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Banking support for entrepreneurial new venturers

Toward greater mutual understanding

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Abstract

Purpose – In light of the current global economic turmoil and ongoing recessionary pressures, the purpose of this paper is to examine the relationship between banks and those seeking to launch and develop entrepreneurial small businesses. The authors aim to explore how the quality of that relationship can impact the level of financial support for start-up and early-stage business ventures.

Design/methodology/approach – Currently economic confidence is at a generational low, the financial services sector is in turmoil and relationships and understanding between the banks and the small business sector have become increasingly toxic. On top of this, the nature of relationships between banks and entrepreneurial new venturers are seen to be persistently determined by the interests of banks. This research seeks to provide new insights to how these relationships have and might yet evolve. In light of the exploratory nature of the research, a qualitative research methodology was considered appropriate.

Findings – A number of issues were identified that indicate that the relationship between small firms and their banks appears to be very damaged. Of concern to banks was the general antipathy with which they were viewed by the entrepreneurs in the study where the pervasive view was one of general hopelessness and lack of trust and confidence. Participants viewed banks as insensitive and lacking in any empathy around their circumstances as small firms in stressful economic conditions.

Research limitations/implications – Given the qualitative nature of this research, based on a small sample of participants it is not intended to be generalizable to a wider population. A number of valuable insights emerge from the research around management challenges that exist at the micro relationship level between banker and entrepreneur. The need for meaningful relationship management by banks with small business clients based on a longer-term perspective, empathetic and specialist knowledge and informed advice emerged as issues within this research, as did the relationship benefit of having greater stability in local branch staffing levels.

Practical implications – The research suggests that there are consequences where localised decision making has been largely removed from UK banks' retail branch networks and managers appeared to be disempowered from making local judgments on the financing needs of small firm customers. However, such an environment can create an opportunity for bank managers to choose to engage with small firm clients in a more personal way. Limiting this potential however is the recognition that such an engagement would demand significant disaggregation in banking services, with all the targeted resource implications that would imply.

Originality/value – Recent studies have highlighted the need for further research into how banks might provide better support to those within the small firm sector in times of tight credit, particularly given the current turmoil in the world's economy and the on-going impact of the ensuing recession. This research provides a number of new insights to the challenges facing local bank managers in developing and maintaining positive relationships between themselves and entrepreneurial new venturers.

Keywords United Kingdom, Banks, Entrepreneurs, Relationships, Business support services, Business formation, Funding, New ventures

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Introduction

This paper examines the relationship between banks and those seeking to launch and develop entrepreneurial small businesses. The authors explore how the quality of that relationship can impact the level of bank financial support for start-up and early-stage business ventures. They argue that the stronger the personal relationship between the lead entrepreneur and the bank manager, the greater the potential for mutual understanding and the greater the level of informed decision-making by the lending bank. Currently, economic confidence is at a generational low; the financial services sector is in turmoil and relationships and understanding between the banks, institutionally, and the small business sector, in particular, have become increasingly toxic. Given the importance of such relationships, it is appropriate at this time to seek insights to the experiences of entrepreneurial new venturers, and gain a better understanding of the extent to which bank-venturer relationships have developed. Adopting a qualitative methodology, this research study explores the experiences of ten start-up/early-stage entrepreneurs with respect to their banking relationships. The paper is structured in six sections with an initial contextual discussion around the macro issues framing the small business-bank relationship. The second section examines the relationship in general, while the third section of the paper examines the specific relationship challenges between banks and small businesses. The fourth section describes the methodology, and the findings are reported in the fifth section. The final section of the paper provides a discussion on the implications of the findings, along with a conclusion and agenda for future research.

Background and context

The importance of the small firms' sector in economic development has been the focus of increased government attention over the past decade, with a renewed focus throughout the current recession in both the UK and broader EU (Tyler, 2011). Central to this ongoing discussion has been the role of banks in financing small to medium-sized enterprises (SMEs) (European Commission, 1994; Cruickshank, 2000; Competition Commission, 2002; Vickers, 2011; Finalta, 2011). Research suggests that in the last two decades banking has changed from a transaction-orientated to a relationship-oriented business model (Webster, 1992; Dibb and Meadows, 2001). Despite the advent of new technologies, which can place personal and business clients at a distance from local branch decision-makers, there remains on-going efforts to sustain aspects of the "personal" in those relationships (Lee, 2002; Howcroft *et al.*, 2007; Durkin, 2007). Accordingly, the challenges to improve the quality of the relationship between small firms and banks have received a great deal of attention in the academic literature (Moriarty *et al.*, 1983; Perrien *et al.*, 1996; Tyler and Stanley, 1999; Howcroft *et al.*, 2007).

Looking at the small firm-bank relationship from the broader perspective of public policy, an EU White Paper from 1994 stressed the importance of improving relations between financial institutions and SMEs (European Commission, 1994). However, there has been little apparent improvement in relationships over the intervening period. In 2000, the UK's influential Cruickshank Report accused UK banks of operating within a series of complex anti-competitive monopolies that continue to push small firms towards bank borrowing rather than equity finance (Ibbotson and Moran, 2003). This accusation triggered an investigation (Competition Commission, 2002) into the provision of bank services to small firm owners and entrepreneurs seeking to establish

and grow their enterprises, and prompted various government actions to try to help stimulate supply side support (House of Commons Treasury Committee, 2011; Project Merlin, 2010). To some extent, the importance of these interventions stemmed from a realisation of the significant contribution that such small enterprises make to the economy. Accordingly, it is easy to understand why the financing of such firms and, specifically, the development of more positive relationships between them and the banks is so important. In addition to making a significant contribution to the UK economy, small firms also make an equally important contribution to bank profits. It has been estimated, for example, that four of the main UK banks service approximately 80 per cent of small firms in the UK, and that these firms are more profitable than the average retail customer, with levels approaching 20 per cent (Vickers, 2011; Hogg *et al.*, 2003; *McKinsey Quarterly*, 2003).

On the demand side, competition between banks on current accounts is muted by difficulties of switching between providers and by a lack of transparency relating to the banking services on offer. In short, consumers are often not well placed to make informed choices between effectively competing suppliers of banking services (Vickers, 2011). The question of financing entrepreneurial new ventures and the relationship of business entrepreneurs with banks is therefore of extreme importance to the banks themselves; indeed, small firm owners also have a vested interest in improving their relationship with banks if they are to obtain appropriate financial support and better financial advice.

Recently, this debate has become more acute and certainly more complicated by the almost universal drop in public confidence in banks and the banking sector prompted by the "bonus culture" and lavish life-styles of banking executives. According to Ernst & Young (2011), in comparison to other developed economies, customer confidence in banking within the UK has fallen dramatically, with 63 per cent of customers stating they have lost trust with the banking sector. As a consequence of the current economic crisis, retail banks are experiencing enormous challenges with regard to managing customer relationships and, in the context of their small business clients, are under constant criticism for not doing enough to support such enterprises, particularly with respect to the supply of loan funding (Tyler, 2011). In light of such toxic publicity, those within the banking sector are under pressure from government and public opinion to take steps to revise their approach to the small business sector, in particular, and to seek to rebuild trusting relationships with small business customers.

Small firm-bank relationships

The consensus amongst commentators is that relationships with the small business sector have traditionally been neglected by banking institutions (Irwin and Scott, 2010; Turnbull and Gibbs, 1987; Butler and Durkin, 1998). However, as a result of recent turmoil in the world's economy and the ongoing impact of the ensuing recession, banks find themselves in a quandary about how best to support those within the small firm sector in times of tight credit (Irwin and Scott, 2010; Hyz, 2011; Berger and Black, 2011). With increasing deregulation, market fragmentation and increased competition they face real challenges to establish long-term relationships with their small firm customers in order to retain and, if possible, increase market share in an environment where credit opportunities are tight and likely to get even tighter (Lindstrand and Lindbergh, 2011; Berger and Schaeck, 2011).

Research by Tyler and Stanley (2001) identified how developing and maintaining personal relationships was the preferred methodology of more experienced entrepreneurial practitioners when interacting and communicating with their banks. In their research, participants distinguished between the manager in the branch, the individual, the bank and the institution. What seems clear is that business practitioners find it difficult to separate the relationship from the actual delivery of the service (Tyler and Stanley, 1999). Research by Moriarty *et al.* (1983) into business-bank relationships has also revealed that the size of the customer's business can be an important factor in determining the nature of the relationship. They suggest that, as companies grow and their financial needs increase both in absolute terms and in terms of their complexity, the banker-customer relationship typically changes. In this regard, the developing small firm becomes even more dependent and will seek closer, more socially based banking relationships compared to their larger counterparts. Research recognises that the key components in determining the quality of any relationship are trust and commitment (Morgan and Hunt, 1994) – qualities likely to have been developed over a significant period of time, and in circumstances when matters between actors in the relationship progressed to their mutual benefit. The communication and sharing of information in an open, complete, accurate and understandable way contributes significantly to determining the levels of trust and confidence (Tyler and Stanley, 2007). More often than not, the latter circumstances present a real test of the value of a relationship. During the recession of the late 1980s, the level of trust and confidence in the UK banking community across the small business sector was seen to fall because of the determination of the banks to prioritise their own interests in the prevailing circumstances, as well as their failure to mirror their small business customers' service needs (Chaston, 1994). Information asymmetry lies at the heart of any understanding of how trust emerges between actors within a dyadic relationship, where there is a required openness and transparency in the way that information is developed and exchanged. In the context of the small business-bank relationship, issues of information asymmetry have been widely found and are argued to be underpinned by fundamental differences in organisational structure, culture and processes between the relationship parties (Butler and Durkin, 1995). Consequences of this organisational "mismatch" are also evident in the information asymmetry issues identified in various research studies, *inter alia,* Binks and Ennew (1994); Deakins and Hussain (1994), and Stiglitz and Weiss (1981).

Challenges facing the small firm-bank relationship

Research conducted by Butler and Durkin (1995), which focused on start-up and early-stage small firms and examined their bank relationships, found that organisational differences between small firms and banks give rise to many of the interaction difficulties that exist in attempting to develop and manage meaningful relationships. For example, they established that while banks saw themselves as procedural, systematic and prudent, entrepreneurs saw banks as obstructive, procrastinating and fearful. Conversely, while small businesses saw themselves as risk-taking, entrepreneurial and innovative, banks saw them as reckless, foolhardy and immature.

Given their distinctly different structures, characteristics and experiences, it should not be surprising that small firms and banks find it difficult to develop good working relationships. Following Mintzberg's (1981) classic categorisation of organisation

structures, the bank is a "machine bureaucracy", wherein rules and regulations tend to supersede managerial discretion. Decisions are routinised; unanticipated problems upset systems and challenge managers. In contrast to this, decision-making within the typical entrepreneurial small firm is essentially organic and informal in character. The owner-manager makes his or her own decisions, usually quickly, and often intuitively. Nutt (1989), reporting on cultural influences in bank loan decisions, suggests that the personal decision style of bank executives has less impact on their decision making than the culture in which they operate. In almost every aspect of organisational structure and behaviour, the typical bank and the typical entrepreneurial small firm are at opposite ends of a continuum.

A further understanding of the challenges that exist between bank officials and entrepreneurs can be found in terms of empathy. There is a profound difference in the realities of the daily working lives of both sets of actors. The branch bank manager – and it is at this level that the vast majority of small firm owner-managers contact the bank – has been socialised in process, procedure and standardisation of work. This leads the bank manager to tend to analyse, prioritise and to attempt to impose a particular kind of order on the small firm, whose internal and external environments are radically different from those of the bank (Binks, 1991; Butler and Durkin, 1998). This is the opposite of the entrepreneur's view and understanding of the world and of what makes a successful manager, i.e. taking risks, informally planning, following hunches (McGowan and Durkin, 2002).

Szmigin (1993) noted that for more effective relationships between the small firm and the bank both actors needed to recognise that this was both a time-consuming and resource-intensive activity, which would require a more thoughtful and sensitive level of engagement. In the early stages of any relationship between the small firm owner and the bank there would be a need for both parties to better understand the potential in developing a relationship based on mutual understanding and appreciation. Implicit in this process are the formulation of perceptions about how the relationship will manifest itself. For example, the balance of power will be established and the small business (the weaker partner) will typically become dependent on the bank (the stronger partner). Dwyer *et al.* (1987) and Szmigin (1993) refer to this process as the establishment of norms and the grounding of expectations. Within the context of this paper, it would typically involve the small firm owner having to adapt his or her behaviour, making an effort to understand and to conform to bank protocol, satisfy bank information needs and learning how to satisfy generic lending criteria. In this context, the role of the entrepreneur's network, it is argued, can be an important resource because those within such a network can help influence the bank's lending decision by providing references and even collateral if needed. For small firm owners and start-up entrepreneurs such networks may include friends, colleagues and accountants, who can help the small firm owner to better understand how to navigate the bank's informational requirements used to inform lending decision-making (Butler and Durkin, 1998).

A recent study in Scotland found that "there were problems for entrepreneurs concerned with matching the information required by the bank, due diligence and the financial modelling process, timing and understanding of their businesses" (Deakins *et al.*, 2010, p. 207). What emerges from a review of the literature is a real need for small firm owners and banks, at the level of the branch as well as at a corporate level, to

better understand each other's worlds and for each to be much more sensitive to those circumstances. What is needed is for each party or actor to recognise the unique circumstances that characterise each other's enterprises and to manage the relationships between them with a view to greater mutual understanding.

Against this background, the study examines the current state of the small firm-bank relationship from the perspective of the early stage entrepreneur, and establishes the issues deemed central by him/her to improving the quality of the relationship to the potential benefit of both bank and small firm.

The study

In order to identify and explore such issues, a qualitative research methodology was adopted, with perceptions gained from small firm owner-managers. A qualitative research methodology was considered to be appropriate for two reasons: firstly, the research was essentially exploratory and under these circumstances, a qualitative research method is considered appropriate (Miles and Huberman, 1994; Hirschman, 1986). Secondly, there is a dearth of empirical research on small firm-bank relationships in the current economic context. A purposive sampling approach was adopted for this research in line with what Saunders *et al.* (2009) refer to as "a method which focuses on selecting those cases on the basis of making a point dramatically or because they are important" (p. 590). Ten early stage small firms based in Northern Ireland were selected across a range of industrial sectors including:

- advertising and PR (one firm);
- retailing (four firms);
- estate agency (one firm);
- internet business (one firm);
- light engineering (two firms); and
- childcare service (one firm).

All of the businesses employed between two and six staff, and they had all been in existence for three to five years. Three of the interviewees were female, and the average age of the sample was 30 years, with the oldest being 49 and the youngest being 23 years. The Appendix illustrates the respondent profile. The interviews, which lasted for approximately 90 minutes, were conducted on a face-to-face basis and recorded to facilitate transcription.

The interview guide was based on a review of the literature and displayed sensitivity to the new economic context in which both banks and small firms find themselves.

Accordingly, the interview guide themes were as follows:

- the perceived nature of the small firm-bank relationship (in general terms);
- the perceived nature of the small firm-bank relationship with respect to lending decision-making and financial support in the current climate; and
- ways in which relationships could be improved in order to help small firms grow.

Given the qualitative nature of this research, based on a small sample of participants in a specific geographical context, the findings are not intended to be generalizable to a

wider population. However, our study does seek to provide insights to how small business-bank relationships have evolved (and, indeed, might yet evolve) in the current economic climate.

Findings

Theme 1: Nature of the SME-bank relationships

All respondents perceived that their banking relationship had changed in recent years. A generally held view was that banks no longer wanted to do business with small firms in the way they had before the economic crash, and that banks now displayed a general discomfort with taking risks. Respondent 3 commented that there was a "lack of a real relationship now between the small firm owner and the banker". Respondent 2 went further, stating that "they [banks] have pulled the plug on a lot of people and in particular small businesses". Respondent 3 proposed that as the relationship with his bank deteriorated, "the bank actually became a liability for my own business".

Communication and information exchange were two issues deemed important by the entrepreneurs in their relationship with their bank. These views are best captured by Respondent 4, who commented that "There is no communication now. I was with the bank from 2005 and the relationship I had with them then was tremendous – there was a lot of interaction and sharing between myself and the manager for over those five years. And I had five really successful, really profitable years – but I watched as the bank got more distant in terms of the time they had to spend with me" (R4).

The issue of trust within the SME-bank relationship emerged as being particularly important. In this regard, Respondent 1 highlighted that in her view the economic context in which small firms now find themselves made for an opportunity for banks to more deeply engage and reassure small firms customers, an opportunity which was not taken. She comments: "the credit crunch and subsequent lack of engagement by banks with worried SME customers as well as the failure to adopt new strategies to reflect the new financial landscape has destroyed the main banking premise – trust". Similarly, Respondent 6 proposed that "trust has been undermined hugely [. . .] it has been pretty much shaken to the core with the financial crisis". Respondent 2 argued that the relationship could only be managed as a "one to one engagement" and felt that greater transparency around price-setting and fees would help rebuild trust. He also commented on the ways in which he had attempted to build a relationship with his bankers – "recognising that we both could create a win-win if we understood each other, and each other's needs, more fully" (R2).

Theme 2: The perceived nature of the SME-bank relationship with respect to lending decision-making and financial support in the current climate

Following from Theme 1, the next issue to be explored was around lending decision-making and financial support offered by banks to small firms. Interestingly, this issue often followed on naturally from the initial broader conversations around the general small firm-bank relationship. The comments around the issue of trust in small firm-bank relationships became more marked as respondents shared personal experiences where lending decisions appeared now slower than before and often new/additional borrowing requests would be turned down much more readily. For example, Respondent 7 commented that "it took 16 months to get funding from my financial institution", while Respondent 10 shared a similar experience:

SMEs cannot get the funding anymore; they can't lift the phone and talk to somebody in the bank. Generally the roadmap of actually getting a loan is almost too daunting now – it can take up to a year/year and a half to actually get funding applications through and by the time you have done that you have lost the will to live" (R10).

Respondent 4 cites a frustration shared by many of the entrepreneurs interviewed in which the banks are blamed for the financial crisis through their own over-zealous lending, often to property developers, during the boom years and then constraining lending to everyone as the recession took hold.

Typical comments include:

Banks lent money recklessly and fuelled in my opinion a sort of inflationary storm – we're all suffering now (R4).

Post-recession banks just tarred everyone with the same brush as if we were all property developers [. . .] they just don't differentiate now (R7).

From a relationship perspective, the experiences of the entrepreneurs interviewed indicate a renewed difficulty in reaching and accessing decision-makers in banks, and three interviewees in our sample cite instances where the claims made by banks about supporting small firms appear largely without foundation:

I could see from 2005 first-hand the frightening change in banks and while they will tell you different and while they will say they still care and they are still lending money – they are not (R4).

The ability to actually get in front of someone who can make decisions and talk to them and then if you actually get that loan, to actually have a business relationship with them over a period of time is almost non-existent now (R8).

They [banks] only lend to the business if the numbers show it's in good shape – they will not risk anything (R3).

In one particular early stage venture, the respondent's gender and her youth appeared to be influential in determining the quality of the relationship; she was 23 years old and a recent graduate:

. . . ... just no-one would take me seriously. I don't know if that was a gender issue or an age issue [. . .] but it was difficult to get people (in the bank) to take me seriously.

Worryingly for the banks, from a relationship perspective, there appears to be an apathy on the part of the entrepreneur with respect to the possibilities of successfully engaging with the bank. Indeed, there is a motivation for some entrepreneurs to find alternative sources of credit through their network, effectively by-passing the high street banks. On this, Respondent 5 comments that "a lack of trust, confidence and credibility within the banking system has pushed business customers to alternative sources of credit [. . .] I think there will be a rise of micro-banking and in particular online sites like 'Zopa' – by necessity the banks will be bypassed. It was recommended to me by a friend and I'm looking into it now.

Theme 3: Ways in which relationships could be improved in order to help small business grow

There was a common perception amongst the sample that there was a “lack of a real relationship now between the SME owner-manager and their bank” (R2), with only one respondent suggesting that this situation was repairable: “SME bank relationships will take a bit of repairing – it will take time for banks to get their credibility back with a lot of small businesses but it can be done” (R6).

This perceived repairing process seems contingent on improved communication, closeness and empathy between the parties, with one respondent commenting that “there is nothing like a branch manager getting into your skin and understanding what a typical small business is going through so things can be sorted out”. Similarly, R4 proposed that a successful banking relationship was all about “having a bank that can understand all types of SMEs and support them not just in the good times but also the bad and can see the long term, big picture”. Finally, R5 argued that “you need to have a bank where you feel that whoever is dealing with you is going to be supportive and help you to get the money you need”.

Undermining the process of improving the damaged small firm-bank relationship, as far as the small firm practitioner was concerned, was a lack of empowered decision-makers in the local branch and the movement or transfer of key staff between branches, all of which was perceived as destroying any efforts being made at relationship building. Respondents 4 and 7 held strong views on these issues:

> Branch managers have become people just “minding the shop” and they change almost every year, so you’re losing that continuity when you’re seeing different branch managers. You need a senior hand who has got credibility and authority to make decisions and can personalise it a lot more and take away the corporate front and just personalise it like it used to be (R4).

> They [branch decision-makers] would need to be staying for a significant time in a specific area with a client set as it takes a long time to build your clients and if you build that up over a year and then move on, you lose that relationship – its relationships that count (R7).

Discussion and conclusion

From the research findings a number of issues can be identified that indicate that the relationship between small firms and their banks appears very damaged. The extent to which this is a function of the economic downturn and recession is difficult to establish. That said, it is interesting that no respondent mentioned any issues around his/her bank’s collateral requirements and demands for security in lending scenarios, as might have been expected. This would appear to indicate within this sample that lending proposals were not even reaching a stage of approval through which such security demands would be made, or that the process had taken so long as to be largely redundant in terms of the financial needs of the entrepreneur, many potentially emerging as what Kon and Storey (2003) describe as “discouraged borrowers”. The issue around time of processing loan applications emerged in recent supply-side research conducted in Scotland (Deakins *et al.*, 2010) and was highlighted as an issue for attention.

Equally concerning for banks is the general antipathy with which they are viewed by the entrepreneurs in the study, where the pervasive view was one of general

hopelessness and lack of trust and confidence where participants viewed banks as insensitive and lacking in any empathy around their circumstances as small firms in stressful economic conditions (Chaston, 1994). That these perceptions would be so generally held seems ironic, as it exists in the wake of the most recent investigations into banking practices (Vickers, 2011; House of Commons Treasury Committee, 2011) which follow and build upon the EU White Paper (European Commission, 1994), the Cruickshank Review (Cruickshank, 2000), the Competition Commission (2002) investigation and the OFT review (Office of Fair Trading, 2007) – all of which were tasked with providing recommendations for improving the relationships between high-street banks and their customer base. One must conclude that there is a perceived disconnect between the lofty aspirations for improvement at a governmental level (e.g. Project Merlin, 2010), and the real-life experiences of the entrepreneurs within this study.

While difficulties clearly remain in effecting change at a macro and policy level, at the micro level of the dyadic relationship between entrepreneur and lending banker there emerged a view amongst participants that banks needed to engage with small firm owners with a much greater sensitivity and a sense of empathy. Notwithstanding Tyler and Stanley's (2007) findings that their bank counterparts perceived issues around trustworthiness of the entrepreneur, small business respondents in this study emphasised their need for higher levels of trust and commitment between them as small business owners and their banks, particularly given current economic conditions (Morgan and Hunt, 1994). Research suggests that levels of perceived trustworthiness can be based on the extent to which a symmetry around information exchange is seen to exist – issues already identified in terms of organisational, structural and cultural differences between small firms and banks mitigate against a mirrored view (Chaston, 1994) as to the necessary nature and level of information exchange required. The particular example of the young woman in the research who expressed concerns around her gender and youth as potential barriers to a positive relationship with her bank, while unique in the research, served to amplify the importance of just how important that need for sensitivity was for understanding and trust-building.

Over time, the bank and the small firm become more strategically important to each other, and this mutuality strengthens the case for effort on both sides. From the bank's perspective, as it becomes more knowledgeable about the firm and, importantly in the long-term context, about small firms *per se*, it will improve its ability to retain the small firm business and make more informed and prudent lending decisions. Knock-on effects include the potential profit of that business as the client grows, and the comparative advantages to be gained from positive word-of-mouth promotion among the small firm community. Furthermore, the Bank will be in a stronger position to engage in cross-selling of both commercial and even personal finance products.

From the small firm's perspective, this research is consistent with the view that if the small business can develop closer and stronger bonds with its bank, then it is more assured of financial support in times of difficulty. There are considerable advantages to be gained from personal visits by the banker to the entrepreneur's site of business. The small firm should also maintain a flow of relevant information to its bank and better understand the need to provide full disclosure of what Tyler and Stanley (2007) describe as "pertinent facts". If the worst happens for the entrepreneur, then at least the

bank will feel itself to have been informed of progress over time, and this lends a degree of goodwill and credibility in marginal cases. Furthermore, if an individual in the bank is replaced, the institutional record will be one of continuing contact. The findings reported here indicate a clear bias in the minds of the entrepreneurs interviewed that the onus was on the banks to engage more effectively and to proactively plug gaps evident in the relationship. While this is not an unreasonable position to take, and in the economic context, not entirely unexpected, it does somewhat negate the very clear need for the entrepreneur, as the weaker relationship party, to more effectively engage with his/her banker, providing regular performance updates, sharing information and building the relationship in a proactive and determined manner.

The need also for empathetic and specialist knowledge or advice being provided by local bankers emerged as an issue within this research, as did the need for a long-term perspective by the lending banker and minimal bank staff movement at branch level. However, in a management context where localised decision-making has been largely removed from UK bank's retail branch networks, particularly given the advent of technology and automated decision systems, managers are not often empowered to make independent judgments on the financing needs of small firm customers, and it seems unlikely that this situation will change any time soon. Despite resource limitations, there remains an opportunity for local bank managers to close what Chaston (1994) refers to as "the service gap" and, in so doing, add value to the small business relationship through the provision of empathetic and supportive advice and informed perspectives.

The issues emerging from this research highlight management challenges at the micro relationship level between banker and entrepreneur. Future research will retain this micro focus and will examine the issues uncovered here around relationships between banks and small business practitioners. The findings from this research, which may be more generally explored through a survey instrument, include trust, attitudes to failure, investment readiness and perceptions regarding information exchange needs. One further research topic might also address relationship issues between banks and female and young entrepreneurs.

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Appendix. Profile of respondents

Respondent	Gender	Age	Nature of business	Time in business (years)	No. of employees
1	F	23	Retailing	3	2
2	M	32	PR	3	3
3	M	35	Retailing	4	6
4	M	37	Light engineering	5	4
5	M	49	Estate agent	5	3
6	F	28	Child care	3	5
7	M	30	Internet	3	6
8	M	33	Retailing	3	2
9	M	40	Light engineering	4	5
10	M	31	Retailing	3	2

Table AI.

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Mark Durkin is Professor of Marketing at University of Ulster's Business School. Joining academia after a career in financial services marketing, he is interested in the area of technology-enabled relationships, particularly as these relate to small firm-bank relationships. A Chartered Marketer of the Chartered Institute of Marketing (CIM), he was appointed a Fellow of the Institute in 2005 in recognition of his services to marketing education in Ireland. He is an invited member of Europe's CMO (Chief Marketing Officer) Council and is an invited Visiting Scholar at Babson College, Boston. Mark Durkin is the corresponding author and can be contacted at: mg.durkin@ulster.ac.uk

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