

First Niagara/Siena College Research Institute: Survey of New York State Business Leaders 1/17/08

The Siena College Research Institute (SRI) in partnership with First Niagara Bank conducted the first annual Survey of New York State Business Leaders between October 15 and December 11, 2007. This report summarizes the survey methodology, presents the data from the 403 survey respondents and introduces the “Index of New York State Business Leaders.”

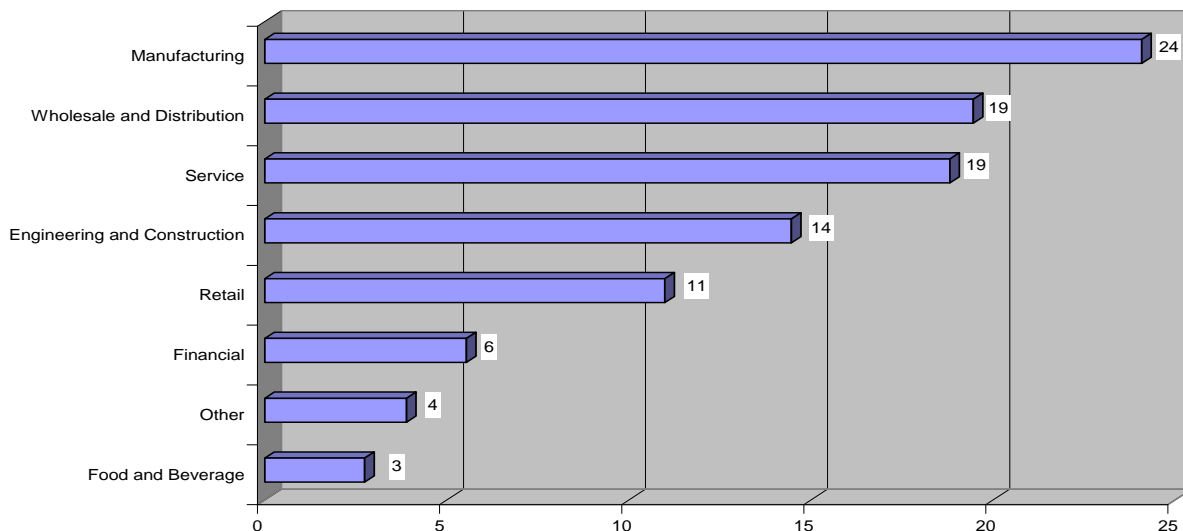
Methods and Data Collection

SRI developed a universe of 2872 businesses from the four upstate metropolitan statistical areas (MSA’s) of Albany (Capital Region), Rochester, Syracuse and Buffalo. The universe included all private, for-profit businesses with yearly sales of \$5 million to \$150 million according to publicly available records. Each business received an invitation and survey via mail, a follow up reminder postcard and, of those that did not respond, a telephone call reminder. The original sample included businesses from the four MSA’s in the following percentages: Albany 21%, Rochester 28%, Syracuse 17% and Buffalo 34%.

Each business had the opportunity to respond to the survey by 1) returning the paper survey in an enclosed prepaid envelope, 2) completing the survey on a website developed for that purpose (www.siena.edu/sri/businessleadersurvey) or 3) requesting a telephone interview.

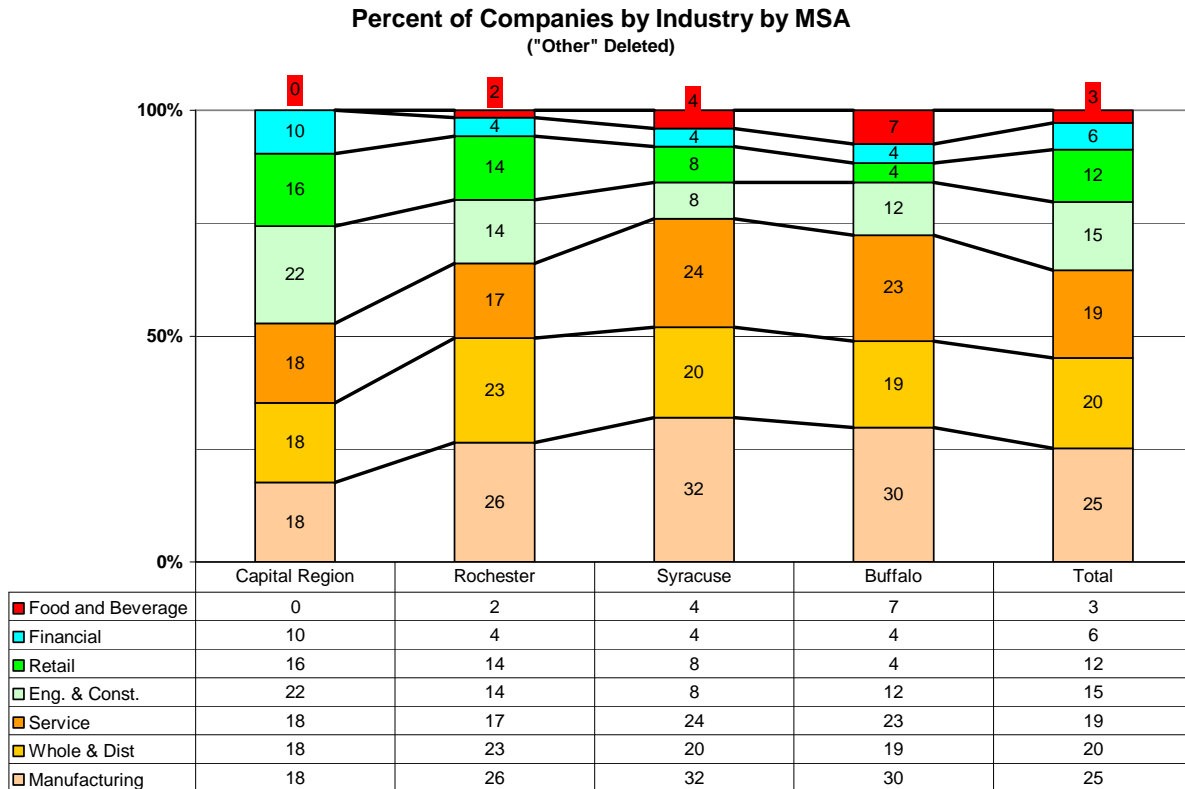
A total of 403 unique New York State business leaders completed the survey. The completed surveys were from the following MSA’s: Albany 32%, Rochester 31%, Syracuse 14% and Buffalo 23%. Overall the survey had a response rate of 14%.

Percent of Respondent Companies by Industry Category



Description of the Sample

The 403 respondents from the four different MSA's represent seven major industry categories with 4% of respondents self-identifying and coded as "Other." Politically the sample described itself as more conservative than liberal. Sixteen percent described themselves as "very conservative", and 44% chose "conservative. Twenty-eight percent self-identified as "moderate". Only 12% see themselves as politically liberal (11% "liberal" and 1% "very liberal").



Confidence in the Economy

A major goal of the survey is to measure the current and future confidence of these business leaders in the economy of New York State in general, and specifically, as that climate impacts their industry. Each respondent answered a sequence of four questions that addressed their attitude towards the current economy, as compared with six months ago, both in general and their industry as well as questions that probed their expectations of the state of the economy as we move into and through 2008 both in general and in their specific industry. Each of these four questions had identical response categories.

- As you think about the current business or economic conditions in New York State as compared to six months ago, would you say they are considerably better, a little better, about the same, a little worse, or considerably worse?
 - ___ Considerably better
 - ___ A little better
 - ___ About the same
 - ___ A little worse
 - ___ Considerably worse

- Looking forward from today through next year, that is, the entire 2008 year, how would you describe your expectations for the economy in New York State?

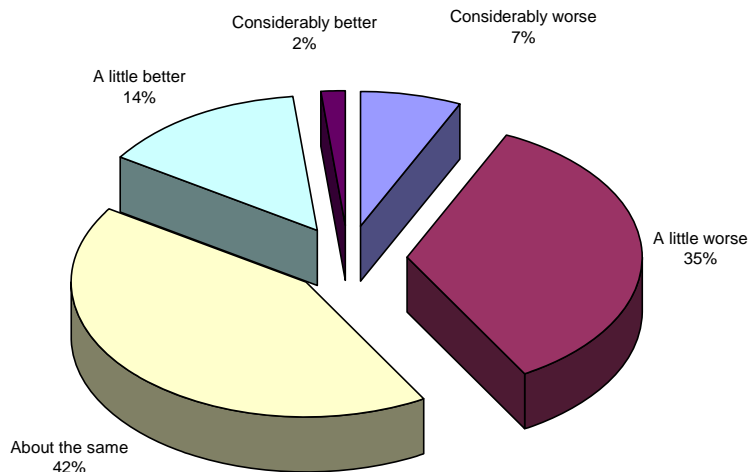
- Now thinking specifically about your industry, how would you describe the current business or economic conditions in New York State as compared with six months ago?

- And looking forward from today through the next year, how would you describe your expectations for your industry here in New York?

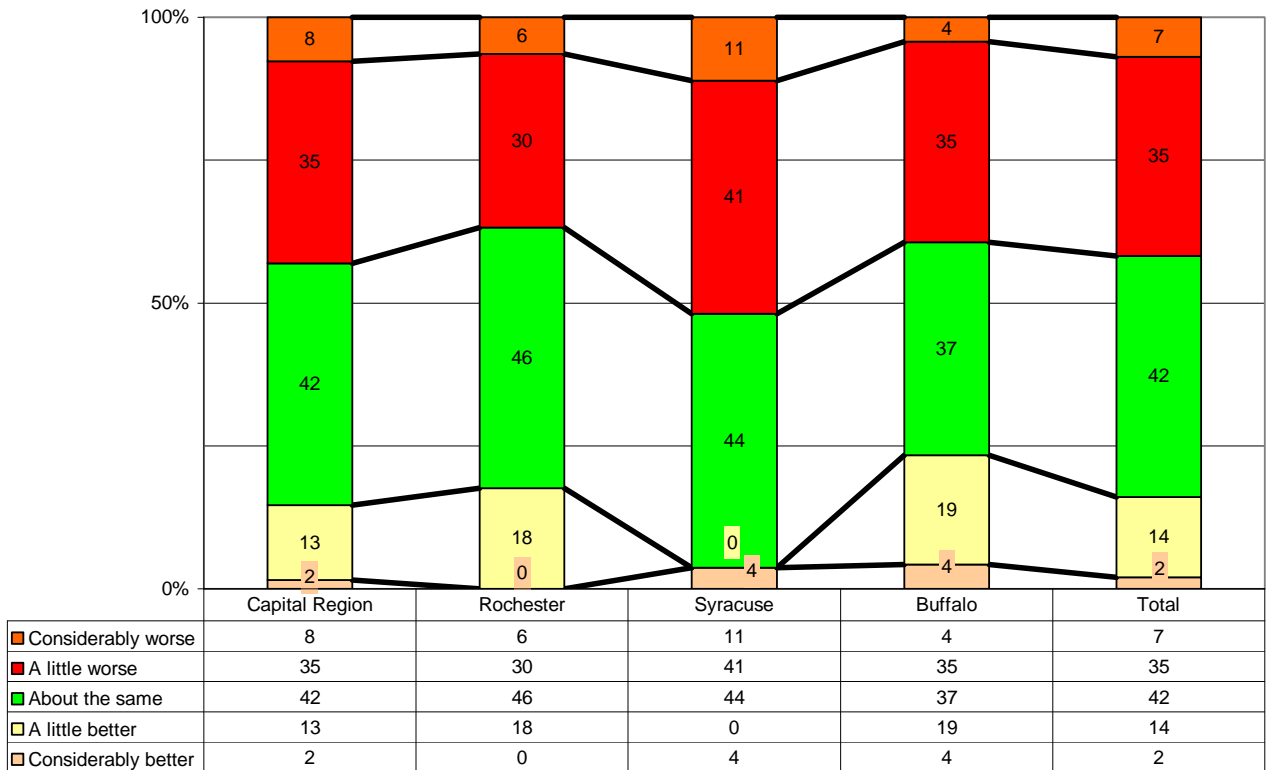
We first show the percentage responses to these questions among the entire sample followed for each question by the percentaged breakdown by MSA for each question and then describe the manner in which they have been combined to construct the “Index of New York State Business Leaders.”

Attitude Towards Current Business Climate

“As you think about the current business or economic conditions in New York State as compared to six months ago...”

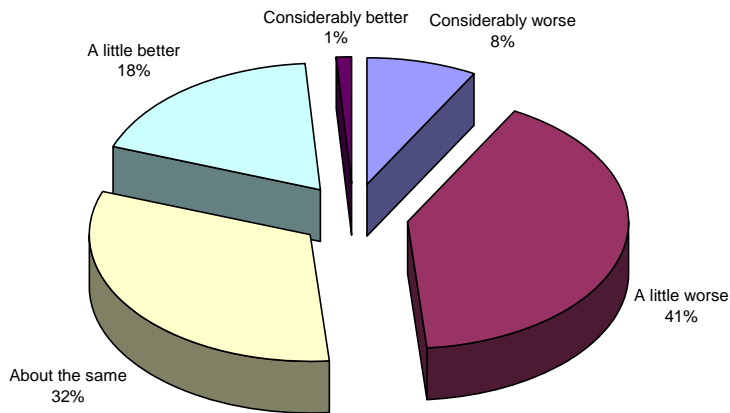


Percent of Companies by MSA: Attitude Towards Current Business Climate

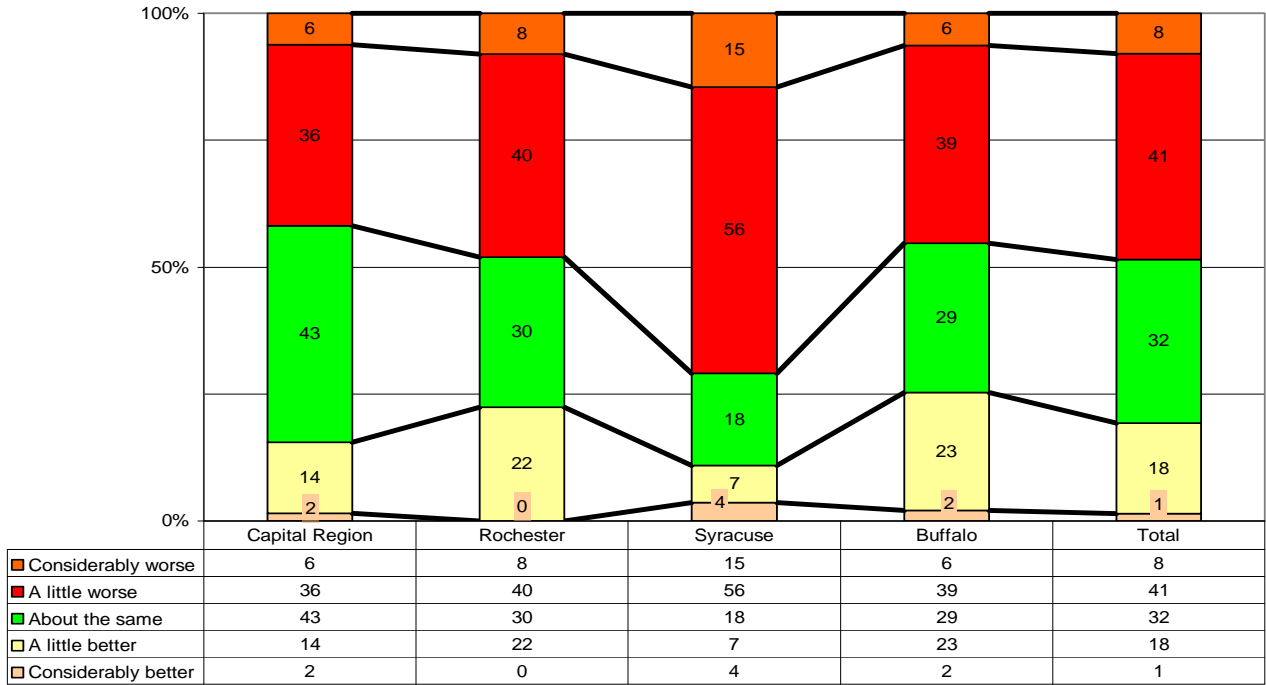


Expectations for New York State Economy

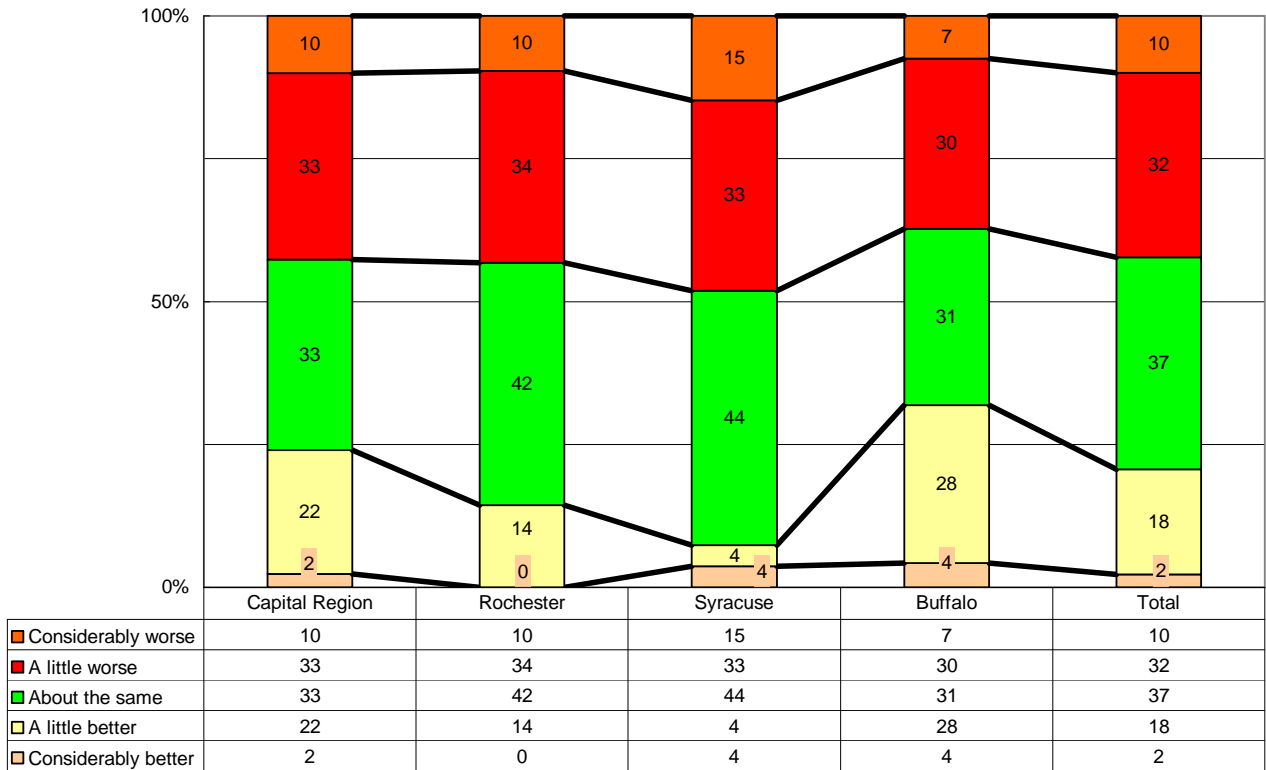
"Looking forward from today through next year,...., how would you describe your expectations for the economy in New York State?"



Percent of Companies by MSA: Expectations for New York State Economy

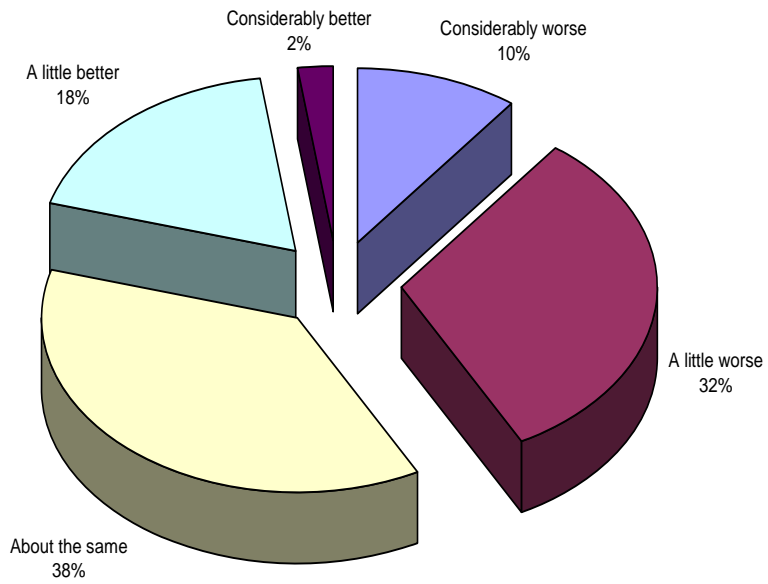


Percent of Companies by MSA: Attitude Towards within Industry Business Climate



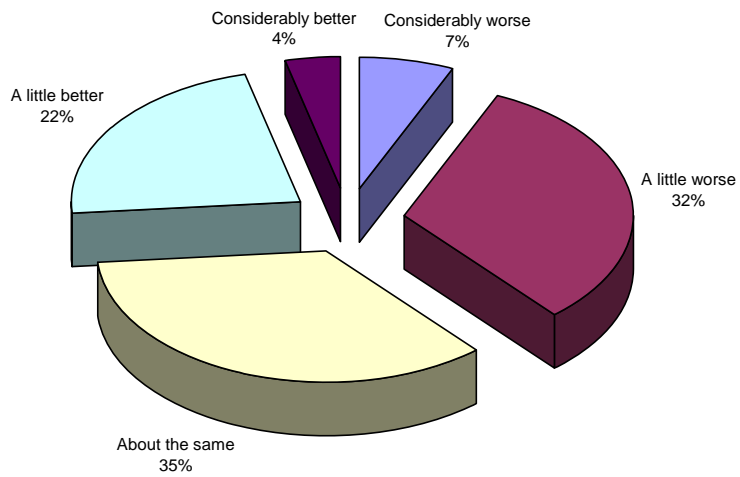
Attitude towards within Industry Business Climate

"...thinking specifically about your industry, ...current business or economic conditions in NYS as compared with six months ago."

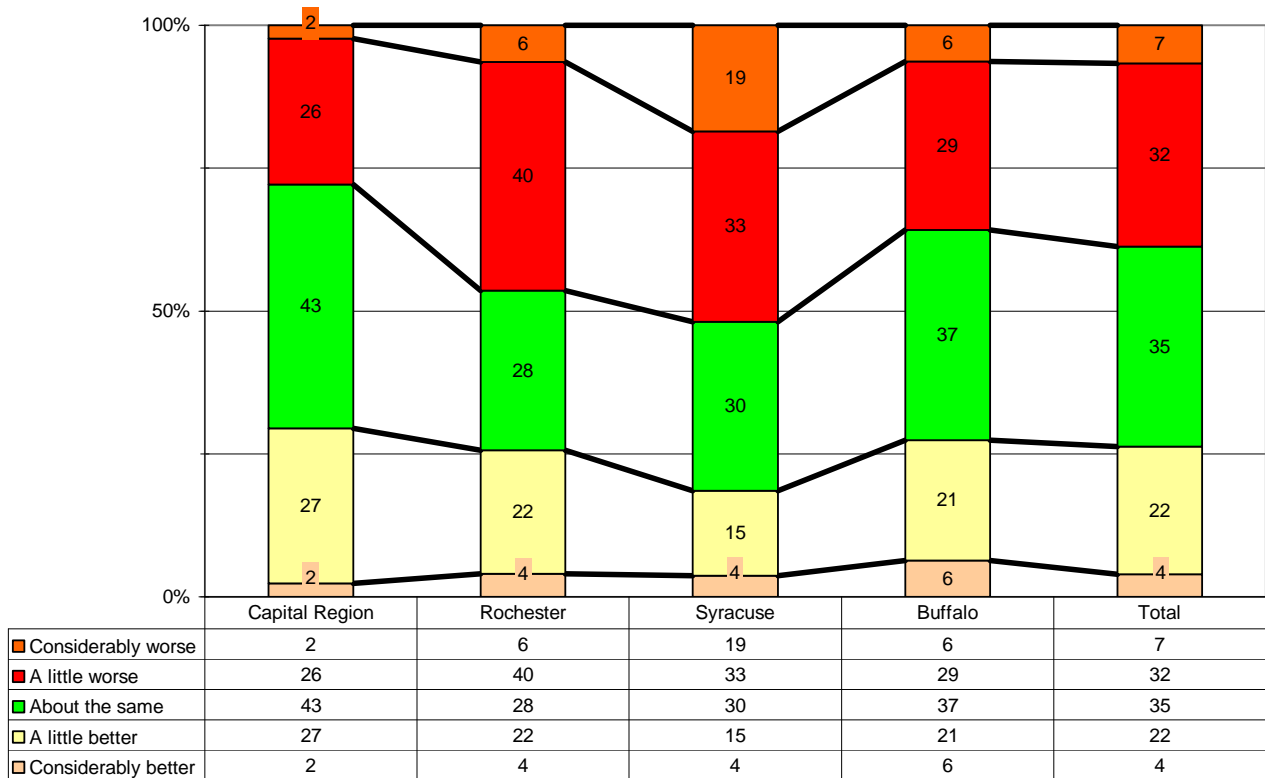


Future Expectations Within Industry 2008

"...looking forward through the next year, how would you describe your expectations for your industry here in New York?"



Percent of Companies by MSA: Future Expectations within Industry 2008



It is clear that for each of the four questions whether looking at overall current attitudes, future expectations or within industry attitudes and/or expectations, the business leaders we surveyed believe that the economy is worse today than it was six months ago and will continue to move in a negative direction. By a margin of nearly 3:1 (42% to 16%) business leaders are inclined to say that the business climate in NY is worse than it was six months ago. Looking forward, nearly 49% are inclined to expect a worsening of economic conditions in the state over the next year as compared with 19% that expect the economy to improve. Within their own industry, 42% believe that the conditions have worsened as compared with six months ago while only 21% believe that their industry conditions have recently improved. Looking forward within their industry the sample is slightly more optimistic with 26% seeing improving conditions and 39% seeing conditions deteriorate.

In order to facilitate discussion of this data as well as to compare business leaders in one MSA with another and to establish a baseline for future comparisons, we construct the Index of New York State Business Leaders. The index is based on these four questions that measure current attitudes and future expectations both of the state economy and within industry prospects. We build the index by establishing a relationship between the percentage of respondents that see or expect improvement with those that recognize or anticipate decline. The index for the entire sample or of any identified subset can be determined and ranges from an absolute low of zero to a high of 200. If equal numbers of respondents indicated “better” and “worse” on the four questions the index would be 100. Therefore any score below 100 points to more respondents seeing and/or expecting things to worsen as opposed to improve.

In constructing the Index of New York State Business Leaders, we provide three separate indexes; the overall, the current (based on the two questions that assess attitudes towards the current climate as compared to six months ago) and the future (based on the two forward looking questions).

The Overall Index for New York State = 77.7

	Overall Index	Current Index	Future Index
Total (all four MSA's)	77.7	76.3	79.2
Buffalo	87.8	89.3	86.3
Albany	81.7	76.3	87.2
Rochester	76.3	76.0	76.7
Syracuse	54.6	55.6	53.7

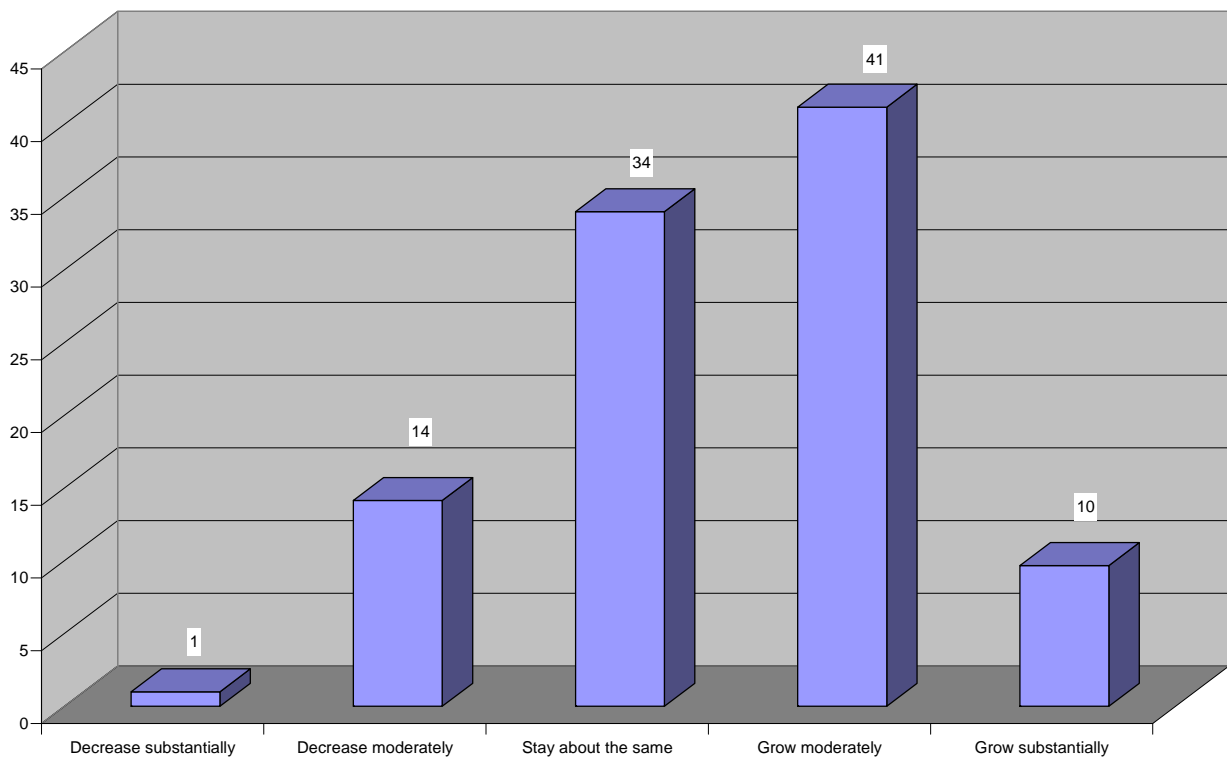
Here using the index we see that the overall index exceeds the composite index of the four MSA's for both Buffalo and Albany. Rochester's index is just below that of the upstate figure but Syracuse lags well behind. The one MSA that shows a marked difference between Current and Future is Albany with the highest Future index of 87.2.

This index provides an indication of confidence among business leaders by MSA and offers a measure that can be tracked in the years to come.

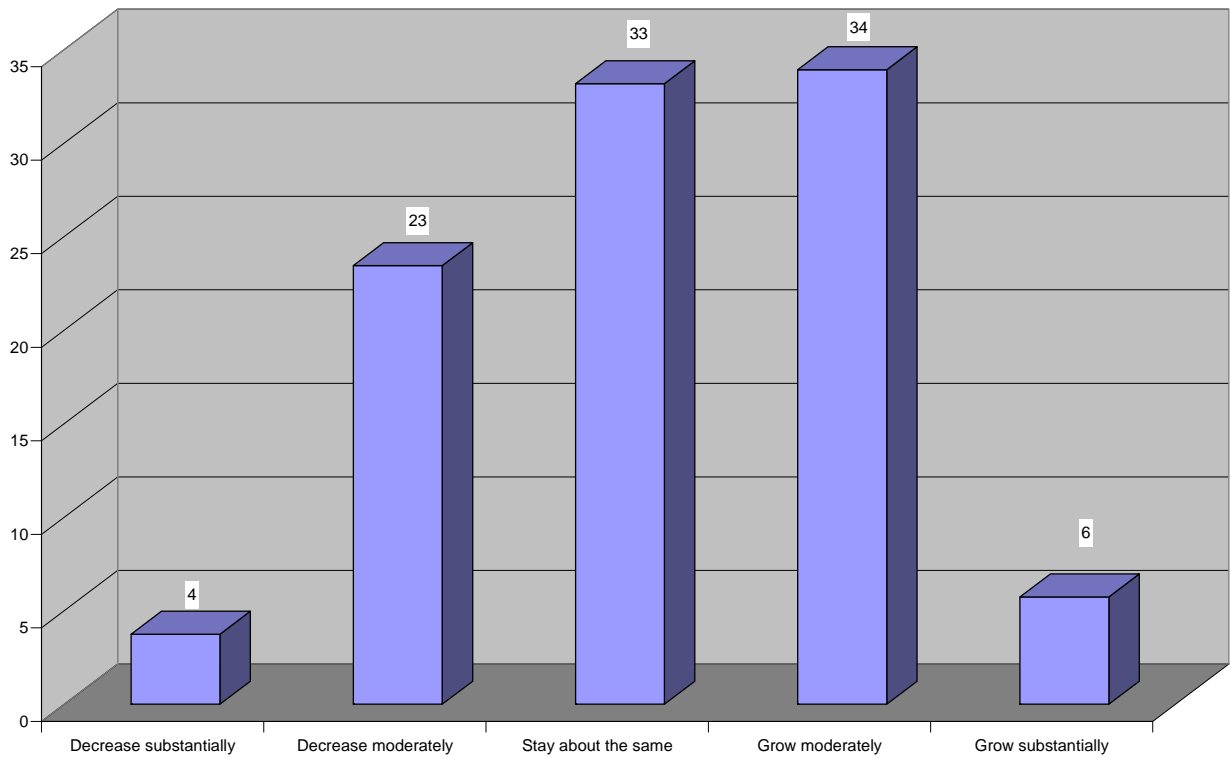
Revenue and Profits

Despite the worsening appraisal of the overall economy and the industries of these business leaders, they have a more optimistic, but guarded and concerned view of their own firms. Fifty-one percent of respondents predict that their revenues will grow this year while only 15% expect revenues to decrease. Forty percent expect an increase in profitability while 27% anticipate a decrease in profits.

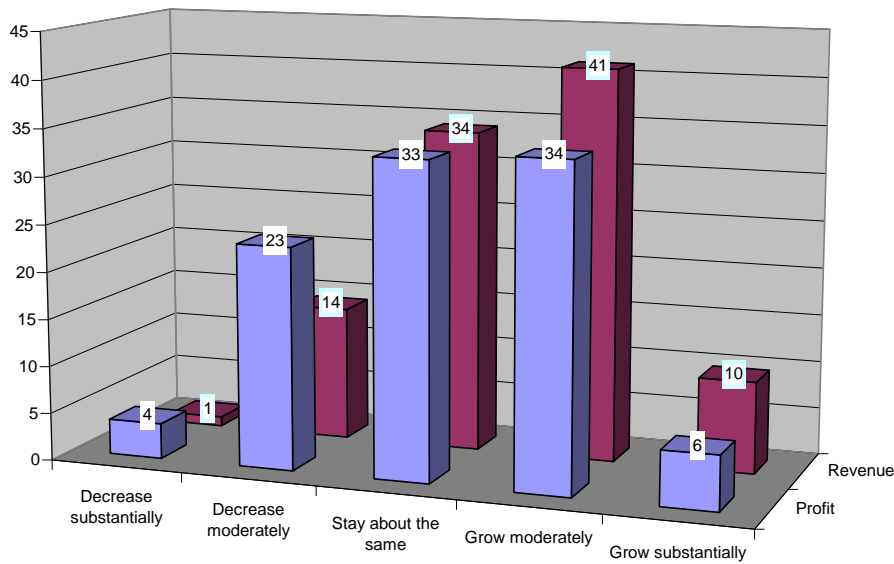
2008 Revenue Expectations: Percent of Respondents



Profitability Expectations 2008: Percent of Respondents



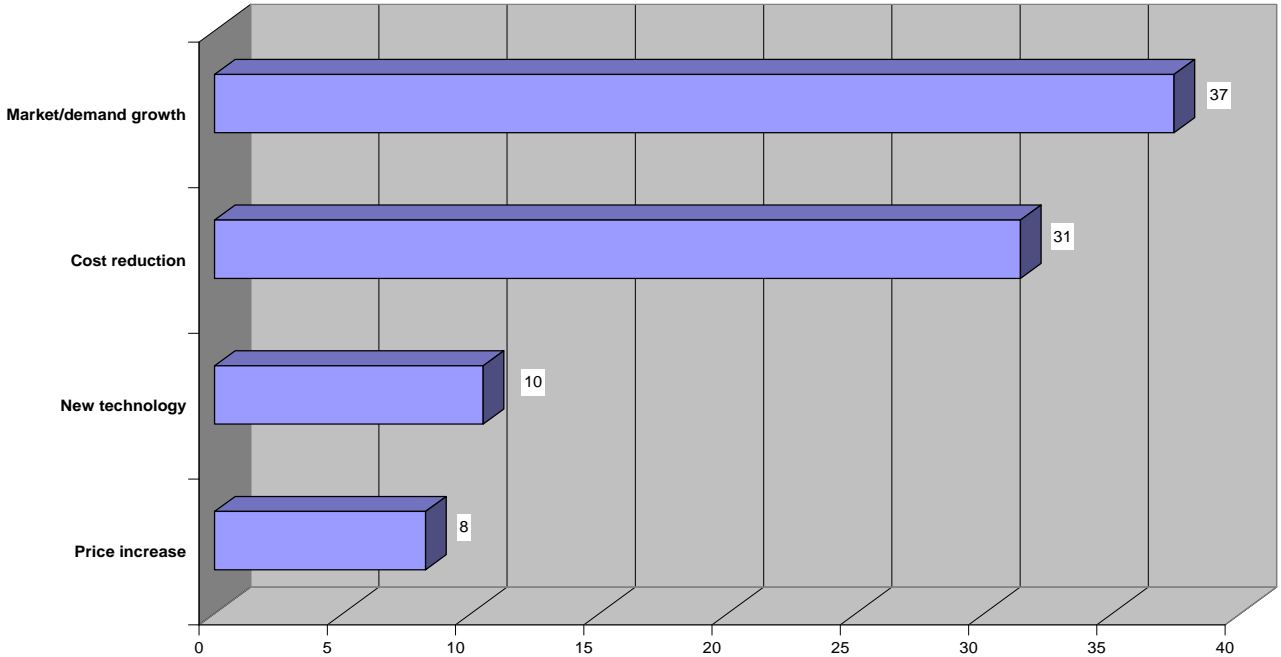
Expectations 2008 Revenues and Profits: Percent of Respondents



	Decrease substantially	Decrease moderately	Stay about the same	Grow moderately	Grow substantially
Profit	4	23	33	34	6
Revenue	1	14	34	41	10

Although more respondents predict both increasing revenues and profits than expect declines, not all leaders that expect increasing revenues believe those revenues will translate into profits. When asked to identify the strategy that they would employ so as to generate increasing profits, the most often cited one was “Market/demand growth” with “Cost reduction” second. Only 8% of CEO’s plan to increase prices.

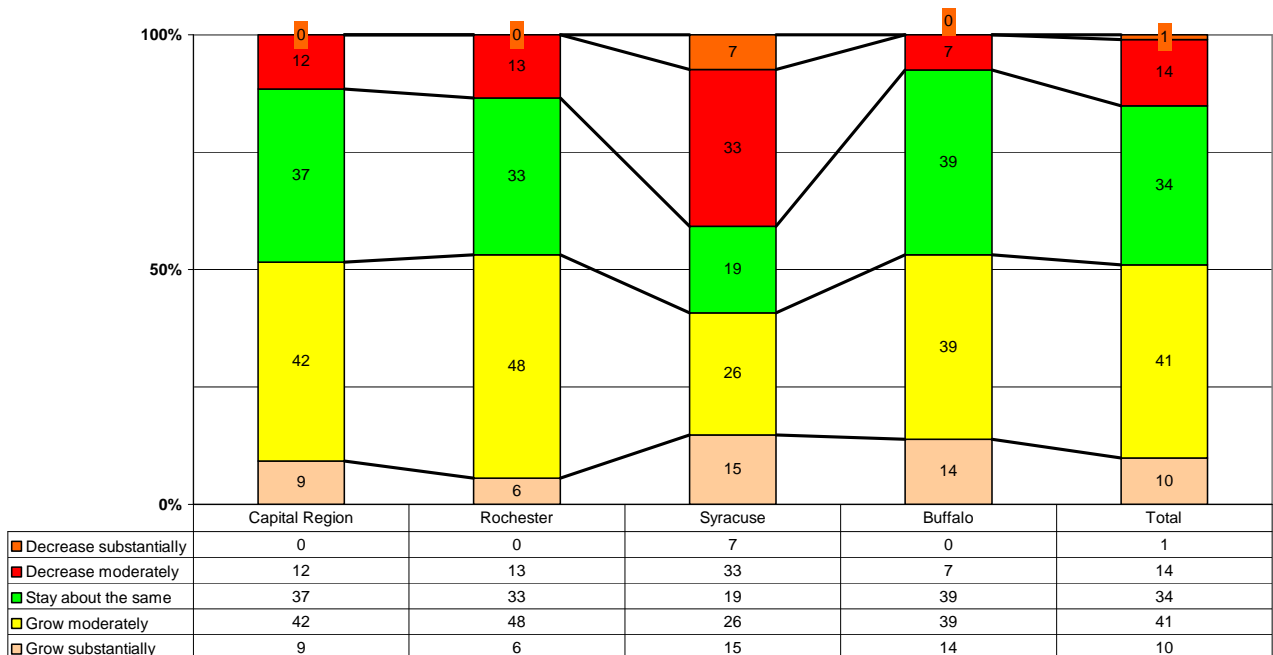
Top Profit Enhancement Strategies: Percent of Respondents



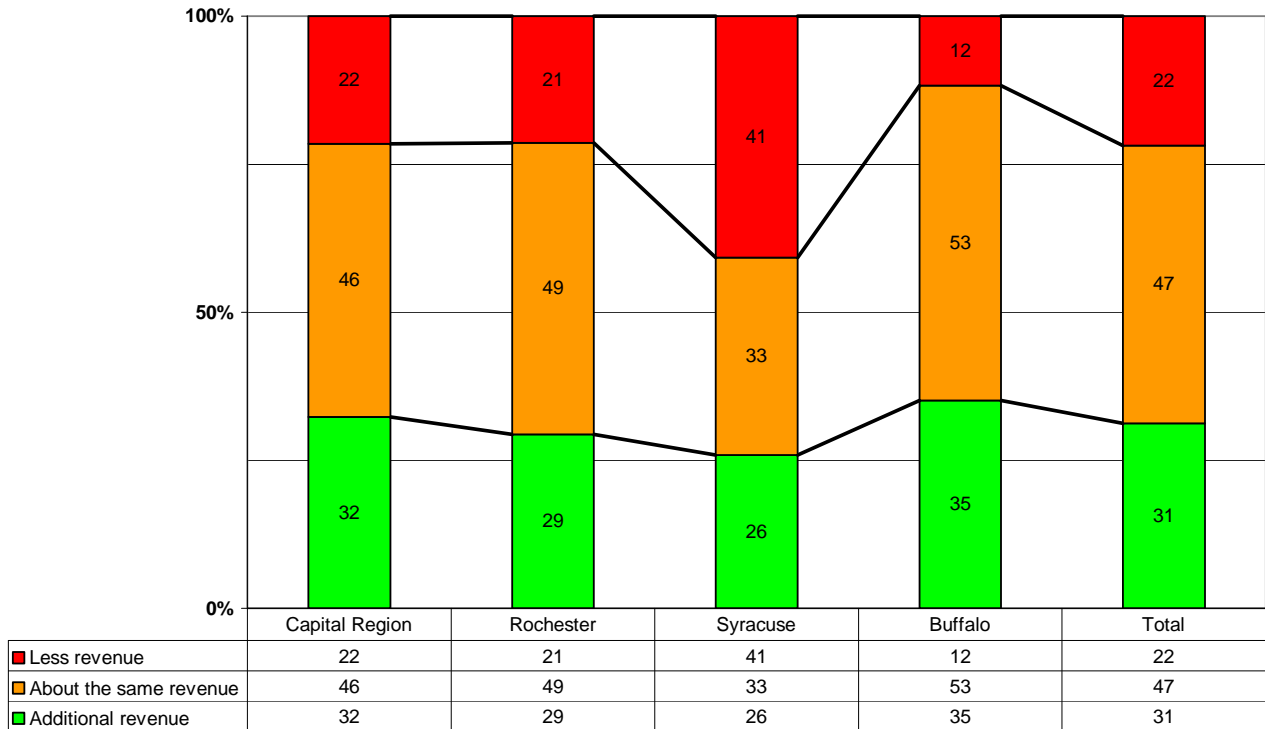
(“other” included but not shown)

Again we now show the data for revenue and profitability expectations by MSA. We also add the data for revenue expectations among existing customers. It is important to remember in looking at individual MSA’s that this data is not directly reflected in the Index and therefore similarity of confidence trends reflected in revenue and/or profitability predictions serves to further validate the Index.

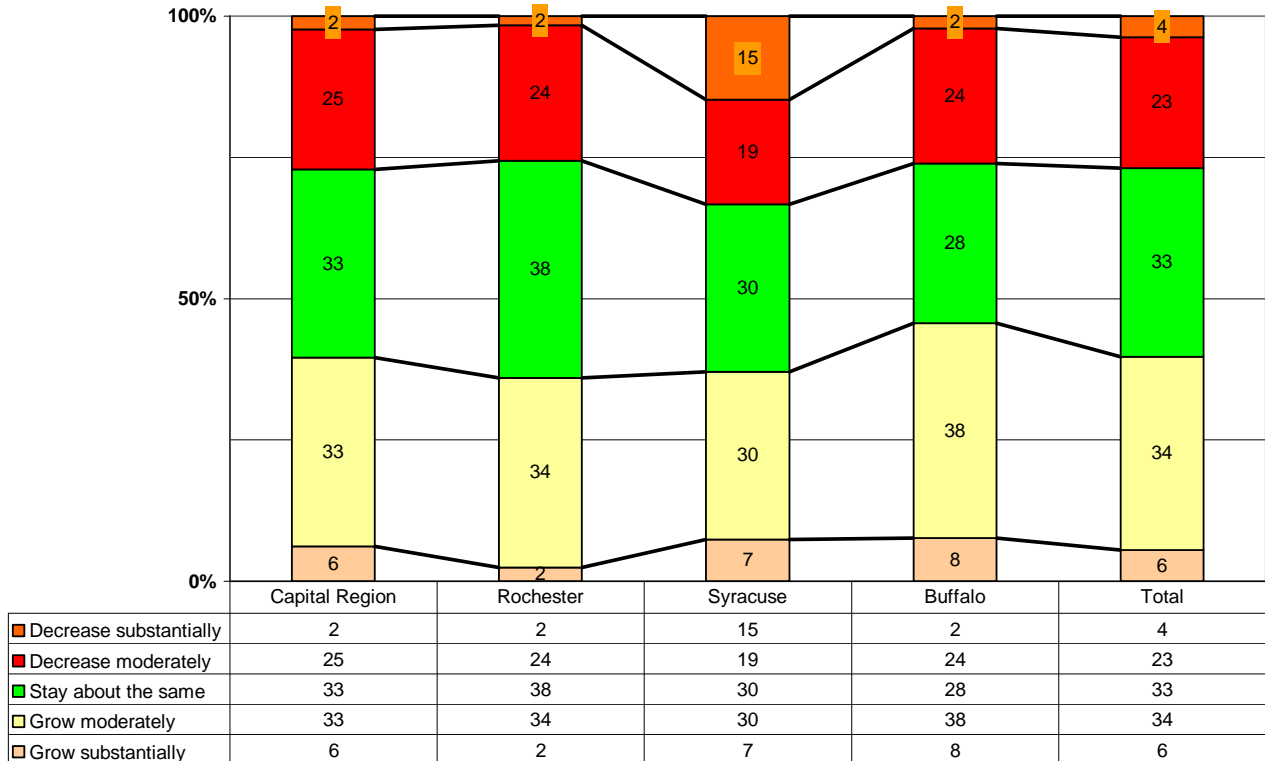
Percent of Companies by MSA: Revenue Expectations 2008



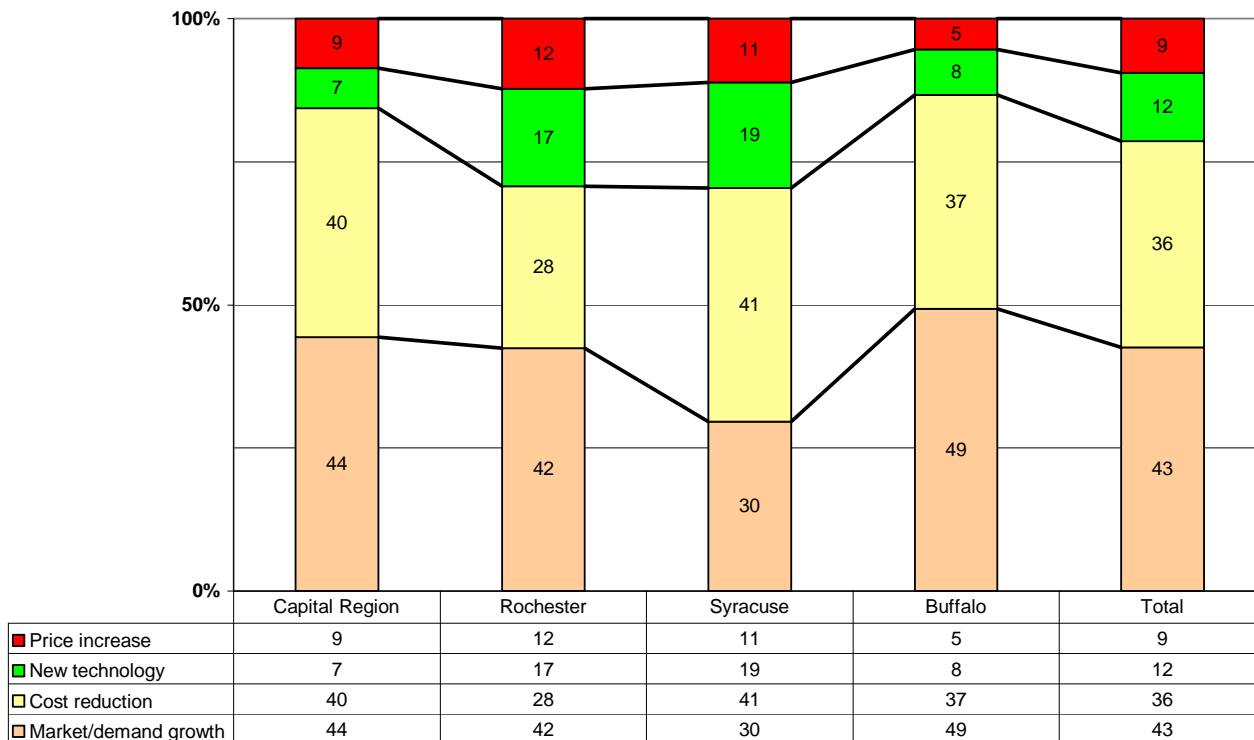
Percent of Companies: Revenue Expectations among Existing Customers by MSA



Percent of Companies by MSA: Profitability Expectations 2008



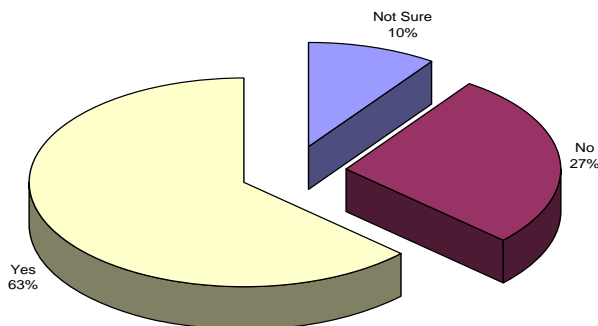
Percent of Companies by MSA: Top Profit Enhancement Strategy 2008
 ("Other deleted")



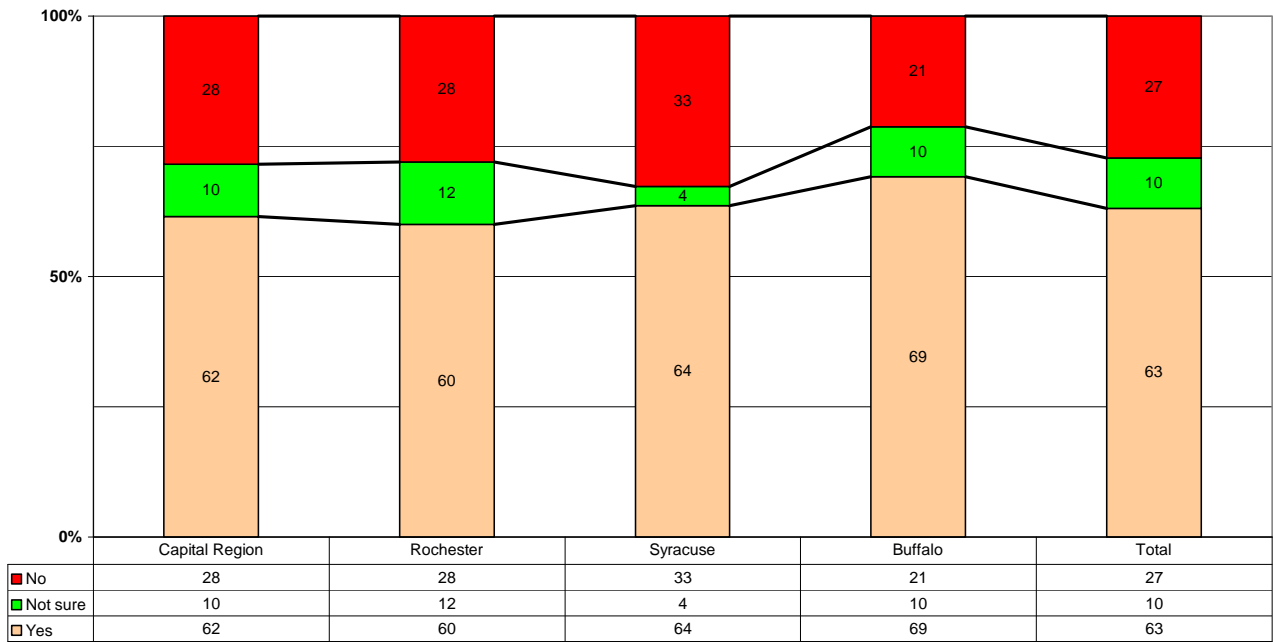
Fixed Assets and Labor Workforce

Business leaders in New York are cautious and concerned. They are committed however to their businesses, expect revenues to increase and are working towards profitability. They are in no way ‘closing their doors.’ In fact, 63% of CEO’s plan to invest in the acquisition of fixed assets over the next year. They are investing in their businesses. Of those that intend to invest in fixed assets, 55% plan to use internally generated funds while 38% intend to finance with the assistance of a financial institution. This would appear to be consistent with cautious yet committed growth.

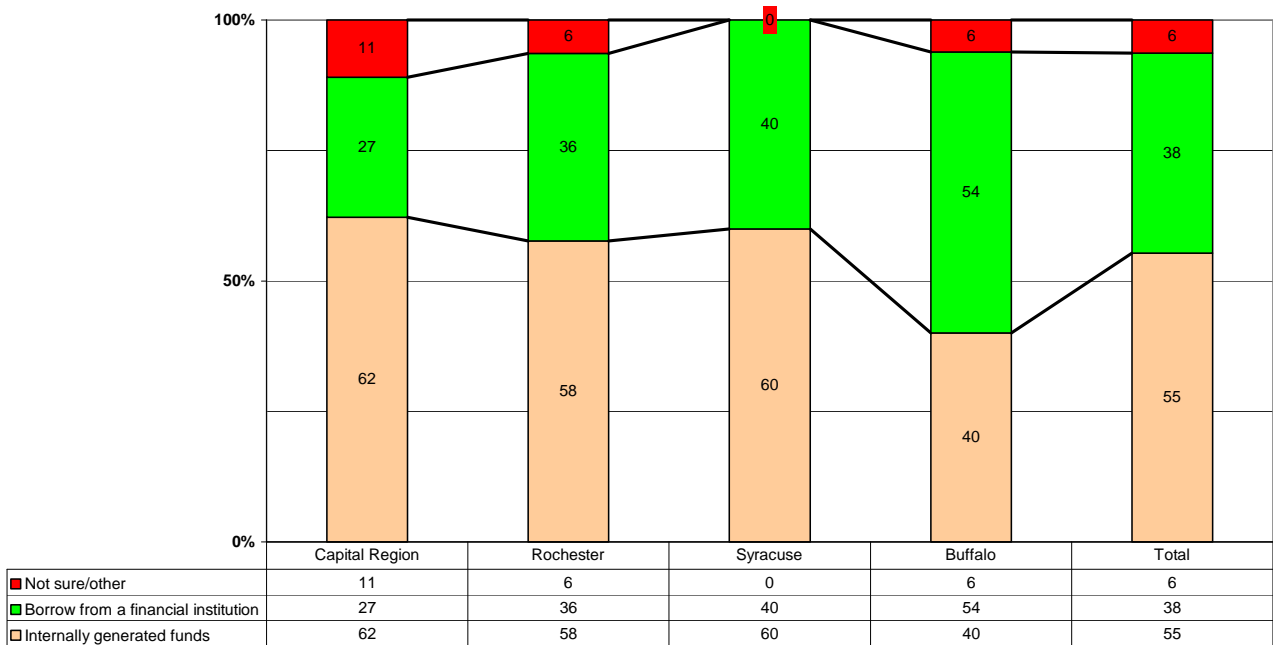
Fixed Asset Acquisitions 2008



Percent of Companies by MSA: Planning to Acquire Fixed Assets in 2008



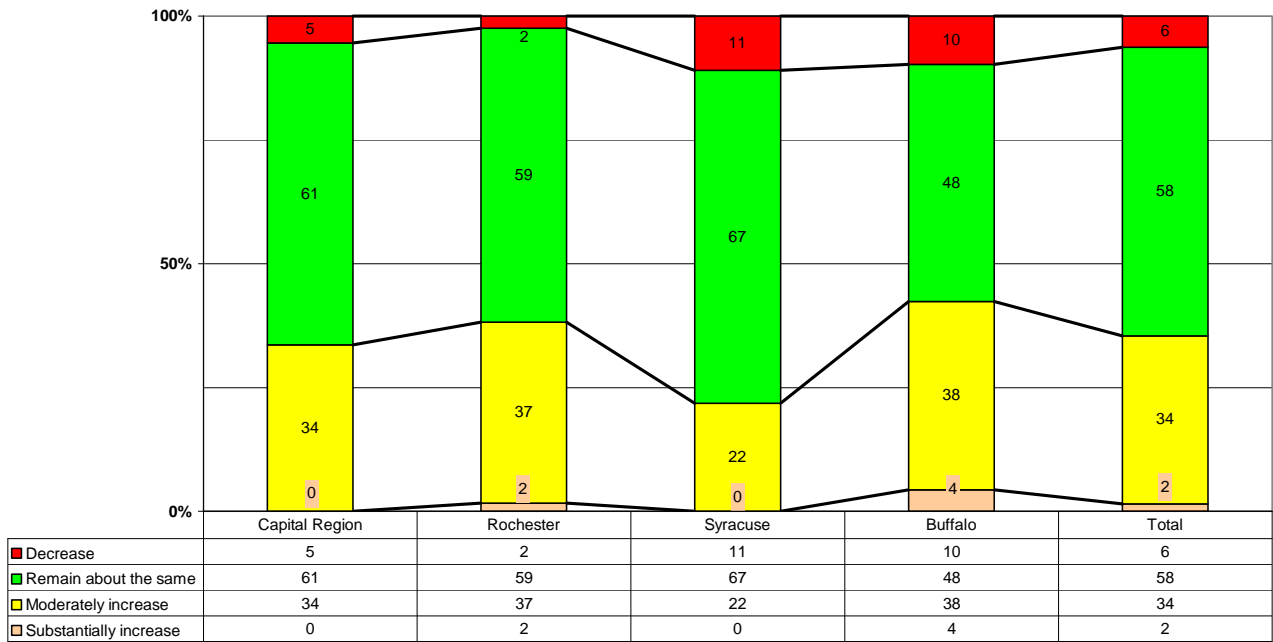
Percent of Companies Planning to Acquire Fixed Assets by MSA: Financing Plans



The commitment to labor seems to mirror that of fixed assets. Fifty-Eight percent of respondents plan to keep their workforce at the current level. Only 6% plan to decrease the size of their labor force. Over one-third, 34% plan to increase their labor force moderately and 2% are planning a substantial increase.

All in all planning of increased assets and labor is in keeping with an attitude of careful and watchful growth. These CEO's are willing to invest and employ in order to compete and to satisfy their customers, but not in any cavalier fashion.

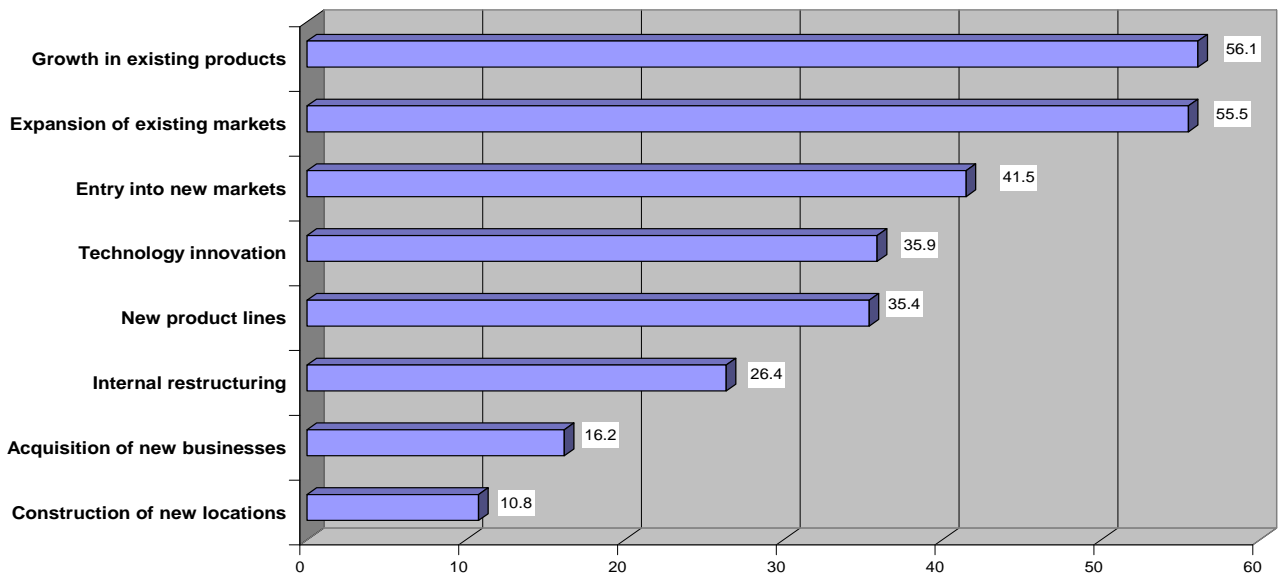
Percent of Companies by MSA: Workforce Size Plans 2008



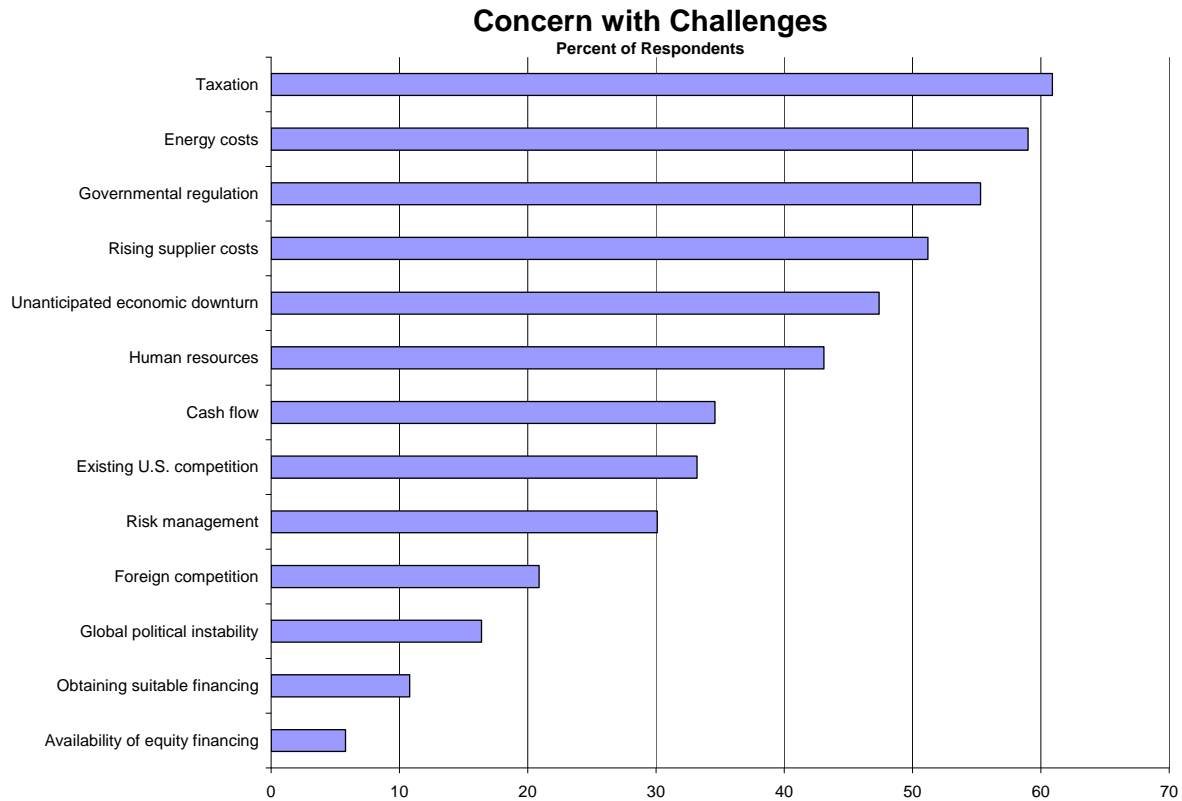
Areas of Concentration and Challenge

We provided these CEO's with two lists – areas of concentration and challenge – and asked them to indicate which applied to them. The most often cited areas of concentration were “Growth in existing products” and “Expansion in existing markets.” In other words, these business leaders are focused on doing a better job with what they currently do and in the arenas they currently do business. It has the feel of a “concentrate on the fundamentals” mentality. Still, nearly 42% plan to expand into new markets and 36% are focused on technology innovations.

Areas of Current Concentration: Percent of Respondents Per Area



The most often cited challenge or concern among the business leaders were “Taxation” and “Energy costs” with “Governmental regulation” and “Rising supplier costs” also of significant concern.



The largest concerns and challenges are those factors that are simultaneously predicted yet outside of the control of these leaders. In looking at these areas of concentration and challenge by MSA we group those concentrations and challenges that appear most important to the CEO’s and label them in bands of lessening focus (note- percentages exceed 100 for each geography as respondents could check all areas of both concentration and challenge that applied to them).

Areas of Concentration by Percent of Companies by MSA

	Capital Region	Rochester	Syracuse	Buffalo	Total	
Growth in existing products	55	60	52	55	56	High
Expansion of existing markets	60	47	56	61	56	
Entry into new markets	39	47	44	37	42	Moderate
Technology innovation	36	36	37	35	36	
New product lines	33	31	44	39	35	
Internal restructuring	26	25	19	33	26	Low
Acquisition new businesses	18	17	4	20	16	Very low
Construction of new locations	15	5	7	14	11	

Challenges CEO's face by Percent of Companies by MSA

	Capital Region	Rochester	Syracuse	Buffalo	Total	
Taxation	65	62	67	49	61	High
Energy costs	63	61	53	55	59	
Governmental regulation	51	53	64	59	55	
Rising supplier costs	50	48	53	56	51	
Unanticipated economic downturn	51	53	36	41	47	Moderate
Human resources	37	44	47	47	43	
Cash Flow	35	26	40	44	35	Low moderate
Existing U.S. competition	33	28	40	35	33	
Risk management	27	28	33	35	30	
Foreign competition	14	24	18	28	21	Low
Global political instability	12	22	15	18	17	
Ability to obtain suitable financing	10	4	22	14	11	Very low
Availability of equity financing	6	2	15	4	6	

Appendix

First Niagara/Siena College Research Institute Survey of New York State Business Leaders

First Niagara Bank and the Siena Research Institute of Siena College have joined in an effort to perform this important first annual investigation of attitudes towards the economic and business conditions of New York State among representative business leaders. Both First Niagara and Siena have longstanding commitments to both New York and to understanding its people and institutions.

Your company, and you as one of its key leaders have been randomly selected from among private companies with annual sales between approximately \$5 million to \$200 million to participate in this study. The Siena Research Institute will collect the data and insure that your identity will not be disclosed to First Niagara or anyone else. All data will be presented only in aggregate form and no individual or company will be identified. As you know, in a survey of this type, it is important that those that have been selected do participate so as to insure that a random and representative sample provides valid results.

The results of this study will be made available to participants, other business leaders, as well as media representatives, policy makers, and the general public. Knowledge as we all know can contribute to assisting you, other business people, and others to make wise and hopefully beneficial decisions. If you would like to receive a copy of the survey results please forward that request to the Siena Research institute.

Each individual survey has a unique FOUR digit coding number located on the bottom left corner of this paper survey. This number is used to insure statistical responsibility and to compute our response rate. Rest assured the Siena Research Institute will safeguard your anonymity and only use your unique coding number to insure methodological integrity.

THIS IS WHAT WE WOULD LIKE YOU TO DO

PLEASE SELECT ONE OF THE FOLLOWING THREE METHODS OF PARTICIPATION:

1. **Internet response (our preference):** VISIT OUR WEBSITE AT www.siena.edu/sri/businessleaderssurvey and complete the survey online and include your unique coding number when prompted. That number can be found on the bottom left corner of this paper copy.
2. **Paper/Mail response:** Complete this paper copy of the survey and return it in the self-addressed, prepaid envelope to the Siena Research Institute.
3. **Telephone interview response:** Call (518) 783-2512 and set up an appointment with one of our interviewers to complete the survey over the telephone. When you call, our interviewer will ask you for your unique coding number.

Thank you in advance for your participation in this important project. Should you have any questions about this survey or your participation in it, please feel free to contact Dr. Donald P. Levy at (518) 783-2901 or email questions to dlevy@siena.edu

1. Which of the following industry categories best describes the type of business your company is engaged in?

<input type="checkbox"/> Engineering and Construction	<input type="checkbox"/> Retail
<input type="checkbox"/> Food and Beverage	<input type="checkbox"/> Service
<input type="checkbox"/> Financial	<input type="checkbox"/> Wholesale and Distribution
<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Other _____

2. As you think about the current business or economic conditions in New York State as compared to six months ago, would you say they are considerably better, a little better, about the same, a little worse, or considerably worse?
 - Considerably better
 - A little better
 - About the same
 - A little worse
 - Considerably worse

3. Looking forward from today through next year, that is, the entire 2008 year, how would you describe your expectations for the economy in New York State?
 - Considerably better
 - A little better
 - About the same
 - A little worse
 - Considerably worse

4. Now thinking specifically about your industry, how would you describe the current business or economic conditions in New York State as compared with six months ago?
 - Considerably better
 - A little better
 - About the same
 - A little worse
 - Considerably worse

5. And looking forward from today through the next year, how would you describe your expectations for your industry here in New York?
 - Considerably better
 - A little better
 - About the same
 - A little worse
 - Considerably worse

6. Now thinking specifically about your company, what are your expectations for revenue through the year 2008? Do you believe your revenue will...?
 - Grow substantially
 - Grow moderately
 - Stay about the same
 - Decrease moderately
 - Decrease substantially

7. Again as you consider your company and your existing customer base, do you expect to realize additional revenue from your existing customers, about the same revenue from your existing customers as you currently realize or less revenue from your existing customers than you currently do?
- Additional revenue
 - About the same revenue
 - Less revenue
8. Continuing to focus on your company, please think quickly about profitability. Between today and the end of the calendar year 2008 do you expect your profits to grow substantially, grow moderately, stay about the same, decrease moderately or decrease substantially?
- Grow substantially
 - Grow moderately
 - Stay about the same
 - Decrease moderately
 - Decrease substantially
9. Businesses and the executives that direct them strive to enhance profitability in many ways. Through which of the following strategies do you plan to MOST enhance your company's profitability over the next year? Please Select One.
- Market/demand growth
 - Cost reduction
 - Price increase
 - New technology
 - Other _____
10. Please indicate which of the following are major areas of concentration for your company now and through 2008. Please check all that apply.
- | | |
|--------------------------------------------------------|--------------------------------------------------------|
| <input type="checkbox"/> Expansion of existing markets | <input type="checkbox"/> Technology innovation |
| <input type="checkbox"/> Growth in existing products | <input type="checkbox"/> Construction of new locations |
| <input type="checkbox"/> Entry into new markets | <input type="checkbox"/> Internal restructuring |
| <input type="checkbox"/> New product lines | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Acquisition of new businesses | |
11. Do you intend to invest between today through 2008 in any fixed assets for your company designed to meet growing demand, reduce costs or enhance productivity?
- Yes
 - No
 - Not sure
12. If yes, (if not yes, skip to 13) how do you expect to finance those assets?
- Internally generated funds
 - Borrow from a financial institution
 - Private equity
 - Not sure

13. Now thinking about the people that work for your company, do you intend to substantially increase, moderately increase, remain about the same or decrease your workforce between today and the end of 2008?

- Substantially increase
- Moderately increase
- Remain about the same
- Decrease

14. Now thinking about other challenges that your company faces, which of the following are you concerned with. Check all that apply.

- Existing U.S. competition
- Governmental regulation
- Taxation
- Foreign competition
- Energy costs
- Risk management
- Unanticipated economic downturn
- Global political instability
- Rising supplier costs
- Human resources
- Cash flow
- Availability of equity financing
- Ability to obtain suitable financing
- Other _____
- _____

15. Now allowing yourself to think about the coming year, what do you hope will be the three most significant accomplishments your company will record by the end of 2008?

1. _____

2. _____

3. _____

16. When describing your political views, which of the following best describes your usual position?

- Very liberal
- Slightly liberal
- Moderate
- Slightly conservative
- Very conservative