

Managing your banking RELATIONSHIP

Maintaining lines of communication is essential to your success.

Every business needs an effective, supportive relationship with its key suppliers - and that includes its supplier of funding and banking services. Yet too often, banks can be viewed as remote, demanding, irrational and "fair weather" friends. It is not uncommon for highly skilled entrepreneurs and business managers to find it difficult to manage this vital relationship.

Effective management of this key supplier relationship has never been more important than it is today. The much talked about global credit crunch will at some stage have an impact on most companies in the region. In the corporate finance team here at BHP we have seen evidence of lenders becoming more selective when looking at new opportunities. That said, the banks' aggressive approach to debt funding has fuelled high prices in buy-outs and M&A transactions in recent years - debt availability in the current climate should result in a return to normality in terms of transaction pricing.

At the simplest level, failure to manage your bank effectively can cost you wasted time and perhaps irritating, unnecessary costs; at worst, withdrawal of support at a critical point in your company's development could put you out of business altogether. One way to counter this is to take time to be proactive in managing your banking relationship - your banker is likely to become someone who will listen and respond positively to you and your business needs.

The key to a successful banking relationship is frequent and open communication. Your banker will need to be educated about your business and fully understand it in order to be comfortable in being able to assist you with your financial requirements especially during these uncertain economic times.

If you do not have a strong relationship with your bank at present, now is the time to get your internal affairs in order and re-establish that relationship with your bank. As part of this, I believe the following tips will be helpful to ensure your banking relationship is a positive and profitable one for you and your business:

- **Know your own numbers inside out**

This will give your banker confidence in you and your business

- **Prepare timely and accurate monthly and annual accounts**

This will highlight your ability to deliver promptly

- **Know your wider business sector news and issues**

Bankers place great importance on your knowledge of your market place, not just your knowledge of the numbers

- **Prepare conservative and thorough projections for presentation to your bank**

Beating your own budget will add credibility to your financial reporting ability

Armed with the above, and this is the real key, maintain open communication at all times - bankers don't like surprises and if you can see trouble on the horizon be sure to notify your banker as soon as possible.

The UK banking system is experiencing unparalleled difficulties at the present time. The UK economy is beginning to struggle on the back of increased taxes, rising fuel costs and commodity prices which are contributing to a slow-down in consumer spending. Despite this backdrop of economic uncertainty the banking community will need to support its customers as any bank's success or failure is dependent on the success or failure of their customer base. Your challenge is to make your banker's job as easy as possible to provide that support by keeping him or her fully up to speed with the developments at your business.

If you are concerned about the performance of your business or the relationship with your bank, please speak to your normal BHP contact or anyone in the corporate finance team, all of whom have a vast amount of experience in dealing with the banking community. Our involvement in discussions with your bank will add credibility to your proposition and provide comfort to your bank that your professional advisor is engaged to help you achieve the best solution.



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