The best of friends?

There's a knack to managing relationships with your bankers whether you get on with them or not, says Graham Evans

It's hard to believe it sometimes. There you are at some prestigious sporting event, with a glass of top-notch plonk in your hand. Everyone is laughing and having a good time. You may even have just delivered a particularly witty *bon mot* that has both entertained everyone and cemented your reputation as a jolly good chap to have at these events.

Yes, it is hard to believe that they're not your friends. They're not your enemies either. Personally, they may like you a lot, but, ultimately, they're your bankers, and anything they do for you isn't an act of charity, but is in the best interests of the bank.

Of course, in many areas your interests overlap. If they can give you good service, they know you'll be happy. The guy pouring the champagne in the box at Twickenham would much rather be celebrating a mutually successful year than repairing the relationship with liberal amounts of hospitality.

It is easy to be cynical about these events. Thanks to the Bribery Act, we're a bit more wary. However, meeting your bankers and getting to know them is an important part of making the whole process work.

At least that's what I tell my wife every time the taxi pulls up and pours me out onto the doorstep.

Back to basics

But let's look at the basics on which a relationship will be built. If you are lucky enough, you may have been there at the beginning when the request for proposal (RFP) was done and the appointments were made. It almost goes without saying that it is important to get this bit right. If they don't understand what you want, and you don't understand what they can offer, then the relationship will struggle from the off. Not all banks are the same in the way they do things. That doesn't necessarily mean that some are better or worse, but each has a finite amount of investment dollars to spend each year and they don't all spend them in the same place. Do you want the bank with the fully automated statement delivery and payment-matching service or the one with the online case review tracking portal? The former might make fewer mistakes than the latter, but when it does... On the other hand, why should a bank need to develop a major system for tracking things it has done wrong?

The RFP is the basis of what you want, but it isn't a contractual document, and neither is the response (which has been written by salesmen and a specialist RFP team, probably). And it is also possible that there will be mutual misunderstandings of what you asked and what they wrote. After you've made the appointments, you'll then argue over the contracts before accepting most of their standard forms and terms and conditions. At the same time, you'll also agree a service level agreement (SLA).

The SLA is another non-contractual document. But it does represent agreed best practice. If you like, it is a method that shows you how deep the water is. It won't stop you from being flooded, though.

The turnaround times and so on will be worked out in the bank by the people who have to deliver them. It's important to shave off the added fat they've put in, but there's no point in reaching for the impossible. Why insist the phone must be answered after one ring when you know that's never going to happen? Decide what you can work with. There is no point in having a performance measure that is breached on day one. That'll just put it into disrepute.

(On a side issue here, a limit or target that is repeatedly breached will end up being ignored. It will be the target or limit that will be put into disrepute, not the breaching culprit. If you have a traffic light reporting system, it needs to be accurate, but realistic. Having everything at 'red' has less effect than having most things 'green' and one or two things 'red'.)

So, although it isn't contractual, getting the SLA right is important. It must include the

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things you think are important and that you stand a good chance of seeing delivered. If that isn't possible, then there's a good chance that either you've appointed the wrong bankers or you are focusing on the wrong things.

As part of sorting out the SLA, you will have to agree the regular performance reporting – both the 'what' and the 'when'. Many banks can give you a lot of the reporting you need through their internet portal, or your own in-house banking system may track what you want, on a daily basis. Realistically, the greatest frequency you are likely to get for full reporting is monthly; most likely it is going to be quarterly. The other issue is how soon after the period of reporting you are going to receive the report. A quarterly report issued a month after the end of a quarter is likely to be of little use.

Having agreed the service standards and the reporting frequency, you will then want to meet the bankers regularly to discuss their performance and other issues. Such meetings are great consumers of time. If you're based in the city, and your banker is, too, then you can probably arrange them fairly easily: meet up for an hour, then go on your way. If you are based in the provinces, then it becomes more of an issue. Some relationship managers like the idea of doing a grand tour, when they go up to an area and visit half-a-dozen clients or so in a week. Under those circumstances, it isn't always clear that you are the subject of their undivided attention. Of course, you may be able to judge your relative importance to them by whether they structure the trip so that you are one of the clients they take out to lunch.

Although regular meetings tend to come out top in the list of 'Ways to manage your bankers', they can sometimes be an inefficient or inappropriate use of time. If things are going well, then you have no need to meet. If something went wrong at the start of the quarter, it'll be old news by now and any reporting back on the discussions will be even further into the future. In practice, these meetings are actually the best place to discuss future plans, not past performance. And to refine the SLA to ensure it continues to remain relevant to your business.

What these meetings should never be about is springing a surprise on the banker.

In fact, the best way of handling your relationships with your banks is to ensure that there are no surprises at any stage (except for when they tell you they're slashing their fees).

Dialogue is key. Not just at the treasurer or admin manager level, but at all levels. Each level of your organisation should identify and talk to their opposite numbers. If the service you are getting isn't the service you want, tell your banker. Tell him or her now. Don't wait until the quarterly review and then tell the banker you're replacing the bank because of poor service. All that does is create work for you and perpetuate the cycle of unsatisfactory service.

Your relationship with your banker should be the equivalent of knowing the barman in your local pub. You might not get free drinks, but you'll get served first and he'll get your order right.

FIVE STEPS TO SUCCESSFUL BANK RELATIONSHIPS

1) Make sure you know what you want.
2) Make sure your banker knows what you want.
3) If you have a problem, tell them now.
4) Reporting has to be timely and relevant.
5) Nothing should ever be a surprise to either side.

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