, documentation, invoicing and cost breakdown for every contract available within three mouse clicks, that puts them at a higher level than most of their clients, and in a far stronger negotiating position.

Manual or Electronic Management? - Well, It Just Happens...



Post-its, whiteboards, desk diaries, the accounts system, spreadsheets or paperwork – or is it reactive?

Someone does it and it works, but it's not joined up and relies on staff members to reconcile the two. We know of two companies who use whiteboards for scheduling then photograph them before clearing the week off and using the picture as a guide for invoicing.

If it's worked for 20 years why should they change...? The Government recently committed to providing more assistance to SMEs that have a future

and growth prospects, but you cannot sustain or grow a company on a dry marker whiteboard and a desk diary.

Without involving any radical steps except a desire to control your business and to use some iQ, any business will benefit from basic information to help it perform.

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IQ provides tools to schedule, document, job cost and invoice your mobile workforce's hard work: hassle-free.

Its not rocket science, but it is your business.

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Survey Response Statistics

Size of Workforce	# Companies	Percentage
0-5	82	35%
6-10	27	12%
11-20	38	16%
21-30	31	13%
31-40	25	11%
41-50	15	6%
50 Plus	14	6%
Total	232	

Own their Vehicles and Equipment	# Companies	Percentage
Declined to Answer	47	20%
Yes	154	66%
No	31	13%
Total	232	

Do you use a management System	# Companies	Percentage
Declined	47	20%
Yes	154	66%
No	31	13%
Total	232	

If So What System	# Companies	Percentage
Declined	7	3%
Diary / paperwork, post-its, job cards	62	27%
Whiteboard	49	21%
Spreadsheet	43	19%
Reactive / In Head	40	17%
Accounts or Other Database System	31	13%
Total	232	

Manual or Electronic Systems	# Companies	Percentage
Manual	152	68%
Electronic	73	32%
Total	225	

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Track Vehicles	# Companies	Percentage
Declined / NA	63	27%
Yes	80	34%
No	89	38%
Total	232	

Can you manage Profitability by site/project/Client	# Companies	Percentage
Declined	104	45%
Yes	56	24%
No	72	31%
		0%
Total	232	

Does your business rely on just one person for scheduling of staff and vehicles	# Companies	Percentage
Declined	93	40%
Yes	103	44%
No	36	16%
Total	232	

Do you know how profitable your human assets are	# Companies	Percentage
Declined	103	44%
Yes	50	22%
No	79	34%
Total	232	

Have you ever lost an invoice or under billed a client.	# Companies	Percentage
Declined	104	45%
Yes	64	28%
No	64	28%
Total	232	

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