

## Getting more from the Bank

I've been involved in some substantial financing assignments recently. These have ranged from client expansions through to rescue missions. These have reminded me of three key ingredients for successful banking relationships - proactive communication, building confidence to maximise the bank's support and leadership in the face of adversity.

### Relationship Management

Quality banking relationships are fundamental to business success. Providing timely, credible information to them should be routine. This will mean they have a constant update of your situation and outlook so quality decisions can be made for new investment or working capital changes.

Priority should be to achieve quick decisions. A regular flow of data and a relationship between the business owners and the bank manager that maximizes confidence and ensures minimal research will encourage support for funding proposals.

Low debt operations need to work harder on this than most. Bankers tend to spend less time with low debt customers. When these enterprises apply for finance there's a risk they are perceived almost as new clients who need to win the bank's confidence again.

I place heavy emphasis on stability in banking relationships. While I understand Bank staff will want to advance their careers, the turnover in some organisations is a distinct negative for the banking relationship.

### Maximising Leverage

If you are to put this effort into the relationship you should expect the best deal in return. However it is equally important to understand funding arrangements are based on more than the quality of communication.

Banks rank their lending proposals for risk and quality. If you find yourself paying higher rates it will likely be because of the bank's view of sustainability of viability, security available or your credit history.

A favourite question for me when negotiating with financiers is "who is getting a better deal than us and why?" Use the answer to set some performance targets.

Be realistic about their assessment of your proposal but maintain the pressure on the process by understanding what benchmarks need to be achieved to secure improvement. Work hard to improve the presentation of your property to increase its value to improve security values.

### Managing Tough Times

Occasionally I get invited to assist in rescue missions. These situations are a real test of character.

It's important to recognise that it is only a portion of the debt that is "too much debt". Yet those involved often behave as if **all the debt** is too much debt!

When banks engage their asset recovery personnel there is a distinct change in the nature of the relationship. Their job is to ensure a realistic view and get the best outcome of the bank. Its likely interest rates will rise to offset risk.

I work hard to get agreement on what would be a sound lending position and focus on eliminating the difference. I struggle with Bank's tendency to load interest costs on the total debt and reluctance to allow fixed interest rates. This just makes viability more difficult in what are already challenging times.

This is a situation for cool heads, straight talking and quality listening. The bank personnel involved will almost certainly not be the people who originally agreed to lend the money. They will have less focus on relationship and often bring an abrasive approach to the process. As in all banking relationships success in these situations about working very hard to communicate, being realistic, and most of all striving for the best mutual outcome.

As others have observed - the person who writes the advertisement for the bank is not the person who approves the loans or the person who asks for it back in difficult times. If you find yourself under pressure be proactive early, be realistic and get quality advice to find a smarter way.

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