

What is Your Banker's Involvement?

By Terry H. Hill

1

An important stakeholder of any business is the bank. Banks are arguably the leading source of capital for entrepreneurs. While they're reluctant to provide startup capital in the early stages, commercial lenders play a major role in helping businesses grow and expand. Your relationship with your banker is extremely important as you grow your business.

Many entrepreneurs think of their bankers as sources of capital for funding their businesses or resolving monetary issues. However, your relationship with your banker can have a huge impact on your business. Know your banker as a person and build a relationship based on trust. Get your banker involved in your business versus having him/her stand on the sidelines. Bankers are a great resource - - - so put them to work.

Your banker has an important stake in your business and a genuine interest in your progress. In order to get the most value from your banking relationship, think of your banker as more than the person who is funding your dream. Your banker can be a valuable source of information, insight and advice.

Your banker is a valuable resource because he/she understands your financial situation better than anyone--with the exception of your CPA, attorney, or [advisor](#). Meet regularly with your banker. Make sure your banker understands your business and financial goals by keeping him/her informed. Be the first to share with him/her the good, the bad, and the ugly news about your business.

Provide your banker with a steady flow of information, financial statements, and regular status reports. When your banker feels like a member of your team and when the need for a special loan or extra financing arises, he will be more receptive to your request. Your banker is usually more than willing to help you. However, banks are risk-averse and want to protect their investment in your venture. The more information they have about your business, the less risk it is for them.

In order to communicate successfully with bankers, you need to understand who they are and how they work. Bankers are financial professionals, but they are not necessarily experts in your particular business. Bankers think in terms of general business practices and finances. They evaluate you and your venture based on these merits.

Learn their language and demonstrate sound venture planning /business skills if you wish to succeed in implementing your idea and developing it into a profitable business. Banks rely primarily on financial statements, [business plans](#), etc., in making their lending decisions.

Create a current and well-designed formal business plan--it is the foundation of any successful business and is instrumental in securing funds for your business. A [formal business plan](#) is a summary of how you, the business owner, intend to organize your enterprise and implement activities that are necessary for your venture to succeed. It is a written explanation of your company's business model that explains, in detail, your product/service offerings, competitive environment, revenue projections, cash flow projections, cash expenditures, and required funding.

The foundation of your banking relationships rests on the premise that you need the banker, and the banker needs you. The banking industry is changing radically. You, as a borrower, can prosper by taking a proactive approach to your relationship with your banker. Develop it as one of your most important business alliances!

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2

If you haven't been meeting with your banker regularly, start now by trying this:

- **Pick up the telephone and call your banker.**
- **Ask him/her to lunch this week.**
- **Be prepared to discuss... the good, the bad, and the ugly about your business.**
- **Tell him the truth about the status of your business and describe the challenges that you face.**
- **Also, use this time to get to know him/her more personally.**

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