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## Balance of power

How to develop a banking relationship to build your bottom line

By Carolyn LaWell

You've probably met with your executive team and members of your staff to devise ways to weather this economic cycle on sound financial footing. But you may have forgotten to invite a key player to the table: your banker.

Whether you're seeing red or thriving during this volatile time, it's always helpful to ask for input from an outsider. Now is the time you should be thinking beyond just the products your bank offers and see your banker in the role that he or she aspires to be — your trusted adviser.

"There are many things that a financial institution can do to work with a client during a down economy," says Tory Nixon, executive vice president and president of the San Diego Division, California Bank & Trust. "We are advisers to our business clients in addition to our common duties of managing our clients' cash, providing liquidity and financing fixed assets."

Many businesses don't think to communicate with their bank on a regular basis, which means missing out on a valuable, free resource, according to industry experts. Think of your bank for ideas and solutions for efficiency, especially now when you're probably looking for answers.

To take advantage of your bank's true role as a consultant, you must start by forming and maintaining a strong relationship around trust and communication.

### Introduce yourself and your business

The first step in using your banker as an adviser is allowing time for him or her to get to know you and your business. Even if you've been partners for decades, invite your banker to your office or place of operation for a meeting.

While it's important for the bank to learn about your operations, over time, it's necessary for you to return the favor. A good relationship banker will introduce you to managers and key decision-makers in the bank, but if the introductions aren't offered, take the initiative and ask for a meeting. The more people you know at the bank, the more likely your company will become a household name, the more likely you'll know who makes the decisions and how they're made and the more likely a smooth transition will occur if your contact leaves or is promoted.

"You want to broaden your contact base within the bank and within the company," says Ken Pickle, vice president and San Diego regional commercial banking manager, Bank of the West. "You want to know your relationship manager; you want to know the manager. You want to have multiple contacts within the bank so that you may have one primary contact who coordinates the relationship, but you want to have multiple alternative contacts so that if there's a change in management or a change in relationship manager that your business is not brand new, not brand new to the bank."

Once the initial contacts are made, work to maintain those relationships with open and candid communication. Ask your banker how often he or she wants to hear from you. Is it once a month or once a quarter?

If issues arise in the meantime, don't be afraid or intimidated to call your banker. One thing all bankers will tell you is that they hate surprises — both good and bad. The more they understand your financials, strategic plan and any changes in the company's overall operations, the better they'll be able to provide products and solutions to keep you on the right track.

"If something turns drastically in a business, let your banker know," Nixon says. "Again, good frequent communication is imperative for any relationship. One of California Bank & Trust's internal mantras is 'Good news should travel fast, and bad news ... faster.' It's just a good business practice period for a bank and its clients."

### **Use your bank for regular counsel**

Like your lawyer or accountant, use your banker as a true consultant. Whether you're trying to stay afloat or even rapidly growing, your bank can help in navigating through this economic downturn and in planning for the future.

Once you've established a relationship and your banker understands your business and your industry, ask him or her to review your business plan. It's one of the best ways to utilize your bank's resources. And if you don't have a plan, create one.

Your banker has a true advantage of having a national, regional and industry-specific perspective on economics.

"One part of our underwriting and client management process is dissecting the company's past performance and financials and comparing or benchmarking them to industry averages and best-in-class companies," Nixon says. "With this said, businesses should be prepared to ask their relationship banker about these performance benchmarks. This consultative process is a real revelation for some clients and provides some areas for our clients to focus or improve upon if they so desire."

There are a number of questions about your plan that you should be able to bounce off of your banker. Are the assumptions of your business plan reasonable for the current economic environment? How does it compare with other companies in the same industry? How can the plan be improved? What type of contingency plan should be in place? And finally, what products and solutions can the bank offer to help meet your company's needs?

"Generally, in terms of questions, are the assumptions reasonable given our prior experience, and are they reasonable with the economic outlook and other companies in the industry and the competition in general?" Pickle says.

### **Take advantage of products and services**

At least once a year, you should sit down with your banker to review the products you're using. Perhaps you're paying fees for a product you rarely use or technology has advanced and greater efficiency can be had.

A relationship review with your bank can help you tackle ways to save money and save time.

"During that review, (businesses) typically discover services that they may be using or that they are being charged for that they're not using actively," Pickle says. "Some of those services can be turned off. There might be new services to improve efficiencies and reduce costs that can be turned on."

One of the main priorities right now is maximizing cash flow. Among popular products today are rapid deposit solutions, a desktop scanner that allows you to automatically deposit checks into your account.

While you might be thinking short term, ask your banker about options that will help you now and in the future. Interest rates have dropped — perhaps you can capitalize on a new loan or refinance. Discuss with your bank how long you'll need to borrow on a loan and how much money you'll need to borrow to structure a plan and lock in fixed interest rates while they're low.

But once again, banks seek to be an adviser. Some banks offer seminars and informational Web sites as additional resources to finding efficiency. And many banks, if you've maintained honest communication with them, will honor your need for them to be flexible.

"Generally, a good banking relationship is much like any other personal relationship or marriage in that it is in the tough times you see the value and the quality of the relationship," Nixon says. "Both parties need to invest time and work at the relationship for it to be prosperous in the long run."