

# Managing banking relationships—your banker can be an important ally

## Management issue paper

The manager of your banking institution just phoned. She wants to know when your year-end financial statements will be ready for their annual review. As well, once again you have just learned that your account manager has been moved to another branch. Here we go again — it took two years for the last one to understand your business.

This scenario touches on the frustrations that many owners or business managers have in dealing with their bankers. For many of these entrepreneurs it is a facet of their business they would rather ignore, or at least delegate to someone else. However, the provision of adequate credit facilities, for most businesses, is a critical factor — one that cannot be ignored.

### An important ally

Far too many business owners or operators dread their bankers and consequently experience trouble in dealing with them. You should not. Your bankers are people who will listen and respond, particularly if you take a bit of time to manage the banking process.

The key to a successful banking relationship is full and frequent communication. If you spend time with your banker, this process will serve to reinforce the opinion your banker has developed about you and your business sense. It is very important to do more than meet with your banker just once a year — you have to build a relationship with him or her. Bankers are people in a people business. It's as simple as that. If you take the time to teach your banker about your business, the more comfortable he or she will become in assisting you with your financial needs. It's not the numbers that drive the business; it's the people that drive the numbers.

### How to do it better

If you manage the process effectively, the experience can be positive for you and your business. Below are a few tips to help you manage your banking relationship effectively.

- Before your next presentation to your banker, call your account manager and try to learn as much as you can about the institution's standard lending

policies, such as margin requirements on accounts receivable and inventory, suggested ratios for debt to equity comparisons, current assets to current liabilities, cash-flow levels, etc. Use your own internal numbers to calculate these ratios prior to your meeting. If your results fall outside of their suggested levels, be prepared for questions on how and when you can meet their criteria.

- Keep the communication channels alive. Remember, bankers don't like surprises. If you can see trouble ahead be sure to notify your banker as early as possible. For example, if you might be looking for additional financing soon, advise your banker early in the process rather than leaving it to the last minute.
- Make sure that you and your accounting staff are fully versed on all aspects of every account in your balance sheet and income statement. Your ability to identify and interpret your financial results will increase your banker's confidence in you and your organization.
- Be honest. You'll be surprised how well an honest approach is received no matter how bad the news. Bankers understand business, they know that things don't always go according to plan.
- Be conservative and thorough in the preparation of any business projections prepared for your banker. If you make budget or surpass it, you'll add credibility to your internal financial reporting ability.
- Know your marketplace. Bankers look for more than just financial results. The items considered "off" your balance sheet, such as your knowledge of the marketplace and your business acumen, are often as important as your financial statement results.

## Presenting results

What is the best timing for presentation of your year-end results? The earliest date possible. If you get your year-end financial statements to your banking institution soon after year-end, it will make your account manger's job easier. It will also highlight your organizational ability to deliver promptly.

Your Grant Thornton adviser can assist you with your banking relationships. He or she knows you, your business, and how to deal with the banking community. This combination again adds credibility to your organization because bankers respect the opinion of independent professionals.

Our banking system, though conservative, is one of the best in the world, and bankers genuinely want to help their customers. Banking institutions, like all businesses, know that a key to their success is successful customers. When managed properly, dealing with your banker can be a very satisfying relationship for both parties.

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