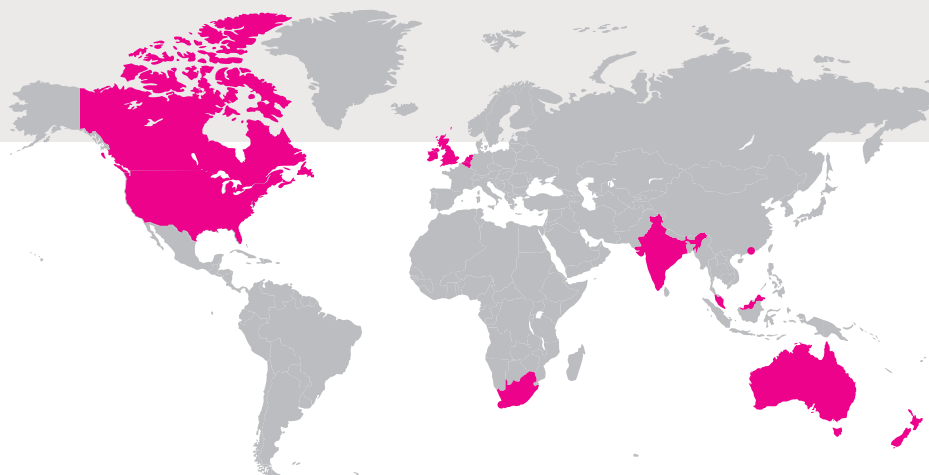




**BANKING RELATIONSHIPS  
THAT MATTER**

Improve  
your banking  
relationship

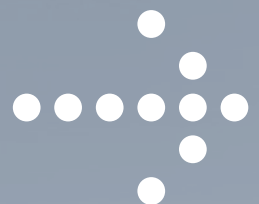






“The time to speak to your bank manager is when you don’t need them, not when you do”.

**Colin Mills, Founder, The CFO Centre Group**



# Executive Summary

Developing a strong relationship with your bank provides tremendous benefits including offering necessary funding, preferential rates and better terms. Your bank can provide expert financial advice and help you to find solutions to financial challenges. It can also help you to grow your business and reach your financial objectives.

Since your bank works with a wide variety of businesses, it can also be an excellent source of prospective vendors, partners and customers for your business.

As banks deal with SMEs in every industry, they are also an excellent source of information and advice about marketing, expansion, fraud prevention, and e-commerce. Some banks take the initiative and offer their customers business ideas and opportunities. So if you don't have a strong relationship with your bank, you're missing out in many ways that could help your business to prosper.

## Highlights

- Why you should develop a strong relationship with your bank
- How a part-time CFO will strengthen your banking relationship



# Introduction

Very few business owners appreciate the value of having a strong relationship with their bank.

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**"Many executives still view a bank as a vendor, selling money, rather than a partner, providing ideas and solutions to improve their business," says Steve Rosvold, Founder and CEO of KRM Business Solutions.<sup>1</sup>**

A recent survey of UK SMEs found that a staggering 73% have no contact with their bank relationship manager.<sup>2</sup>

The survey commissioned by cloud services provider BCSG, found that few SMEs had personal contact with their banks either face to face or via digital channels. Forty-one percent never visited a bank branch.

Too often business owners leave getting acquainted with their bank manager until their finances are in such a mess the situation is desperate. That is the worst time to approach a bank. For as Bob Hope once joked, a bank is a place that will lend you money if you can prove that you don't need it.



<sup>1</sup> 'Why Your Company Needs a Good Banking Relationship', Rosvold, Steve, KRM Business Solutions, <http://businessfinancialconsulting.com>, Feb 26, 2014

<sup>2</sup> '73% of UK SMEs have no contact with their bank relationship manager', BCSG, [www.bcsbg.com](http://www.bcsbg.com) Sep 17, 2015

# Why you should develop a strong relationship with your bank

Having a borrowing history and a solid relationship with your bank will make it easier for you to get credit.

It's important to educate the bank on your business, your strategy and your financials so that they are fully aware of your business and the vision you have for it, says banking expert, Peter Black of Snowball Consulting.<sup>3</sup>

"You need to have a good relationship with your bank," says Black. "If you treat the bank as a commodity and don't tell them anything, then when you need them most, they may not be there."

## Banks need to know:

- Who your customers are
- Who your vendors are
- What is going on in your industry.

For that to happen, you need to establish regular communication with your Bank Manager.

"Tell the bank the good and the bad news in equal measure, as and when it occurs," recommends Black. "If you have a new contract or a good story, tell the bank about it. Many don't do this."

There's more to it than regular phone calls, however. You also need to demonstrate that you have a coherent strategy and follow it, says Black. That will help to establish your credibility too.

"Continually changing the strategy or appearing to move from one to another does not give the bank confidence," says Black. "The worst situation to be in is one where the bank does not even understand your strategy."

Make sure the forecasts you provide are realistic and credible, recommends Black. "The bank will build up a history of how accurate the forecasts are that a business provides. No forecast can ever be totally accurate, but the banks see no end of forecasts showing a massive increase in profits and cash just to underpin the latest request."

Let your banker know about regulatory changes that could have an impact on your company's growth opportunities.

<sup>3</sup> 'How to get the most out of your banking relationship', Black, Peter, Forum of Private Business, [www.fpb.org](http://www.fpb.org)

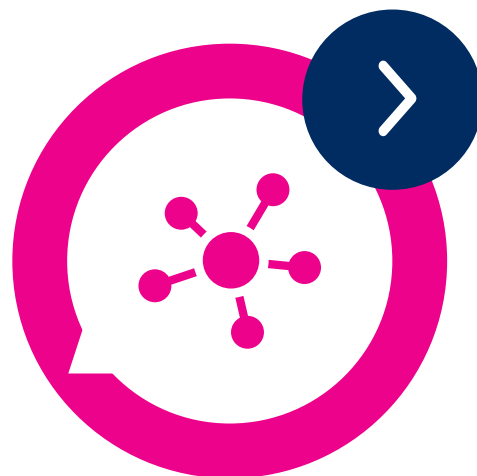
**Share your company's long-term strategy with the bank.  
Your bank may be able to provide additional resources  
to help you achieve your goals.**

Schedule regular meetings with your bank throughout the year so that he or she gets an accurate picture of your business. It will also make it more likely the bank will respond faster when needs or opportunities occur.

The stronger your relationship is with your bank, the better they will be able to understand your business when you come to them for advice and solutions to help it grow. Banks know things don't always go as planned. They want to be comfortable that they understand your ability to deal with these situations and make good decisions to improve, building a track record with them based on trust, sharing information and debate. It's astonishing how many business owners don't invest in building a track record and strong relationship with their bank.



If you don't have a good relationship with your Bank Manager, you're missing out on more than a possible future credit facility. You're missing a valuable free resource for advice and information.



At a recent event focusing on how to build a world-class finance function, CFO Centre Group CEO, Sara Daw, found only four out of 50 business owners who attended considered their bank was a strategic partner to their business. This is far too low. At The CFO Centre, we make building a strong value-adding relationship with your bank a priority.

If you don't have a good relationship with your Bank Manager, you're missing out on more than a possible future credit facility. You're missing a valuable free resource for advice and information.

Your bank can provide a regular evaluation of your business and financial strategy, as well as ideas and solutions to overcome many challenges you might face.

**Banks also offer a wide  
array of services including:**

- > Cash management tools
- > Credit card processing
- > Online and mobile banking services



**Since banks deal with SMEs in every industry, they are also an excellent source of information and advice about marketing, expansion, fraud prevention, and e-commerce.**

They can walk you through your balance sheet and explain how they perceive your finances and business. They can learn more too about where and when you're likely to need the money to grow the business.

Giving information and asking for advice helps to build trust between you and your Bank Manager. Gradually, you learn to trust their advice and they begin to trust in your ability to repay your loans.

Banks hate surprises so if your business is encountering problems, it's important to let your Bank Manager know as soon as possible. If you know that you're likely to miss payments or be late in paying vendors, let your Bank Manager know in advance so they can assess the situation and provide you with options.

This will also demonstrate to your Bank Manager that you can manage the business and also be trusted to inform the bank before the problem gets worse. Your Bank Manager might even be able to extend your line of credit or temporarily waive your fees.

Following the recession in the UK, while bank funding was tough to obtain, in the immediate wake of the recession, the situation has improved. One in six (16%) of all mid-sized businesses sought an unsecured or secured loan in the last 12 months (16%) and most (89%) had all or some of their loan approved, according to research commissioned by the government-owned British Business Bank.<sup>4</sup>

Only one in 20 (5%) were refused any part of the loan, the report 'How Medium-Sized Businesses Access Finance' says.

Among businesses who were either turned down or received a smaller loan than they had applied for, insufficient security (15%) and the business sector/trading environment being too risky (14%) were the reasons given most often. Applying for too much (8%), a weak balance sheet (8%) and complex terms (8%) were among the other reasons.

**Businesses were most likely to have sought their most recent loan from their main bank (73%) while a further 12% obtained a loan from a bank or building society they have an account with.**

Interestingly, businesses with a turnover between £10 million and £50 million were more likely than average to apply for a loan from their main bank, while companies with a turnover between £100 million and £500 million were more likely than average to apply to another bank or building society that they had no account with.

**You can increase your chances of getting a loan or credit extension by demonstrating your ability to repay, whether it is a short-term overdraft or a longer term loan. The bank will expect to see the proof so you'll need to provide the following documents:**

- > Your track record
- > Your previous results
- > A business plan (which needs to cover how the company started, your products/services; the management of the business and its plans for the future; market research undertaken to support assumptions and forecasts; and your financial requirements)
- > Your last audited accounts
- > Current and up-to-date management accounts
- > Debtor and creditor lists
- > A budget for the current/next trading year
- > A cash flow forecast

<sup>4</sup> 'How Medium-Sized Businesses Access Finance: Lessons for tomorrow's medium-sized businesses', British Business Bank, Department for Business, Innovation and Skills, [www.british-business-bank.co.uk](http://www.british-business-bank.co.uk), 2014

# How a part-time CFO will strengthen your banking relationship

The CFO Centre will provide you with a highly experienced senior CFO with 'big business experience' for a fraction of the cost of a full-time CFO. This means you will have:



- One of Australia's leading CFOs, working with you on a part-time basis
- A local support team of the highest calibre CFOs
- A national and international collaborative team of the top CFOs sharing best practice (the power of hundreds)
- Access to our national and international network of clients and partners

**With all that support and expertise at your fingertips, you will achieve better results, faster. It means you'll have more confidence and clarity when it comes to decision-making. After all, you'll have access to expert help and advice whenever you need it.**

**In particular, your part-time CFO will help you to improve your relationship with your bank. This is what happened to green bean coffee importers DRWakefield. When the global financial crisis hit, the company found its bank was asking some pretty tough questions.**

The company's Managing Director Simon Wakefield soon realised the company needed help.

"Not having enough background information, data and statistics in the format required by our bank for them to understand what we were doing, we soon realised we needed someone who could manage those and help us make those decisions," he says.

At first, he was reluctant to hire a CFO on a part-time basis.

"Part-time was something I'd never have considered before because I like to have people in-house that work with us and understand our business. It sounds simple, but when you start drilling into the way we work with multiple currencies, multiple countries, it becomes quite detailed.





Not having enough background information, data and statistics in the format required by our bank for them to understand what we were doing, we soon realised we needed someone who could manage those and help us make those decisions.

**SIMON WAKEFIELD, MANAGING DIRECTOR,  
DRWAKEFIELD**

"In my previous experiences of part-time employees, they would come, they would be freelance, they would go and it didn't work with us. However, The CFO Centre offered us something: if our first CFO didn't work out, they would quickly put in another one. If the CFO they installed didn't have the answer to some information that we needed, he was part of a bigger pool that he could get information from and bring to us."

Not only did his part-time CFO Nick Thompson help improve his relationship with the bank by bringing in a permanent in-house Management Accountant to take care of the finances but he also helped update the company's accounting software packages and credit control procedures, so that it had a far better cash flow than it did beforehand.



"In the five years Nick's been here, we've grown about 30% in numbers. He's helped bring in new software and changed our auditors so that we have a more professional auditor looking after us now. So there have been very clear targets and goals that have been achieved. From the other side, it's meant that I can sleep better."

Your part-time CFO will help you to form a highly beneficial, trusted relationship with your bank, which will pay dividends over the years as you grow your business.

He or she will take on the responsibility of the bank relationship for you so the bank becomes a valuable asset. This will free up your time to allow you to focus on building the business.

**Your part-time CFO will also save you from excessive bank charges as was the case for a West Australian company a few years ago.**

When one of our West Australian CFOs started working with the company, it was poorly organised financially and was being overcharged by its bank. Our part-time CFO was able to sort out the company's finances. This resulted in an immediate saving of \$140,000 a year in bank fees.



## Your part-time CFO will:

- Develop a relationship with key personnel at your bank.
- Share information about your business with the bank and keep the bank fully updated. The more trust that can be built the more the bank will be willing to help.
- Provide the bank with a credible business plan which takes into account previous track record including debt and cash flow history.
- Provide you with independent advice on bank products and their suitability.
- Negotiate the best deal on bank facilities.
- Provide access to senior contacts in the bank where required.
- Introduce new banking options if needed and negotiate terms.

Your part-time CFO will work hard to forge a strong relationship with your bank so that when you need access to any of the bank's services your request is treated as a priority.

What's more, your part-time CFO has many years of banking experience so can advise you on the best banking deals.

Your part-time CFO knows where to go for supplementary funding to complement your bank finance (if necessary) and how to benchmark funding deals for your peace of mind.

CFOs can skillfully communicate your needs in a way that appeals to Bank Managers. That helps to add further credibility to your credit application.

What's more, your CFO understands how banks reach their decisions and can, therefore, position your application for funding so that it has the highest chance of success.





# Conclusion

Your bank can play a significant role in your company's future growth, both in terms of providing necessary funding and strategic advice.

That will only happen if you take the necessary time and energy to foster a relationship with your Bank Manager. The benefits of doing so, however, make it one of the best investments you'll make.

Don't miss the many benefits a close relationship with your bank can bring.

Book a free call with one of our part-time CFOs now.

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