# Close relationships: the benefits of giving as well as receiving

*published on 01.09.2014 by Jan Dirk van Beusekom*

Your bank, or any of your banks, should have a footprint that matches the needs of your corporation. So a bank with an ideal relationship will need to be able to act as an adviser; to provide solutions that match the requirements of your company; and to offer support in challenging times (often at short notice). But in order to do all of the above, your bank must understand your business.

Meanwhile, the treasury department needs to ensure that it oversees all of the relationships with the bank across the group. This can be relatively straightforward in tiny or centralised corporations, but in more international or decentralised organisations, local subsidiaries may use a large number of banks without treasury departments even being aware. Irrespective of the size of the bank group, there are some considerations that should be taken into account when managing the relationships with your bank:

## 1. Mutual respect and openness

- Spend time ensuring that banks understand your business as much as possible ? not only does it strengthen the relationship, but it will assist the relationship among the managers when they are having internal conversations.
- Understand your bank as much as you can, since each bank will have different strengths and weaknesses, it is important to understand their key drivers.

## 2. Clear communication

- Help your relationship manager to manage internal relationships. Hold regular meetings; these can be one-to-one, but it is also good to arrange wider debt investor meetings, which all banks in the relationship pool can attend together (for example, following public announcements such as the annual results). Debt investor meetings are a popular solution to ensure that banks get information in a timely manner and have access to senior managers (in a way that is efficient for management).
- In addition to formal meetings, other opportunities, such as factory tours or visits to sites, will help the bank to understand the business.

## 3. Monitor and report performance

- Qualitative measures will vary between organisations, but may include security of the counterparty (measured by their credit rating, credit default swaps spread and as much market awareness as possible); flexibility to respond to the needs of the organisation; the range of products offered by the bank and their relevance to the organisation; and the extent to which the bank?s footprint overlaps with the organisation.
- Implementing quantitative measures can be complicated, and many corporates don?t try to measure their relationships in this way. But identifying share of wallet can be relatively

straightforward to calculate within a treasury management system, and electronic dealing platforms can refine data related to deals won and lost ? which will help to identify any ongoing pricing issues. Arguably, bank relationships are now more important than ever to corporates, as liquidity is scarcer and banks have become more selective as their balance sheets are squeezed by increased regulation. Therefore, spending time on establishing and maintaining bank relationships is essential.

But it is worth remembering that even if you develop strong and enduring relationships, strategies may change; therefore, however strong the relationship, it is always prudent to have a fallback plan.

## Netherlands Antilles

---