Banking relationships

This month's Spotlight illuminates a fundamental aspect of the treasurer's role – the management of banking relationships. We live and work in a world of constant change – in the banking industry, within corporates, in customer requirements and bank services, and in the technology used to deliver them. This means that although a banking relationship can be long term it can never be static, because the dynamics underpinning it are constantly evolving.

The importance, therefore, of selecting the right banks and ensuring that they provide an effective and efficient service should not be underestimated. Appropriate and well managed banking relationships are essential for successful treasury management and, conversely, unsuitable or fragmented relationships can be a major handicap. The necessity for continuing review and management of banking relationships, in the light of the sort of changes outlined above, is emphasised in the articles in this Spotlight.

The impact of banking consolidation and its implications for bank services and relationships with corporate customers are discussed by **Pat Leavy** of FTI. He draws particular attention to the difficulties that small and medium sized companies might encounter as merged banks seek to concentrate their business with the largest corporates.

Andrew Austin of the Bank Relationship Consultancy considers how banking relationships are changing as a result of e-commerce. He gives useful advice to treasurers wishing to assess the ability of banks to deliver e-commerce solutions and warns the banks that they must be at the forefront of e-commerce if they are to survive.

The importance of understanding what motivates your banks and maintaining regular and meaningful communications with them is essential to a good relationship, advise **Richard Young** and **Christopher Steed** of Arthur Andersen Corporate Finance. The authors draw attention to the benefits of establishing good personal relations with your bankers and building an environment of trust so that shocks and surprises can be avoided.

The US perspective is provided by **Joanne Sammer** of the *International Treasurer* journal, who describes how Molex Inc. is restructuring its banking relationships around the world, moving from having *ad hoc* relationships with about 90 banks to a single bank in each of four major regions. The article notes that changing the internal culture of the company was just as important for the success of the project as managing its banking needs.

Charles Palmer of Richmond Software explains how you can use your treasury system to support the management of your banking relationships. Objective analyses of facility usage and dealing performance can form the basis for constructive discussion between bank and corporate on how to optimise the relationship.

Finally, the Bankers' Almanac provides fascinating data illustrating the scale of the restructuring of the banking industry around the world. ■

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