

My bank doesn't understand my business...

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Many of our clients express this sentiment about their bank, whether they have been in a long term or short term relationship. Based on discussions with friends and relatives, many business owners believe that the grass is greener at another bank because “their brother-in-law/neighbour/work-out buddy” has a better interest rate, no personal guarantee and a greater line of credit.

For several reasons, we believe that a business owner who is concerned about his or her banking relationship needs to first explore why there is an issue with the current bank before moving to another bank. It could be a lack of timely communication with the existing bank that is causing the lack of understanding of corporate needs; moving to another bank costs time and money and once the “new client acquisition” stage wears off with the new bank, the same issues may exist. Our advice is to fully explore the existing relationship before considering a move to a new banking relationship.

So, that leads to the question: How do I work with my existing bank when it doesn't understand/support/give me what I need?

Here are a few ideas that we have had success with:

- Communicate regularly with your bank and make sure your banking professionals understand your business opportunities and challenges.
- Avoid surprises. Make sure your banker is aware of any issues you may have and how these issues could impact cash flow.
- Provide detailed projections including covenant calculations to understand where you are at with your bank and demonstrate to your bank that you comprehend your covenants. Furthermore, when formulating forecasts, it is always best to under promise and over deliver. Your bank relies on you as the manager and trust will be built based upon your ability to deliver on what you forecasted.
- Make sure you have sufficient lead time to request additional financing and provide a complete professional package to your banker as if you are a new customer. This simplifies the approval process for your banker and speeds up your timeline.

The next time you want to say: “My bank doesn’t understand my business”, you need to ask yourself: Do I fully understand where my business is at, and have I properly explained my business to my banker?

Acumen guides corporations that need to enhance their banking relationships. We work to enhance reporting, aggressively optimize financing structure and provide a professional package to raise further financing.

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