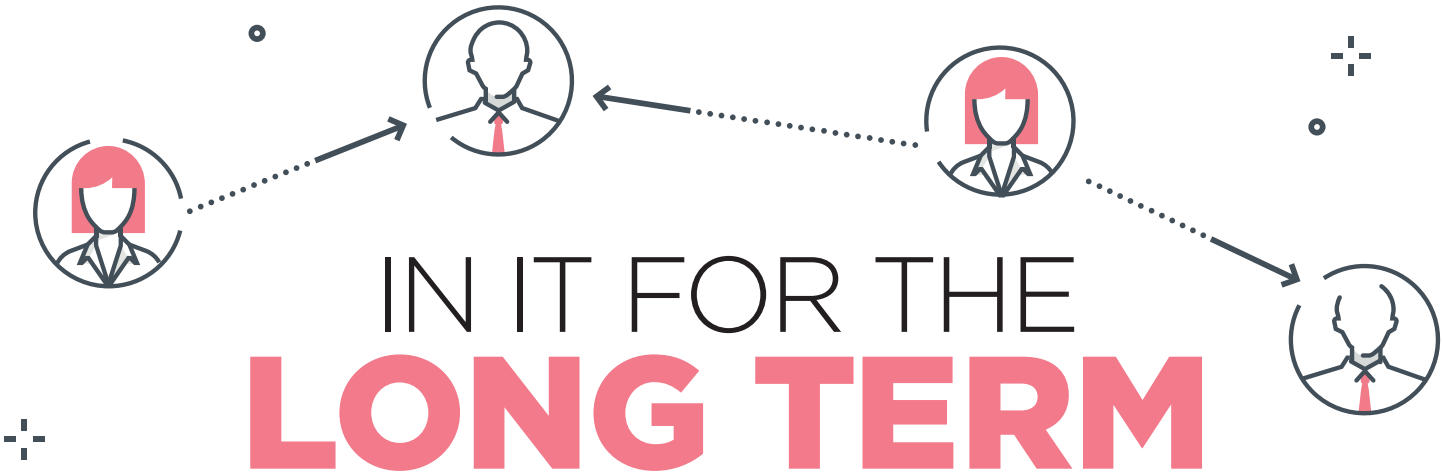

IN IT FOR THE LONG TERM

TREASURERS HAVE MUCH THEY CAN LEVERAGE WHEN IT COMES TO MANAGING BANK RELATIONSHIPS, VISHAL VIRMANI WRITES

When corporate treasurers deal with their banks, the common belief is that personal relationships are the main driver behind developing a healthy, productive connection between the two. However, the truth is that effective dialogue is the central factor to achieving transparency and honesty in dealings between both parties.

Generally, banks will focus on increasing share of wallet by expanding existing relationships and asking for ancillary business from current clients. However, treasurers seldom use this to their advantage by asking for the full range of services the bank may be able to offer. When justifying client exposure (and associated service costs) to their credit committees, relationship bankers have a responsibility to demonstrate client acceptance to use their bank for non-capital intensive products, such as cash management. Treasurers are best placed to change the relationship model by regularly providing information to their selected banks on the types of non-capital intensive services that they need.

The focus that treasurers place on selecting appropriate services, products and solutions from a range of nominated banks allows them to leverage these relationships to meet their immediate needs. However, leveraging banking relationships to provide better tools that deliver improved visibility of their cash position is often overlooked in the selection process. Both parties need to make a decision on how open and willing they are to recognise this relationship value.

The decision-making process in selecting a bank goes back to effective dialogue and in both parties accepting that the tools the bank puts forward are appropriate to the requirements.

In the Middle East, as in other regions, conversations between treasurers and their bank are often held on a local or regional basis. On the ground, banking requirements are at times dated, consisting of cheques, and in some industries, cash is still a dominant means of collection. Yet, as treasurers vie to set up best-in-class operations, how does one connect the dots to make the right selection when choosing the best bank offering?

Trusted relationships

Let's be honest, there is no 'one size fits all' approach. Treasurers can make certain subjective decisions based on the advisory ability of the people that the bank puts forward and objective decisions around the strength of the institution.

However, it is essential that when negotiating pricing or seeking credit, long-term relationship value is taken into consideration, and that it is the priority. Other criteria that need to be considered include:

- Is the bank (in its views of your market, industry or business model) aligned to me?
- How flexible is the bank in its local/regional/global decision-making process?
- Does the bank have a technology roadmap that will add value to my longer-term objectives?
- Who are my stakeholders at the bank, and do they bring the right skills and knowledge for my benefit?
- Does my bank discuss a range of solutions and/or appropriate tools, or does it only push products my way?

To improve internal decision-making processes, a number of treasurers release detailed requests for proposal or present the banks with their business plan and projections, seeking views and appetite to participate or provide solutions. An important point to note on this matter is that global banks are often reliant on HQ decisions and capability rollout plans, while regional banks may have the ability to make quick decisions that cultivate a more local relationship and deliver on treasury objectives.

Likewise, when measuring the bank's technology roadmap, it is essential to verify that it is appropriate for your specific needs – not all developments at the bank will meet a direct customer need. Effective dialogue on an ongoing basis ensures you receive candid feedback with suitable solutions that meet both your short- and long-term objectives.

Any trusted relationship is based on people. Treasurers must ensure their stakeholders at the bank understand their objectives and requirements. Direct but sincere negotiations are central to establishing transparent and honest relationships. Ultimately, treasurers can simplify the relationship model by providing more information on their requirements to their banks; banks can then focus on adding value to the customer's processes and so assist in delivering on treasury objectives.

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